

**Protection of Wages on  
Insolvency Fund Board**

*2022-23 Annual Report*

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# CHAIRMAN'S FOREWORD

I hereby present the Annual Report of the Protection of Wages on Insolvency Fund Board (the Board) covering the period from 1 April 2022 to 31 March 2023 (the year).

The number of applications received by the Protection of Wages on Insolvency Fund (the Fund) is closely related to the pulse of Hong Kong's economy. In 2022, economic activities of Hong Kong were first dampened by the fifth wave of the local epidemic and subsequently by the deteriorated external environment and tightened financial conditions. Although domestic economic activities returned to normalcy gradually in the first quarter of 2023, the Fund recorded an increase in the number of applications in the year from employees who were owed wages and other statutory entitlements due to insolvency of their employers. In the year, the Fund received a total of 3 588 applications, showing a substantial increase of 43.8% as compared to the figure of 2 496 in the preceding year. In addition, the Fund approved a total of 2 958 applications with a total payout of \$102.6 million of ex gratia payment, a slight drop of 5.3% and 3.1% respectively over the figures in the preceding year<sup>1</sup>. During the period, the Board and staff members of the Wage Security Division of the Labour Department (LD) have, through unflinching efforts and dedication, provided timely assistance to employees aggrieved by their insolvent employers through duly discharging the functions of the Fund as a safety net.

The statutory functions of the Board include administering the Fund and making recommendations to the Chief Executive with regard to the rate of business registration levy (the relevant levy is the main source of funding of the Fund). To this end, the Board has been closely monitoring the financial position of the Fund. The Fund has a surplus of \$297.9 million in the year and an accumulative surplus of \$6,968.5 million by the end of March 2023.


<sup>1</sup> Information pertaining to claims for shortfall in ex gratia payment on severance payment has been excluded.



The year of 2022 marked a significant milestone for the Board's determination to improve the protection accorded to employees and address the operational burden of employers. In the year, the Board completed the review of the scope of protection of the Fund as well as the rate of business registration levy. The new ceilings of ex gratia payment items and the new rate of business registration levy took effect from 17 June 2022. The ceiling of each ex gratia payment item is increased, including (a) arrears of wages from \$36,000 to \$80,000; (b) wages in lieu of notice from \$22,500 to \$45,000; (c) severance payment from first \$50,000 plus 50% of any excess entitlement to first \$100,000 plus 50% of any excess entitlement; and (d) pay for untaken annual leave and/or pay for untaken statutory holidays from \$10,500 to \$26,000; and the levy rate is reduced from \$250 per annum to \$150 per annum.

To strengthen the functions of the Fund as a safety net, the Board strives to shorten the time required for processing applications to the Fund. Since November 2022, the Board has engaged two private law firms to provide free legal services to assist applicants in filing bankruptcy or winding-up petitions against their employers so as to meet the pre-requisite for making ex gratia payment from the Fund to the employees. The new measure will expedite the disbursement of ex gratia payment under the Fund to employees affected by business closures. The application procedures for PWIF are estimated to be shortened by up to 12 weeks.

I would like to extend my gratitude to Board members who are representing employers as well as Board members who are representing employees for their active participation and being pragmatic and accommodating in reaching a consensus on matters related to the Board. They have put common interest of the community at heart in the process of deliberation. In the coming year, the global and local economies still face various challenges. The Board would closely watch the economic situation; monitor the payout of ex gratia payment arising from the new payment ceilings and continue to manage the Fund with balance and prudence.



In tandem with providing prompt relief to employees affected by the insolvency of their employers, we are also tasked to safeguard the Fund against any abuse. To this end, the inter-departmental Task Force comprising representatives of LD, the Commercial Crime Bureau of the Hong Kong Police Force, the Official Receiver's Office (ORO) and the Legal Aid Department (LAD) continued to spare no effort in proactively investigating and pursuing cases involving possible abuse of the Fund. The concerted actions of various government departments demonstrated to the community that any attempt to defraud the Fund would never be tolerated.

I would like to take this opportunity to express my heartfelt gratitude to all Board members for their active participation in the work of the Board. Thanks to their extensive experience and professional knowledge, members provided valuable views in administering the Fund in the past year. In face of uncertainties caused by the global economy to Hong Kong's economic outlook and a possible continuous upward trend in the number of applications, we will brace ourselves for the challenges ahead and make every endeavor to provide applicants with appropriate and timely relief. Last but not least, on behalf of the Board, I would like to extend our heartfelt appreciation to all of our working partners, including LD, LAD, ORO, the Police and the Inland Revenue Department, for sustaining their support to the Board which is indispensable in keeping the Fund in effective operation for the good of society.

**MA Ho-fai, GBS, JP**

**Chairman**

**Protection of Wages on Insolvency Fund Board**

September 2023

# MEMBERSHIP LIST OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD 2022-23

## Chairman

Mr. MA Ho-fai, GBS, JP

## Members

### Representing employees

Ms. Juan LEUNG Chung-yan, MH

Mr. CHU Hon-chung

Mr. WONG Yin-hao

### Representing employers

Mrs. Susan SO CHAN Wai-hang, SBS

Ms. Elizabeth LAW, MH, JP

Ms. WONG Caroline Ho

### 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 2022-23



## Rear row from left

### **Ms. Emily HO Wai-han**

Assistant Principal Legal Aid Counsel,  
Legal Aid Department

### **Mr. Simon LI Chi-chung, JP**

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

### **Mr. WONG Yin-hao**

Representing employees

### **Ms. Juan LEUNG Chung-yan, MH**

Representing employees

### **Mr. CHU Hon-chung**

Representing employees

### **Ms. WONG Caroline Ho**

Representing employers

### **Ms. Maureen CHAN Mei-lin**

Assistant Principal Solicitor,  
Official Receiver's Office

### **Ms. Jessie LAM Choi-ping**

Secretary

## Front row from left

### **Ms. Elizabeth LAW, MH, JP**

Representing employers

### **Mr. MA Ho-fai, GBS, JP**

Chairman

### **Mrs. Susan SO CHAN Wai-hang, SBS**

Representing employers





## 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 2023.

## PROTECTION OF WAGES ON INSOLVENCY FUND BOARD

The Ordinance provides that the Board shall consist of a chairman and not more than ten 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 business registration levy; and
- (c) to review applications upon request from applicants aggrieved by any decision of the Commissioner for Labour in respect of applications for ex gratia payment from the Fund.

## PROTECTION OF WAGES ON INSOLVENCY FUND

The Fund is mainly financed by a levy per annum on each business registration or branch registration under the Business Registration Ordinance. 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, severance payment, pay for untaken annual leave and/or pay for untaken statutory holidays 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<sup>2</sup>

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 \$80,000 (“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, paternity leave pay and sickness allowance);
- (b) wages in lieu of notice up to one month's wages or \$45,000, whichever is less;
- (c) an employee's entitlement to severance payment under the Employment Ordinance up to \$100,000 plus 50% of any entitlement in excess of \$100,000; and
- (d) pay for untaken annual leave and pay for untaken statutory holidays, including
  - (i) pay for any annual leave under the Employment Ordinance earned in the employee's last full leave year and not yet taken and, where the employee has at least three but less than 12 months' service in the last leave year, pro rata annual leave pay to which the employee is entitled upon termination of employment contract; and
  - (ii) pay for statutory holidays to which the employee is entitled within four months before his last day of service but has not yet taken. Neither (i) nor (ii), nor the total amount of them, may exceed \$26,000.

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2 With the passage of a resolution of the Legislative Council under the Ordinance on 16 June 2022, the maximum amounts of a number of ex gratia payment items under the Fund were increased, including:

- (a) arrears of wages from \$36,000 to \$80,000;
- (b) wages in lieu of notice from \$22,500 to \$45,000;
- (c) severance payment from \$50,000 plus 50% of any excess entitlement to \$100,000 plus 50% of any excess entitlement; and
- (d) pay for untaken annual leave and/or pay for untaken statutory holidays from \$10,500 to \$26,000.



## Prerequisites for making ex gratia payment from the Fund

Section 16(1) of the Ordinance stipulates the presentation of a winding-up or bankruptcy petition against the employer 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' applications 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, severance payment, pay for untaken annual leave and/or pay for untaken statutory holidays, his rights and remedies under the Companies (Winding Up and Miscellaneous Provisions) 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<sup>3</sup>

During the year 2022 - 23, 3 588 applications involving ex gratia payment of \$343.6 million applied for were received from employees. A total of 554 suspected insolvency cases were recorded. Detailed breakdown of the applications is at **Appendix I**.

Of the 554 suspected insolvency cases, 528 involved less than 20 employees per case, 17 involved 20 to 49 employees per case, four involved 50 to 99 employees per case and the remaining five involved 100 employees or more.

During the year, the food and beverage service activities was the industry recorded the largest number of applications, with 831 applications involving a total amount of \$44.8 million. This was followed by the construction industry with 610 applications and a total amount of \$46.2 million, and publishing activities with 592 applications and a total amount of \$50.2 million. These three trades accounted for 56.7% of all applications and 41.1% of the total amount applied for.

Out of the total 3 588 applications in the year, 2 644 applied for ex gratia payment on arrears of wages, 2 558 applied for payment on wages in lieu of notice, 1 258 applied for payment on severance payment and 2 365 applied for payment on pay for untaken annual leave and/or pay for untaken statutory holidays. Breakdowns of these applications are at **Appendix II**.

<sup>3</sup> Information pertaining to claims for shortfall in ex gratia payment on severance payment has been excluded.

## Applications processed<sup>4</sup>

A total of 2 958 applications were approved during the year, with payment amounting to \$102.6 million being made<sup>5</sup>. Among these applications, a total payment of \$39.3 million was made to 1 108 applications 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 III**. Among the 2 958 applications approved, 2 120 applications approved for arrears of wages, 1 919 applications approved for wages in lieu of notice, 830 applications approved for severance payment<sup>6</sup>, and 1 658 applications approved for pay for untaken annual leave and/or pay for untaken statutory holidays.

The Commissioner for Labour refused 26 applications involving a total amount of \$8.6 million, mostly for reasons such as the applicants being directors of registered companies or applications made outside the qualifying period. At the same time, 286 applications involving a total amount of \$16.1 million were withdrawn, mainly as a result of direct settlement between employees and their employers or liquidators.

**Appendices IV and V** set out the comparative figures on the Fund's performance for the past five to ten years.

## MEETINGS OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD

The Board met two 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, review of the application procedures to the Fund and the implementation of improvement measures, and the rate of business registration levy and deposit arrangement of the Fund, etc.

4 Information pertaining to claims for shortfall in ex gratia payment on severance payment has been excluded.

5 The applications approved include those received in the same year or before.

6 The amount applied for has not yet been reduced by the benefits accrued from the contributions paid to the Mandatory Provident Fund by the employer.



## FINANCIAL POSITION OF THE PROTECTION OF WAGES ON INSOLVENCY FUND

During the year, the Fund had a total income of \$462.2 million, of which \$290.9 million was levy income. The total expenditure was \$164.2 million, of which \$102.6 million was expenditure on ex gratia payment. The Fund registered a surplus of \$298.0 million as compared with a surplus of \$372.5 million in the previous financial year. As at 31 March 2023, the Fund's accumulated surplus stood at \$6,968.5 million.

A copy of the independent auditor's report and the audited financial statements for the year ended 31 March 2023 is at **Appendix VI**.

## ACTIVITIES HIGHLIGHT

### Customer Opinion Survey

The Board has, in collaboration with the Labour Department, conducted a biennial customer opinion survey from January to September 2022. Feedback from the applicants showed that they were in general satisfied with the services provided by the Labour Department. The survey findings were presented to the Board at its meeting on 11 January 2023.

## Publicity and promotion for the Fund

During the year, the Labour Department continued to carry out various activities, including organising the physical and online Employment Ordinance Exhibition. In the exhibitions, the Fund, the provisions of the Ordinance and matters relating to employees' applications for ex gratia payment from the Fund were also publicised.



The Labour Department organised physical Employment Ordinance Exhibition containing brief information about the Fund.





### 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.

The Board noted that during the year 2022-23, the court had disqualified one company responsible person involved in abuse of the Fund from being director or taking part in the promotion, formation or management of a company, with the disqualification period of five years. Apart from the above, the Labour Department adopted a multi-pronged enforcement strategy to guard against the worsening of incidents of non-payment of wages which may trigger applications for the Fund. In the same period, there were 667 convicted summonses in respect of wage offences. Of these, 157 convictions were against company directors and responsible officers.



# Appendices

# Operating results of the Protection of Wages on Insolvency Fund in 2022-23

## I. Breakdown of applications by result

(1) No. of cases received					554
(2) No. of applications					
(i) brought forward from last period					1 105
received this period					3 588
reconsidered this period					17
					4 710
(ii) processed					3 270
<i>approved</i>					2 958
<i>refused</i>					26
<i>withdrawn</i>					286
outstanding					1 414
put aside *					26
					4 710
(3) Amount of ex gratia payment (in HK\$'000) applied for	<b>Arrears of wages</b>	<b>Wages in lieu of notice</b>	<b>Severance payment</b>	<b>Pay for untaken annual leave and/ or pay for untaken statutory holidays</b>	<b>HK\$'000</b>
(i) brought forward from last period					88,761
received this period	129,320 +	74,410 +	95,999 +	43,829 =	343,558
reconsidered this period	1,225 +	327 +	224 +	97 =	1,873
					434,192
(ii) approved	50,774 +	26,507 +	15,560 +	9,776 =	102,617
screened					163,788
refused					8,647
withdrawn					16,107
outstanding					143,033
put aside * }					434,192
					1
(4) No. of applications seeking review by the Fund Board					1

## II. Presentation of petition in relation to applications approved

(1) No. of applications where a winding-up petition has been made	1 825
(2) No. of applications where a bankruptcy petition has been made	25
(3) No. of applications dealt with under S.18(1) of the Protection of Wages on Insolvency Ordinance	1 099
(4) No. of applications dealt with under S.16(1)(a)(ii) of the Protection of Wages on Insolvency Ordinance	9
	2 958

## III. Breakdown of cases received by employment size

(1) Less than 20 employees	528
(2) 20 ~ 49 employees	17
(3) 50 ~ 99 employees	4
(4) 100 or more employees	5
	554

\* Applications pending private settlement or withdrawal.

# Operating results of the Protection of Wages on Insolvency Fund in 2022-23

## IV. Breakdown of applications by industry

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applications <sup>~</sup>		Amount applied for (including wages, wages in lieu of notice, severance payment, pay for untaken annual leave and/or pay for untaken statutory holidays)
<i>Division C</i>	<i>Manufacturing</i>			
Sub-group				
10	Manufacture of food products	4	(3)	\$ 515,475.01
14	Manufacture of wearing apparel	4	(3)	\$ 1,511,628.88
18	Printing and reproduction of recorded media	3	(1)	\$ 123,089.46
20	Manufacture of chemicals and chemical products	1	(1)	\$ 4,343.57
22	Manufacture of rubber and plastics products (except furniture, toys, sports goods and stationery)	7	(3)	\$ 1,086,612.44
26	Manufacture of computer, electronic and optical products	9	(1)	\$ 1,241,048.33
28	Manufacture of machinery and equipment n.e.c.	1	(1)	\$ 159,178.07
29	Body assembly of motor vehicles	3	(1)	\$ 282,105.35
32	Other manufacturing	2	(1)	\$ 672,096.00
33	Repair and installation of machinery and equipment	3	(1)	\$ 833,610.22
<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	13	(3)	\$ 526,297.87
39	Remediation activities and other waste management services	1	(1)	\$ 20,027.12
<i>Division F</i>	<i>Construction</i>	610	(148)	\$ 46,185,931.02
<i>Division G</i>	<i>Import/export, wholesale and retail trades</i>			
Sub-group				
45	Import and export trade	104	(28)	\$ 15,699,418.56
46	Wholesale	23	(8)	\$ 3,970,158.11
47	Retail trade	100	(38)	\$ 8,449,559.42
<i>Division H</i>	<i>Transportation, storage, postal and courier services</i>			
Sub-group				
49	Land transport	20	(9)	\$ 1,365,199.52
50	Water transport	1	(0) <sup>#</sup>	\$ 48,743.10
51	Air transport	1	(0) <sup>#</sup>	\$ 269,227.00
52	Warehousing and support activities for transportation	125	(9)	\$ 17,155,107.37
53	Postal and courier activities	27	(3)	\$ 3,302,894.55

<sup>~</sup> Figures in brackets denote the number of suspected insolvency cases received in the year.  
<sup>#</sup> All were late applications of case(s) received in preceding year(s).

# Operating results of the Protection of Wages on Insolvency Fund in 2022-23

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applications <sup>~</sup>		Amount applied for (including wages, wages in lieu of notice, severance payment, pay for untaken annual leave and/or pay for untaken statutory holidays)
<i>Division I</i>	<i>Accommodation and food service activities</i>			
Sub-group				
55	Short term accommodation activities	4	(2)	\$ 112,923.38
56	Food and beverage service activities	831	(110)	\$ 44,825,057.87
<i>Division J</i>	<i>Information and communications</i>			
Sub-group				
58	Publishing activities	592	(2)	\$ 50,152,158.84
59	Motion picture, video and television programme production, sound recording and music publishing activities	2	(1)	\$ 217,593.66
60	Programming and broadcasting activities	36	(3)	\$ 3,409,425.31
61	Telecommunications	3	(1)	\$ 1,062,310.55
62	Information technology service activities	95	(11)	\$ 15,462,302.66
63	Information service activities	32	(4)	\$ 5,667,480.29
<i>Division K</i>	<i>Financial and insurance activities</i>			
Sub-group				
64	Financial service activities (except insurance and pension funding)	81	(24)	\$ 19,657,090.61
65	Insurance	49	(2)	\$ 9,204,392.67
66	Activities auxiliary to financial service and insurance activities	2	(2)	\$ 630,079.90
<i>Division L</i>	<i>Real estate activities</i>	12	(5)	\$ 1,195,039.83
<i>Division M</i>	<i>Professional, scientific and technical activities</i>			
Sub-group				
69	Legal and accounting activities	9	(2)	\$ 2,303,691.49
70	Activities of head offices; management and management consultancy activities	3	(2)	\$ 1,597,593.92
71	Architecture and engineering activities, technical testing and analysis	12	(4)	\$ 1,937,649.41
72	Scientific research and development	4	(3)	\$ 450,044.41
74	Advertising and market research	20	(5)	\$ 2,089,895.79
75	Other professional, scientific and technical activities	2	(1)	\$ 134,361.34

<sup>~</sup> Figures in brackets denote the number of suspected insolvency cases received in the year.

# Operating results of the Protection of Wages on Insolvency Fund in 2022-23

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applications <sup>~</sup>		Amount applied for (including wages, wages in lieu of notice, severance payment, pay for untaken annual leave and/or pay for untaken statutory holidays)
<i>Division N</i>	<i>Administrative and support service activities</i>			
Sub-group				
77	Rental and leasing activities	11	(2)	\$ 1,039,546.11
78	Employment activities	10	(4)	\$ 502,952.70
79	Travel agency, reservation service and related activities	285	(9)	\$ 45,673,141.67
80	Security and investigation activities	1	(1)	\$ 2,662.50
81	Services to buildings and landscape care activities	5	(2)	\$ 476,096.68
82	Office administrative, office support and other business support activities	22	(8)	\$ 2,713,584.65
<i>Division O</i>	<i>Public administration</i>	3	(1)	\$ 64,910.40
<i>Division P</i>	<i>Education</i>	18	(6)	\$ 2,818,081.42
<i>Division Q</i>	<i>Human health and social work activities</i>			
Sub-group				
86	Human health activities	154	(6)	\$ 4,683,402.38
87	Residential care activities	2	(1)	\$ 28,927.20
<i>Division R</i>	<i>Arts, entertainment and recreation</i>			
Sub-group				
93	Sports and other entertainment activities	47	(12)	\$ 5,171,360.85
<i>Division S</i>	<i>Other service activities</i>			
Sub-group				
94	Activities of membership organisations	3	(2)	\$ 291,286.39
95	Repair of motor vehicles, motorcycles, computers, personal and household goods	2	(1)	\$ 557,949.00
96	Other personal service activities	150	(29)	\$ 15,265,868.47
<i>Division T</i>	<i>Work activities within domestic households</i>			
Sub-group				
97	Activities of households as employers of domestic personnel	21	(21)	\$ 470,919.47
98	Goods- and services-producing activities of private households for own use	3	(2)	\$ 266,589.43
Total :		3 588	( 554)	\$ 343,558,122.22

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Figures in brackets denote the number of suspected insolvency cases received in the year.

# Breakdown of applications for ex gratia payment received in 2022-23

## I. Arrears of wages

### A. By amount (including overtime pay and items that could be deemed to be wages)

Amount	No. of applications	Percentage
Not applied for	944	26.31
\$8,000 <sup>^</sup> or less	310	8.64
\$8,001 - \$18,000	508	14.16
\$18,001 - \$36,000 <sup>+</sup>	814	22.69
\$36,001 - \$50,000	357	9.95
\$50,001 - \$60,000	161	4.49
\$60,001 - \$70,000	97	2.70
\$70,001 - \$80,000 <sup>+</sup>	65	1.81
\$80,001 - \$90,000	52	1.45
More than \$90,000	280	7.80
Total :	<u>3 588</u>	<u>100.00</u>

### B. By period of outstanding wages (excluding overtime pay and items that could be deemed to be wages)

Period	No. of applications	Percentage
Not applied for	1 047 <sup>*</sup>	29.18
Half month or less	295	8.22
More than 1/2 month to 1 month	1 115	31.08
More than 1 month to 2 months	629	17.53
More than 2 months to 3 months	192	5.35
More than 3 months to 4 months <sup>+</sup>	101	2.81
More than 4 months	209	5.83
Total :	<u>3 588</u>	<u>100.00</u>

<sup>^</sup> Preferential limit under the Companies (Winding Up and Miscellaneous Provisions) 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.

<sup>+</sup> Maximum limit of ex gratia payment on arrears of wages under the Protection of Wages on Insolvency Ordinance, i.e. not exceeding \$36,000 (for the liability for payment arose on or before 16 June 2022) / not exceeding \$80,000 (for the liability for payment arose on or after 17 June 2022) or four months' wages, whichever is less.

<sup>\*</sup> Including 103 applications only applied for overtime pay and/or items that could be deemed to be wages.

# Breakdown of applications for ex gratia payment received in 2022-23

## II. Wages in lieu of notice

### A. By amount

Amount	No. of applications	Percentage
Not applied for	1 030	28.71
\$2,000 † or less	22	0.61
\$2,001 - \$6,000	369	10.28
\$6,001 - \$22,500 ‡	1 213	33.81
\$22,501 - \$30,000	389	10.84
\$30,001 - \$35,000	154	4.29
\$35,001 - \$40,000	100	2.79
\$40,001 - \$45,000 ‡	59	1.64
\$45,001 - \$50,000	40	1.12
More than \$50,000	212	5.91
<b>Total :</b>	<b>3 588</b>	<b>100.00</b>

### B. By notice period

Notice period	No. of applications	Percentage
Not applied for	1 030	28.71
1 day - 7 days	538	14.99
8 days - 14 days	43	1.20
15 days	2	0.06
16 days - less than 1 month	61	1.70
1 month † ‡	1 761	49.08
More than 1 month	153	4.26
<b>Total :</b>	<b>3 588</b>	<b>100.00</b>

† Preferential limit under the Companies (Winding Up and Miscellaneous Provisions) 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 limit of ex gratia payment on wages in lieu of notice under the Protection of Wages on Insolvency Ordinance, i.e. not exceeding \$22,500 (for the liability for payment arose on or before 16 June 2022) / not exceeding \$45,000 (for the liability for payment arose on or after 17 June 2022) or one month's wages, whichever is less.



# Breakdown of applications for ex gratia payment received in 2022-23

## III. Severance payment<sup>‡</sup>

(excluding claims for shortfall in ex gratia payment on severance payment)

### A. By amount

Amount	No. of applications	Percentage
Not applied for	2 330	64.94
\$8,000 <sup>♦</sup> or less	132	3.68
\$8,001 - \$24,000	198	5.52
\$24,001 - \$36,000	168	4.68
\$36,001 - \$50,000	164	4.57
\$50,001 - \$100,000	297	8.28
\$100,001 - \$150,000	126	3.51
\$150,001 - \$200,000	61	1.70
\$200,001 - \$245,000	36	1.00
\$245,001 - \$300,000	20	0.56
\$300,001 - \$350,000	23	0.64
\$350,001 - \$390,000	33	0.92
More than \$390,000	0	0.00
<b>Total :</b>	<b>3 588</b>	<b>100.00</b>

### B. By length of service

Length of service	No. of applications	Percentage
Not applied for or less than 2 years' service	2 334 <sup>∞</sup>	65.05
2 years - less than 5 years	624	17.39
5 years - less than 6 years	123	3.43
6 years - less than 7 years	61	1.70
7 years - less than 8 years	74	2.06
8 years - less than 9 years	42	1.17
9 years - less than 10 years	34	0.95
10 years - less than 15 years	134	3.73
15 years - less than 20 years	48	1.34
20 years - less than 25 years	54	1.51
25 years - less than 30 years	34	0.95
30 years - less than 35 years	17	0.47
35 years - less than 39 years	5	0.14
39 years - less than 41 years	1	0.03
41 years - less than 43 years	3	0.08
43 years and over	0	0.00
<b>Total :</b>	<b>3 588</b>	<b>100.00</b>

<sup>‡</sup> The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund on severance payment is \$220,000 (for the liability for payment arose on or before 16 June 2022) / \$245,000 (for the liability for payment arose on or after 17 June 2022).

<sup>♦</sup> Preferential limit under the Companies (Winding Up and Miscellaneous Provisions) 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.

<sup>∞</sup> Including 4 applications with less than 2 years of service.

# Breakdown of applications for ex gratia payment received in 2022-23

## IV. Pay for untaken annual leave and/or pay for untaken statutory holidays

### A. By amount

Amount	No. of applications	Percentage
Not applied for	1 223	34.09
\$2,000 or less	234	6.52
\$2,001 - \$5,000	438	12.21
\$5,001 - \$10,500 *	524	14.60
\$10,501 - \$15,500	312	8.70
\$15,501 - \$20,000	212	5.91
\$20,001 - \$26,000 *	195	5.43
\$26,001 - \$30,000	85	2.37
More than \$30,000	365	10.17
Total :	<u>3 588</u>	<u>100.00</u>

### B. By leave year of pay for untaken annual leave

Leave year	No. of applications	Percentage
Not applied for	1 259	35.09
1 year or less	1 024	28.54
More than 1 year to less than 2 years *	720	20.07
2 years or above	585	16.30
Total :	<u>3 588</u>	<u>100.00</u>

### C. By period involved in pay for untaken statutory holidays

Period	No. of applications	Percentage
Not applied for	3 020	84.17
2 months or less	184	5.13
More than 2 months to 4 months *	64	1.78
More than 4 months	320	8.92
Total :	<u>3 588</u>	<u>100.00</u>

\* Maximum limit of ex gratia payment on pay for untaken annual leave and/or pay for untaken statutory holidays under the Protection of Wages on Insolvency Ordinance, i.e. pay for untaken annual leave not exceeding that accrued in the last two leave years and/or pay for untaken statutory holidays in the last 4 months, with the total maximum amount at \$10,500 (for the liability for payment arose on or before 16 June 2022) / at \$26,000 (for the liability for payment arose on or after 17 June 2022).

# Analysis of ex gratia payment approved in 2022-23

## I. Arrears of wages

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

### By amount

Amount	No. of applications	Percentage
Not applied for/Not approved	838	28.33
\$8,000 or less	324	10.95
\$8,001 - \$18,000	520	17.58
\$18,001 - \$36,000 <sup>‡</sup>	1 170	39.55
\$36,001 - \$50,000	30	1.01
\$50,001 - \$60,000	23	0.78
\$60,001 - \$70,000	9	0.31
\$70,001 - \$80,000 <sup>‡</sup>	44	1.49
Total :	2 958	100.00

## II. Wages in lieu of notice

### By amount

Amount	No. of applications	Percentage
Not applied for/Not approved	1 039	35.13
\$2,000 or less	43	1.46
\$2,001 - \$6,000	468	15.82
\$6,001 - \$22,500 <sup>†</sup>	1 330	44.96
\$22,501 - \$30,000	33	1.12
\$30,001 - \$35,000	9	0.30
\$35,001 - \$40,000	9	0.30
\$40,001 - \$45,000 <sup>†</sup>	27	0.91
Total :	2 958	100.00

<sup>‡</sup> The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund on arrears of wages is \$36,000 (for the liability for payment arose on or before 16 June 2022) / \$80,000 (for the liability for payment arose on or after 17 June 2022).

<sup>†</sup> The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund on wages in lieu of notice is \$22,500 (for the liability for payment arose on or before 16 June 2022) / \$45,000 (for the liability for payment arose on or after 17 June 2022).

# Analysis of ex gratia payment approved in 2022-23

## III. Severance payment <sup>☆</sup>

(excluding claims for shortfall in ex gratia payment on severance payment)

### By amount

Amount	No. of applications	Percentage
Not applied for/Not approved	2 128	71.94
\$8,000 or less	297	10.04
\$8,001 - \$24,000	330	11.16
\$24,001 - \$36,000	85	2.87
\$36,001 - \$50,000	55	1.86
\$50,001 - \$100,000	51	1.72
\$100,001 - \$150,000	12	0.41
\$150,001 - \$200,000	0	0.00
\$200,001 - \$245,000	0	0.00
Total :	<u>2 958</u>	<u>100.00</u>

## IV. Pay for untaken annual leave and/or pay for untaken statutory holidays

### By amount

Amount	No. of applications	Percentage
Not applied for/Not approved	1 300	43.95
\$2,000 or less	323	10.92
\$2,001 - \$5,000	505	17.07
\$5,001 - \$10,500 <sup>‡</sup>	777	26.27
\$10,501 - \$15,500	23	0.78
\$15,501 - \$20,000	14	0.47
\$20,001 - \$26,000 <sup>‡</sup>	16	0.54
Total :	<u>2 958</u>	<u>100.00</u>

<sup>☆</sup> The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund on severance payment is \$220,000 (for the liability for payment arose on or before 16 June 2022) / \$245,000 (for the liability for payment arose on or after 17 June 2022).

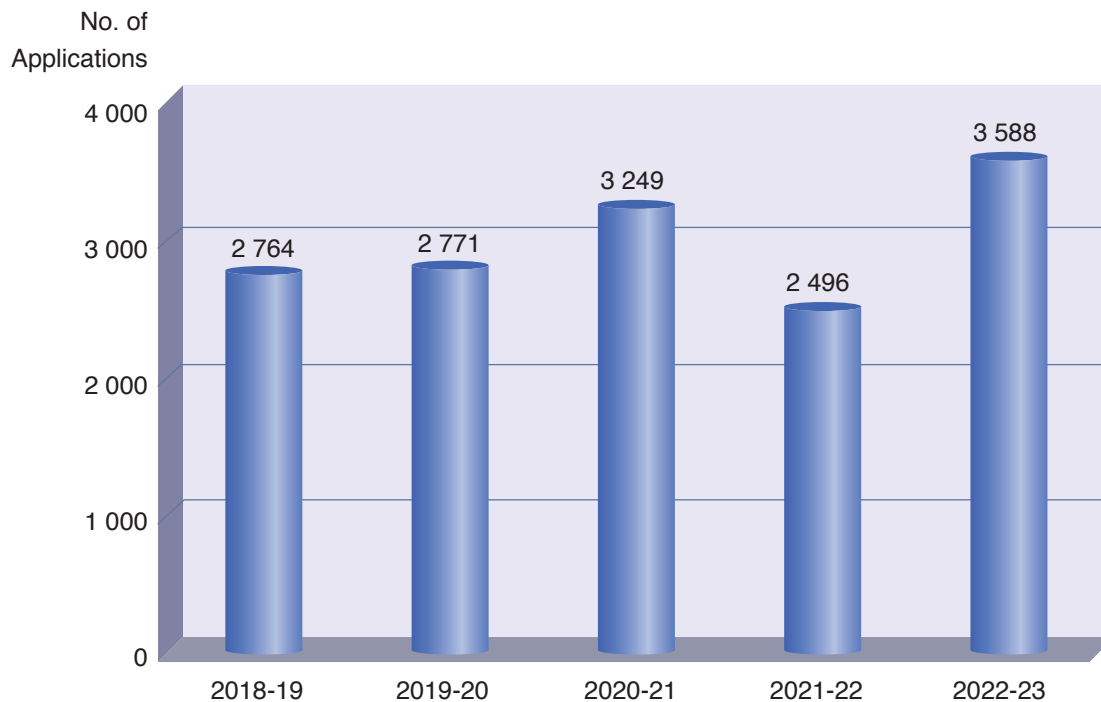
<sup>‡</sup> The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund on pay for untaken annual leave and/or pay for untaken statutory holidays is \$10,500 (for the liability for payment arose on or before 16 June 2022) / \$26,000 (for the liability for payment arose on or after 17 June 2022).

# Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2018-19 to 2022-23

## Figure 1

### Number of applications received by the Fund from 2018-19 to 2022-23

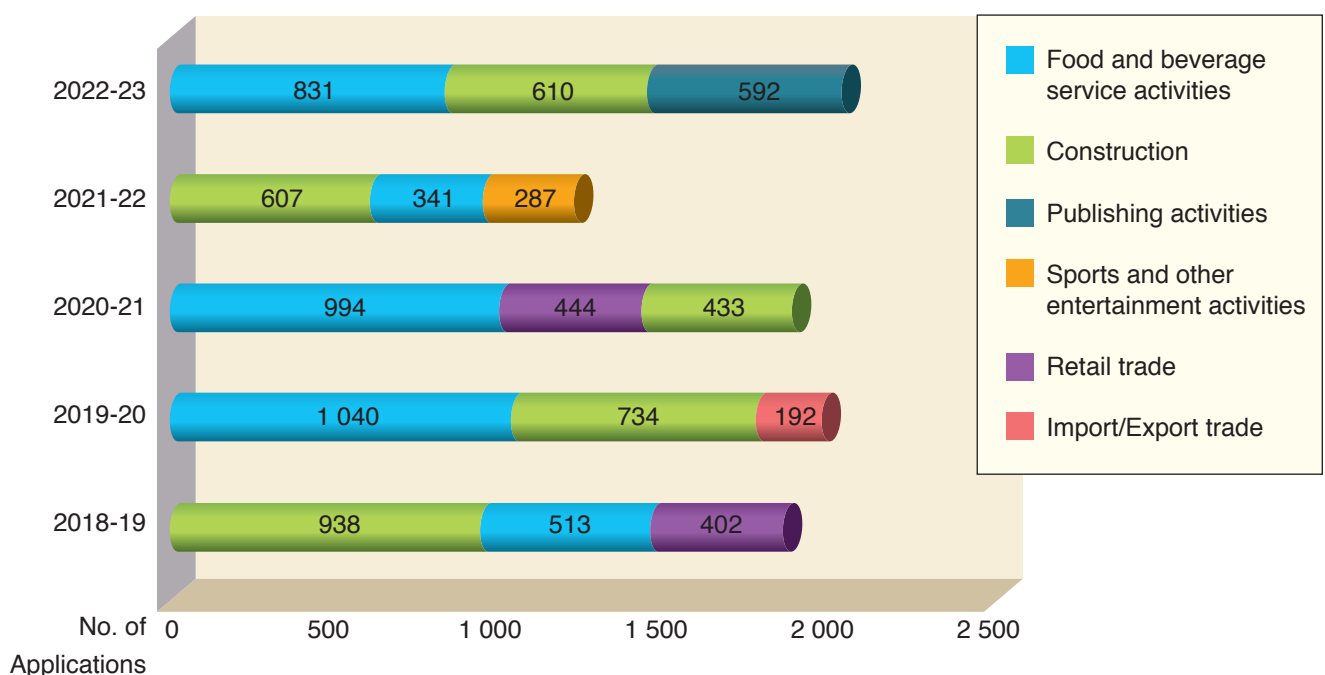
(excluding claims for shortfall in ex gratia payment on severance payment)



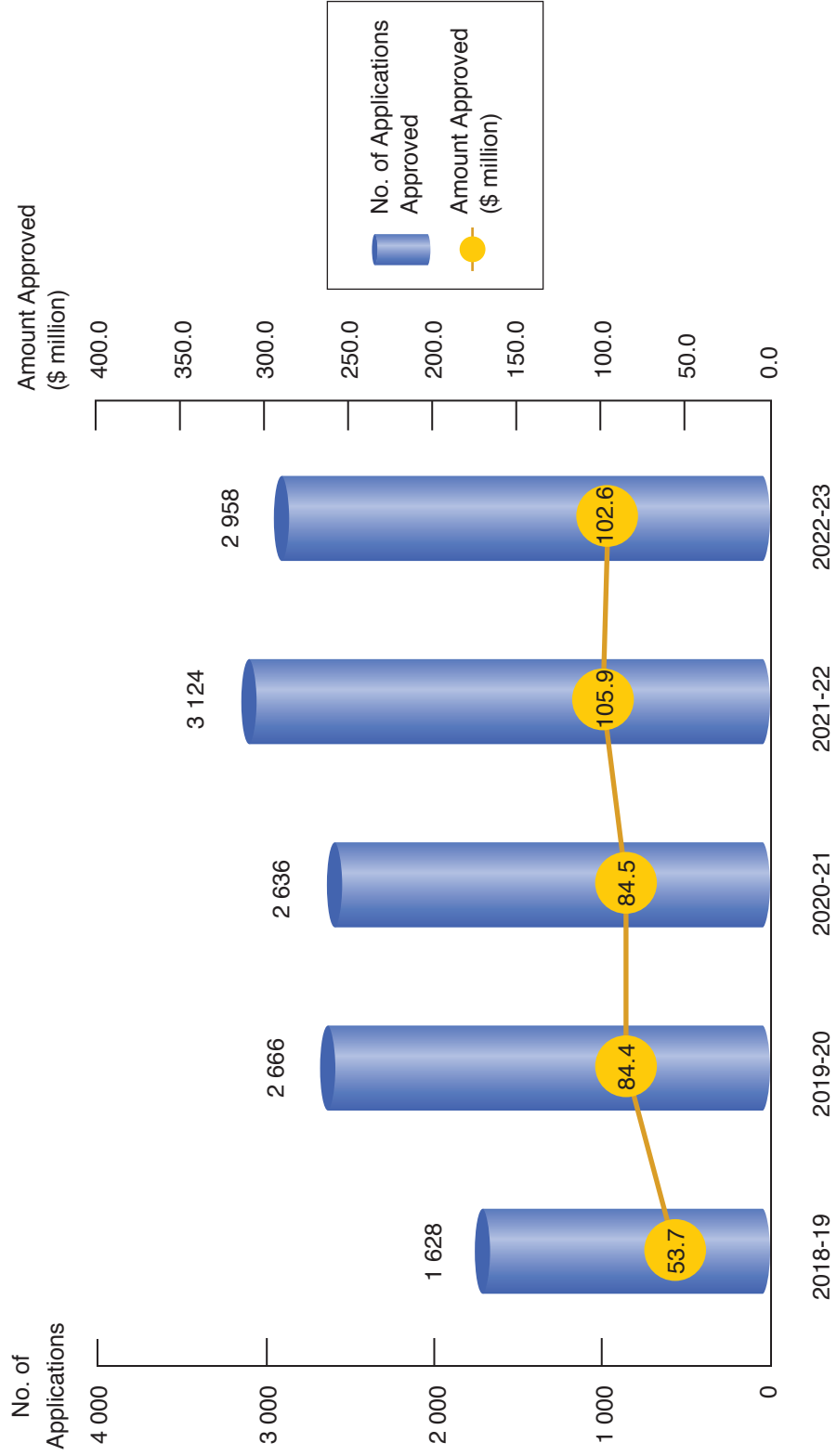
## Figure 2

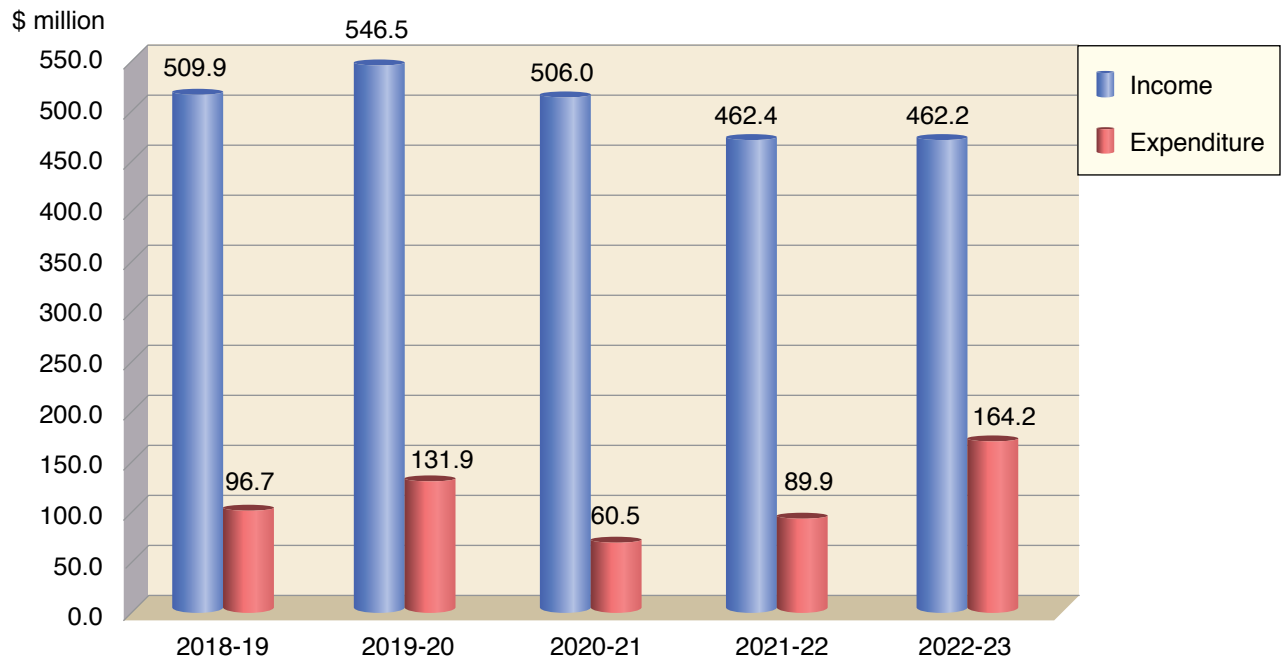
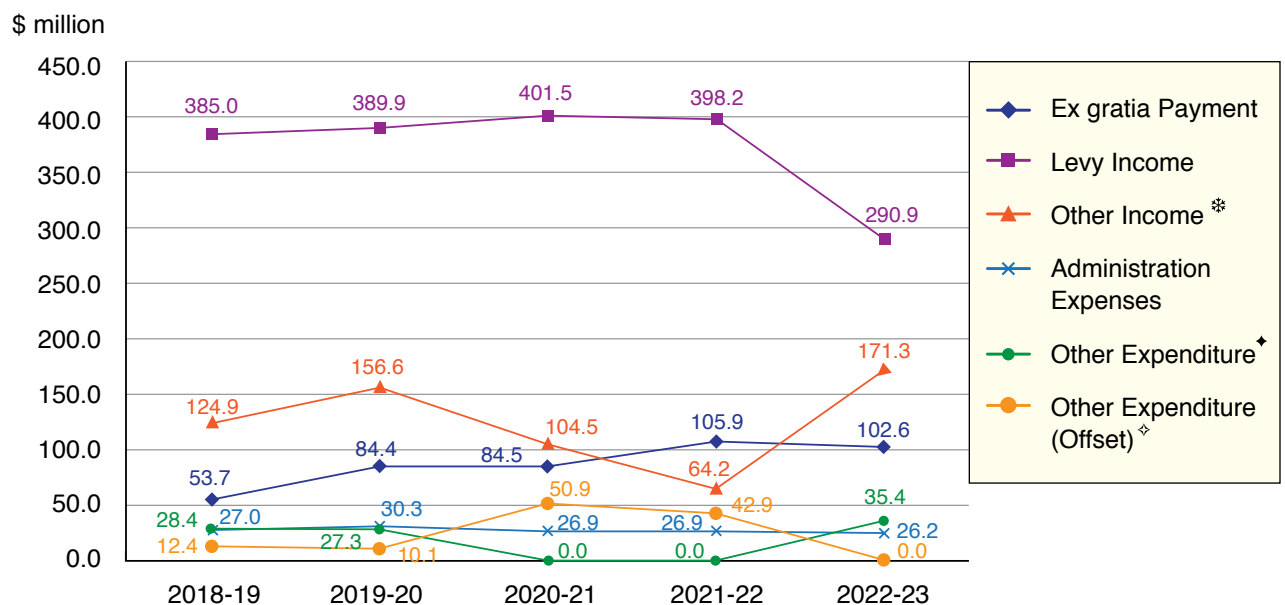
### First three industries with the largest number of applications received from 2018-19 to 2022-23

(excluding claims for shortfall in ex gratia payment on severance payment)



**Figure 3**  
**Number of applications and amount of ex gratia payment approved from 2018-19 to 2022-23**  
 (excluding claims for shortfall in ex gratia payment on severance payment)



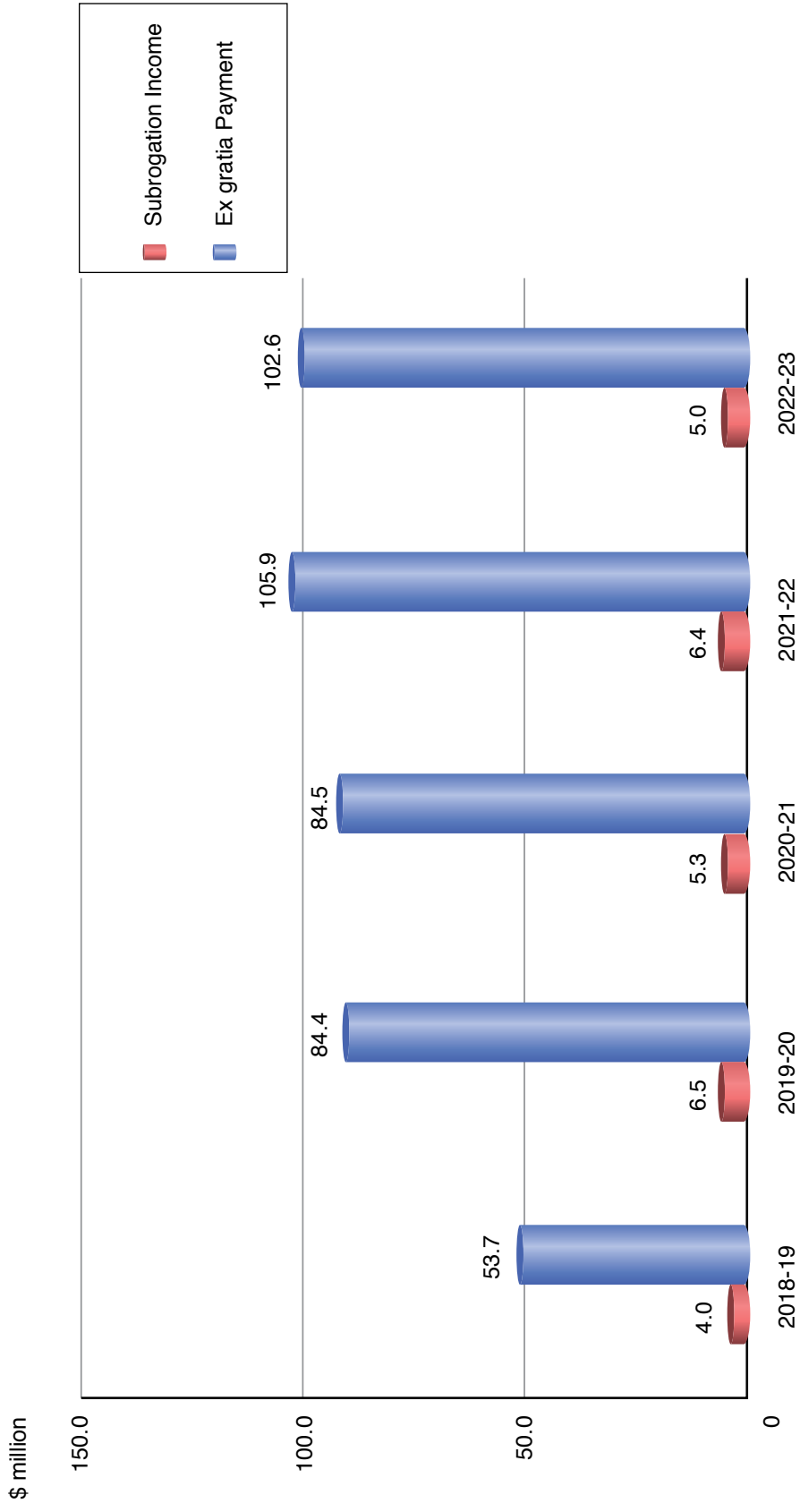
**Figure 4****Total income and expenditure of the Fund from 2018-19 to 2022-23****Figure 5****Breakdown of income and expenditure of the Fund from 2018-19 to 2022-23**

\* Bank deposit interests and money recovered through subrogation

† Provision for potential claims for ex gratia payments and foreign exchange differences (loss)

‡ Reversal of provision for potential claims for ex gratia payments and foreign exchange differences (gain)

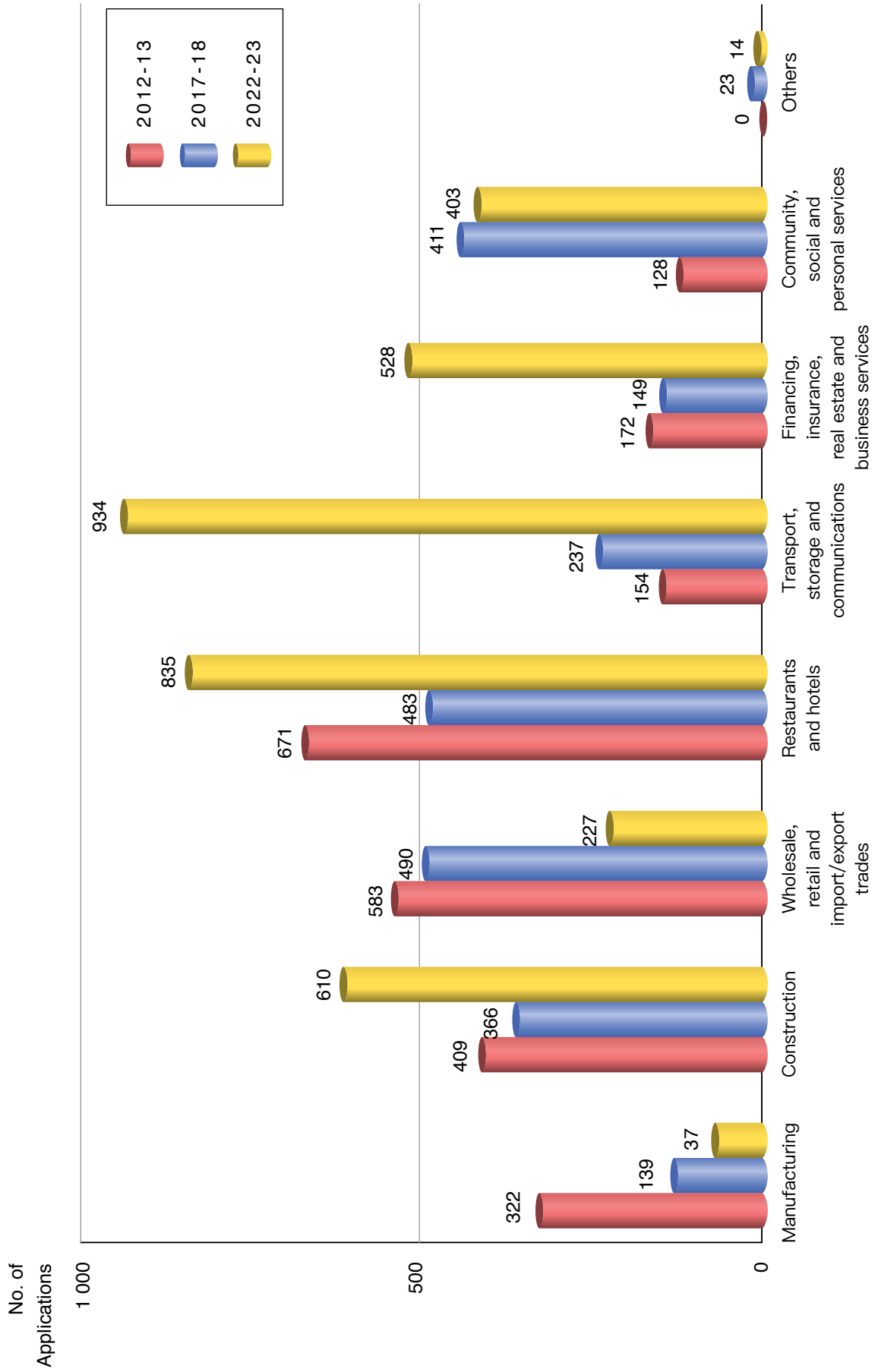
**Figure 6**  
**Subrogation income and ex gratia payment of the Fund from 2018-19 to 2022-23**





## Analysis of applications received by economic sector in 2012-13, 2017-18 and 2022-23

(excluding claims for shortfall in ex gratia payment on severance payment)





Independent Auditor's Report and Audited Financial Statements

PROTECTION OF WAGES ON INSOLVENCY FUND

31 March 2023



# PROTECTION OF WAGES ON INSOLVENCY FUND

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Statement of changes in funds and reserves	6
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Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## **Independent auditor's report**

### **To members of the Protection of Wages on Insolvency Fund Board**

(Established under the Protection of Wages on Insolvency Ordinance)

#### **Opinion**

We have audited the financial statements of the Protection of Wages on Insolvency Fund (the "Fund") set out on pages 4 to 25, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2023, and of its financial performance and its 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 financial statements* section of our report. We are independent of the Fund 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.

#### **Information other than the financial statements and auditor's report thereon**

The Protection of Wages on Insolvency Fund Board (the "Board") is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

**Independent auditor's report (continued)**  
**To members of the Protection of Wages on Insolvency Fund Board**  
(Established under the Protection of Wages on Insolvency Ordinance)

**Responsibilities of the Board for the financial statements**

The Board is responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the Board is responsible for assessing the Fund'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 Board either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board'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 Fund'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 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 Fund to cease to continue as a going concern.

**Independent auditor's report (continued)**  
**To members of the Protection of Wages on Insolvency Fund Board**  
(Established under the Protection of Wages on Insolvency Ordinance)

**Auditor's responsibilities for the audit of the financial statements (continued)**

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

We communicate with the Board 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.



Certified Public Accountants  
Hong Kong  
23 August 2023

## PROTECTION OF WAGES ON INSOLVENCY FUND

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	2023 HK\$	2022 HK\$
INCOME	3	462,159,120	462,446,670
EXPENDITURE			
Ex gratia payments	4	102,617,087	105,937,013
Supervision fee	5	24,136,205	25,516,587
Reversal of provision for potential claims for ex gratia payments	13	-	( 24,092,441)
Legal and professional fee		425,029	-
Auditor's remuneration		121,000	117,000
Rates and building management charges		353,278	352,818
Insurance		8,068	5,725
Printing and stationery		37,500	67,800
Foreign exchange differences		35,387,040	( 18,895,488)
Finance cost	7	15,344	47,483
Depreciation	11	633,941	627,547
Miscellaneous expenses		491,233	206,143
TOTAL EXPENDITURE		<u>164,225,725</u>	<u>89,890,187</u>
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	<u>297,933,395</u>	<u>372,556,483</u>



PROTECTION OF WAGES ON INSOLVENCY FUND


STATEMENT OF FINANCIAL POSITION

31 March 2023

	Notes	2023 HK\$	2022 HK\$
<b>NON-CURRENT ASSETS</b>			
Property	10	-	-
Right-of-use asset	11	937,985	292,855
Total non-current assets		<u>937,985</u>	<u>292,855</u>
<b>CURRENT ASSETS</b>			
Levies receivable		26,920,300	41,492,850
Interest receivables		50,801,881	9,371,005
Sundry deposits		200,918	204,512
Prepayment		63,040	-
Time deposits	12	6,916,345,946	6,646,700,962
Cash at banks	12	3,513,684	3,314,735
Total current assets		<u>6,997,845,769</u>	<u>6,701,084,064</u>
<b>CURRENT LIABILITIES</b>			
Approved applications payable		4,034,286	4,010,774
Accrued operation expenses		251,496	117,000
Accrued supervision fee	5	25,000,000	26,400,000
Lease liability	11	642,057	306,816
Other payable		69,169	-
Total current liabilities		<u>29,997,008</u>	<u>30,834,590</u>
NET CURRENT ASSETS		<u>6,967,848,761</u>	<u>6,670,249,474</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,968,786,746</u>	<u>6,670,542,329</u>
<b>NON-CURRENT LIABILITY</b>			
Lease liability	11	<u>311,022</u>	<u>-</u>
Net assets		<u>6,968,475,724</u>	<u>6,670,542,329</u>
<b>FINANCED BY:</b>			
Accumulated surplus		6,951,936,937	6,654,003,542
General reserves	14	<u>16,538,787</u>	<u>16,538,787</u>
Total accumulated funds and reserves		<u>6,968,475,724</u>	<u>6,670,542,329</u>



Mr. MA Ho-fai, GBS, JP  
Chairman



Ms. Juan LEUNG Chung-yah, MH  
Board Member

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CHANGES IN FUNDS AND RESERVES

Year ended 31 March 2023

	Accumulated surplus HK\$	General reserves HK\$	Total accumulated funds and reserves HK\$
At 1 April 2021	6,281,447,059	16,538,787	6,297,985,846
Surplus and total comprehensive income for the year	<u>372,556,483</u>	<u>-</u>	<u>372,556,483</u>
At 31 March 2022 and at 1 April 2022	6,654,003,542	16,538,787	6,670,542,329
Surplus and total comprehensive income for the year	<u>297,933,395</u>	<u>-</u>	<u>297,933,395</u>
At 31 March 2023	<u><u>6,951,936,937</u></u>	<u><u>16,538,787</u></u>	<u><u>6,968,475,724</u></u>

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Notes	2023 HK\$	2022 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		297,933,395	372,556,483
Adjustments for:			
Bank interest income	3	( 166,317,151)	( 57,890,592)
Finance cost	7	15,344	47,483
Depreciation charge of right-of-use asset	11	633,941	627,547
Reversal of provision for potential claims for ex gratia payments	13	-	( 24,092,441)
		132,265,529	291,248,480
Decrease in levies receivable		14,572,550	1,294,000
Decrease in sundry deposits		3,594	-
(Increase)/decrease in a prepayment		( 63,040)	28,764
Increase/(decrease) in approved applications payable		23,512	( 251,203)
Increase in accrued operation expenses		134,496	4,000
(Decrease)/increase in accrued supervision fee		( 1,400,000)	160,000
Increase in other payable		69,169	-
		145,605,810	292,484,041
Cash generated from operations		( 15,344)	( 47,483)
Interest paid			
Net cash flows generated from operating activities		145,590,466	292,436,558
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		124,886,275	79,790,580
(Increase)/decrease in time deposits with original maturity over three months		( 670,345,946)	92,476,152
Net cash flows generated (used in)/from investing activities		( 545,459,671)	172,266,732
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>			
Principal portion of lease payments	15	( 632,808)	( 642,853)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		( 400,502,013)	464,060,437
Cash and cash equivalents at beginning of year		1,106,015,697	641,955,260
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>705,513,684</u>	<u>1,106,015,697</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2023

	Notes	2023 HK\$	2022 HK\$
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances	12	3,513,684	3,314,735
Time deposits with original maturity of three months or less when acquired	12	<u>702,000,000</u>	<u>1,102,700,962</u>
Cash and cash equivalents as stated in the statement of cash flows		<u>705,513,684</u>	<u>1,106,015,697</u>

# PROTECTION OF WAGES ON INSOLVENCY FUND

## NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

### 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.

During the year, the Fund consists principally of moneys received from the Commissioner of Inland Revenue being levies imposed on one-year and three-year business registration.

### 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, accounting principles generally accepted in Hong Kong and the Protection of Wages on Insolvency Ordinance. These financial statements are presented in Hong Kong dollars (“HK\$”).

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Fund has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised standards has had no significant financial effect on the Fund’s financial statements.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Fund has not applied any new and revised HKFRSs, that have been issued but are not yet effective for the financial year ended 31 March 2023, in these financial statements.

The Fund is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Fund considers that these new and revised HKFRSs are unlikely to have a significant impact on the Fund’s profit or loss and financial position.

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of the Fund's asset (e.g. a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

##### 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 to its residual value 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Fund assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Fund as a lessee*

The Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

If ownership of the leased asset transfers to the Fund by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for termination of a lease, if the lease term reflects the Fund exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Fund uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. The Fund initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Fund commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement of financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.



## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Impairment of financial assets

The Fund recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Fund considers a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Financial liabilities

###### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

###### *Subsequent measurement of financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in profit or loss.

##### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

##### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### 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 cash at banks, including term deposits, which are not restricted as to use.

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Provisions

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.

##### Revenue recognition

Levy income is recognised on an accrual basis for the cash receipts from the Inland Revenue Department.

Money recovered by subrogation is recognised when the amounts are received.

Bank interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of financial assets.

##### Recognition of ex gratia payments

Ex gratia payments are accounted for on an accrual basis for applications approved by the Commissioner for Labour.

##### Other employee benefits

The Fund operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as 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.

##### Foreign currency transactions

These financial statements are presented in HK\$, which is the Fund's functional currency. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at the dates of the initial transactions.

# PROTECTION OF WAGES ON INSOLVENCY FUND

## NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

### 3. INCOME

An analysis of income is as follows:

	2023 HK\$	2022 HK\$
Levies	290,853,000	398,187,350
Money recovered by subrogation	4,988,969	6,368,728
Bank interest income	<u>166,317,151</u>	<u>57,890,592</u>
	<u>462,159,120</u>	<u>462,446,670</u>

In accordance with the provisions of Sections 7 and 21 of the Business Registration Ordinance and Section 6 in Part 3 of the Protection of Wages on Insolvency Ordinance, levies of HK\$250 and HK\$750 are respectively imposed on one-year and three-year business registration according to the Business Registration Ordinance (Amendment of Schedule 2) Order 2013. The levies are reduced to HK\$150 and HK\$450 respectively imposed on one-year and three-year business registration issued on or after 17 June 2022 according to the Business Registration Ordinance (Amendment of Schedule 2) Order 2022.

### 4. EX GRATIA PAYMENTS

In accordance with the provisions of Sections 16(1) and (2) and Section 18(1) in Part 5 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\$80,000, 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 HK\$45,000 or the equivalent of one month's wages of the applicants, 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\$100,000 and half of the part of the applicant's entitlement to severance payment in excess of HK\$100,000 and the liability for payment of which arose not more than six months prior to the date of application.

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 4. EX GRATIA PAYMENTS (continued)

##### (d) Pay for untaken annual leave and/or pay for untaken statutory holidays

The total amount of pay for untaken annual leave and/or pay for untaken statutory holidays not exceeding HK\$26,000, which includes (i) pay for any annual leave earned in the applicant's last full leave year but untaken and pro rata annual leave pay for the last leave year where the applicant has at least three but less than 12 months' service, payable to the applicant upon termination of employment contract under the Employment Ordinance; and (ii) pay for untaken statutory holidays which fell within four months before his last day of service which would have been payable to the applicant had the applicant taken the holidays.

#### 5. SUPERVISION FEE

In accordance with the provisions of Section 14 in Part 4 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:

	Note	2023 HK\$	2022 HK\$
Depreciation charge of right-of-use asset	11	633,941	627,547
Employee benefit expenses:			
Salaries		300,848	-
Pension scheme contributions (defined contribution scheme)		<u>6,000</u>	<u>-</u>
		<u>306,848</u>	<u>-</u>
Auditor's remuneration		<u>121,000</u>	<u>117,000</u>

#### 7. FINANCE COST

	2023 HK\$	2022 HK\$
Interest on lease liability	<u>15,344</u>	<u>47,483</u>

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 8. 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 (2022: Nil).

#### 9. INCOME TAX

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

#### 10. PROPERTY

	Land and building HK\$
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023:	
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.

#### 11. LEASES

The Fund has a lease contract for storeroom used in its operations. Lease of storeroom has a lease term of 2 years. The Fund is restricted from assigning and subleasing the leased assets outside the Fund.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

11. LEASES (continued)

(a) Right-of-use asset

The carrying amount of the Fund's right-of-use asset and the movements during the year are as follows:

	Storeroom HK\$
At 1 April 2021	920,402
Depreciation charge	<u>( 627,547)</u>
At 31 March 2022 and 1 April 2022	292,855
Lease modification	1,279,071
Depreciation charge	<u>( 633,941)</u>
At 31 March 2023	<u><u>937,985</u></u>

(b) Lease liability

The carrying amount of lease liability and the movements during the year are as follows:

	2023 HK\$	2022 HK\$
Carrying amount at the beginning of year	306,816	949,669
Lease modification	1,279,071	-
Accretion of interest recognised during the year	15,344	47,483
Payments	<u>( 648,152)</u>	<u>( 690,336)</u>
Carrying amount at 31 March	<u><u>953,079</u></u>	<u><u>306,816</u></u>
Analysed into:		
Current portion	642,057	306,816
Non-current portion	<u><u>311,022</u></u>	<u><u>-</u></u>

(c) The amounts recognised in profit or loss in relation to the lease are as follows:

	2023 HK\$	2022 HK\$
Interest on lease liability	15,344	47,483
Depreciation charge of right-of-use asset	<u>633,941</u>	<u>627,547</u>
Total amount recognised in profit or loss	<u><u>649,285</u></u>	<u><u>675,030</u></u>



PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

12. CASH AT BANKS AND TIME DEPOSITS

	2023 HK\$	2022 HK\$
Bank balances	<u>3,513,684</u>	<u>3,314,735</u>
Time deposits with original maturity of:		
Three months or less	702,000,000	1,102,700,962
More than 3 months to 12 months, inclusive	5,791,345,946	5,544,000,000
More than 12 months to 24 months, inclusive	<u>423,000,000</u>	<u>-</u>
	<u>6,916,345,946</u>	<u>6,646,700,962</u>

At the end of the reporting period, the cash at banks and time deposits of the Fund denominated in Renminbi (“RMB”) amounted to RMB397,503,015 (equivalent to approximately HK\$454,345,946) (2022: RMB390,578,903 (equivalent to approximately HK\$481,700,962)).

13. PROVISION

	2022 HK\$
At beginning of year	24,092,441
Reversal of unutilised amounts	<u>( 24,092,441)</u>
At end of year	<u>-</u>

The provision for potential claims from past applicants for the shortfalls in ex gratia payments on severance payments previously made has been estimated based on the method of calculation of ex gratia payments on severance payments ruled by the Court of Final Appeal that the relevant past applicants may rely on in claiming the shortfalls. The method of estimation is reviewed on an ongoing basis and is revised where appropriate.

14. GENERAL RESERVES

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

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Fund had non-cash modification to right-of-use asset and lease liability of HK\$1,279,071 (2022: Nil) and HK\$1,279,071 (2022: Nil), respectively, in respect of lease arrangement for a property.

(b) Reconciliation of liability arising from a financing activity

	Lease liability HK\$
At 1 April 2021	949,669
Changes from financing cash flows	( 642,853)
Interest expense	47,483
Interest paid classified as operating cash flows	<u>( 47,483)</u>
At 31 March 2022 and 1 April 2022	306,816
Changes from financing cash flows	( 632,808)
Lease modification	1,279,071
Interest expense	15,344
Interest paid classified as operating cash flows	<u>( 15,344)</u>
At 31 March 2023	<u><u>953,079</u></u>

(c) Total cash outflow for the lease

The total cash outflow for the lease included in the statement of cash flows is as follows:

	2023 HK\$	2022 HK\$
Within operating activities	15,344	47,483
Within financing activity	<u>632,808</u>	<u>642,853</u>
	<u><u>648,152</u></u>	<u><u>690,336</u></u>

## PROTECTION OF WAGES ON INSOLVENCY FUND

### NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

#### 16. CONTINGENT LIABILITIES

At 31 March 2023, contingent liabilities that are not provided for in the financial statements are in respect of applications received but not yet approved which amounted to HK\$143,032,758 (2022: HK\$88,760,670).

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.

#### 17. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Fund comprise levies receivables, interest receivables, sundry deposits, time deposits and cash at banks which are categorised as financial assets at amortised cost. The carrying amounts of these financial assets are the amounts shown on the face of the statement of financial position.

The financial liabilities of the Fund comprise approved applications payable, accrued operation expenses, accrued supervision fee and lease liability which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the face of the statement of financial position.

#### 18. FAIR VALUE

The Board has assessed that the fair values of levies receivable, interest receivables, sundry deposits, time deposits, cash at banks, approved applications payable, accrued operation expenses and accrued supervision fee approximate to their carrying amounts largely due to the short term maturities of these instruments.

#### 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Fund's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees on the policies for managing each of these risks and they are summarised below.

##### *Foreign currency risk*

The Fund has transactional currency exposures. The Fund's major exposures of foreign currency risk arise from changes in exchange rate of RMB against HK\$.

The Fund currently does not have a foreign currency hedging policy. However, the Board monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Foreign currency risk (continued)*

The following table demonstrates the sensitivity of the Fund's surplus to a reasonably possible change in RMB exchange rate at the end of the reporting period, with all other variables held constant.

	Change in the rate %	Increase/ (decrease) in surplus HK\$
<u>2023</u>		
If HK\$ weakens against RMB	1	4,543,459
If HK\$ strengthens against RMB	<u>( 1)</u>	<u>( 4,543,459)</u>
<u>2022</u>		
If HK\$ weakens against RMB	1	4,817,010
If HK\$ strengthens against RMB	<u>( 1)</u>	<u>( 4,817,010)</u>

*Credit risk*

The credit risk of the Fund's financial assets, which comprise levies receivable, interest receivables, sundry deposits, time deposits, and cash at banks, arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. All of the Fund's bank balances are held in major financial institutions, which the Board believes are of high credit quality. As at 31 March 2023 and 31 March 2022, the loss allowance was assessed to be minimal.

Maximum exposure and year-end staging

The credit quality and the maximum exposure to credit risk based on the Fund's credit policy are mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March.

The maximum exposure of the Fund's other financial assets, which comprise levies receivable, interest receivables, sundry deposits, time deposits, and cash at banks, is equal to the aggregate carrying amount of these instruments.

Levies receivable, interest receivables, sundry deposits, time deposits, and cash at banks are classified within Stage 1 and their loss allowance are measured at an amount equal to 12-month ECLs. The credit quality of levies receivable and interest receivables is considered to be "normal" when they are not past due and there is no information indicating that the levies receivable and interest receivables had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the levies receivable and interest receivables is considered to be "doubtful".

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2023

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk*

The Fund aims to maintain sufficient cash to meet its liquidity requirements.

The maturity profile of the Fund's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2023	Repayable on demand/less than 1 year HK\$	Within 2 to 5 years HK\$	Total HK\$
Approved applications payable	4,034,286	-	4,034,286
Accrued operation expenses	251,496	-	251,496
Accrued supervision fee	25,000,000	-	25,000,000
Lease liability	675,960	315,448	991,408
	<u>29,961,742</u>	<u>315,448</u>	<u>30,277,190</u>
2022	Repayable on demand/less than 1 year HK\$	Within 2 to 5 years HK\$	Total HK\$
Approved applications payable	4,010,774	-	4,010,774
Accrued operation expenses	117,000	-	117,000
Accrued supervision fee	26,400,000	-	26,400,000
Lease liability	322,157	-	322,157
	<u>30,849,931</u>	<u>-</u>	<u>30,849,931</u>

*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 2023 and 31 March 2022.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 August 2023.

