



Protection of Wages on Insolvency Fund Board

2024-25 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 2024 to 31 March 2025 (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 2024, the notable increase of the downside risk and uncertainties of the global economy brought considerable pressure on Hong Kong's economy. 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 5 188 applications, showing an increase of 38.4% as compared to the figure of 3 749 in the preceding year. In addition, the Fund approved a total of 5 398 applications with a total payout of \$297.0 million of ex gratia payment, an increase of 71.1% and 91.5% respectively over the figures in the preceding year. The significant increase of the payout of ex gratia payment was mainly due to the applications of multiple sizeable insolvency cases processed in the year.

The Board has been actively listening to views from the community. To address the concerns of the public that upon the abolition of using the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund System to offset severance payment (SP) and long service payment (abolition of offsetting arrangement), some employers may be unable to pay SP to employees, the Board reviewed the coverage of ex gratia payment on SP under the Fund in the year and recommended to increase the maximum amount of ex gratia payment on SP from \$100,000 plus 50% of excess entitlement to \$200,000 plus 50% of excess entitlement. The recommendation was endorsed by the Legislative Council. Upon amendment to the Protection of Wages on Insolvency Ordinance, the new maximum amount of ex gratia payment on SP came into effect on 21 March 2025 to further improve the protection of the rights of employees affected by business closure upon the abolition of offsetting arrangement. The current review is also one of the policy initiatives in the Chief Executive's 2024 Policy Address.

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. In the 2024-25 Budget, the Financial Secretary announced to increase the business registration fee by \$200 to \$2,200 with effect from 1 April 2024. To relieve the relevant impact on enterprises, the Government waived the levy of \$150 payable to the Fund with effect from the same date for two years until 31 March 2026. The Fund will resume the collection of the levy from 1 April 2026. The Fund has a deficit of \$30.3 million in the year and an accumulative

CHAIRMAN'S FOREWORD

surplus of \$7,287.5 million by the end of March 2025. Considering the implementation of the abolition of offsetting arrangement will result in additional expenditure for the ex gratia payment on SP, the Board will continue to closely monitor the financial position of the Fund. This is to ensure that the Fund maintains a stable income and a reasonable accumulated surplus to meet the additional expenditure arising from economic downturns and to sustain its continuous operation.

The Board and staff of the Wage Security Division of the Labour Department (LD) would, through unfailing efforts and dedication, continue to provide timely assistance to employees aggrieved by their insolvent employers. At the same time, LD is prudent in processing the applications to the Fund 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 Police) and the Official Receiver's Office (ORO) 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 in the past year. Thanks to their extensive experience and professional knowledge, members provided valuable views in administering the Fund. In the coming year, the global and local economies will face various challenges. The Board would closely watch the economic performance and the Fund's application situation; and continue to manage the Fund with balance and prudence, with a view to providing 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, 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 2025

MEMBERSHIP LIST OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD 2024-25

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

Ms. WONG Caroline Ho

Mr. Matthew LAM Kin-hong, BBS, MH, JP

Ms. Alice WONG Nga-lai

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

Secretary

Senior Labour Officer, Wage Security Division of the Labour Department

GROUP PHOTO OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD 2024-25



Rear row from left

Mr. Simon LI Chi-chung, JP
Assistant Commissioner
(Employees' Rights and Benefits),
Labour Department

Ms. Alice WONG Nga-lai
Representing employers

Mr. WONG Yin-hao
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. Juan LEUNG Chung-yan, MH
Representing employees

Mr. MA Ho-fai, GBS, JP
Chairman

Mr. Matthew LAM Kin-hong, BBS, MH, JP
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 2025.

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 Fund¹

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 \$200,000² plus 50% of any entitlement in excess of \$200,000; 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.

¹ With the passage of a resolution of the Legislative Council (LegCo) under the Ordinance on 16 June 2022, the maximum amounts of a number of ex gratia payment items under the Fund were increased on 17 June 2022, 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.

² With the passage of a resolution of the LegCo under the Ordinance on 20 March 2025, the maximum amount of ex gratia payment on severance payment under the Fund was increased on 21 March 2025 from \$100,000 plus 50% of any excess entitlement to \$200,000 plus 50% of any excess entitlement.



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 (Section 16 applications). 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 (Section 18 applications) 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.

Provision of free legal service by the Fund

To shorten the processing time of applications to the Fund, the Fund has engaged private law firms since November 2022 to assist applicants in filing winding-up or bankruptcy petitions against their employers of cases with Section 16 applications, thus saving their need to apply for legal aid and to go through the means test at the Legal Aid Department in order to expedite the processing of applications. In addition, the Fund set up an in-house legal team which took over from the Legal Aid



Department the task of making recommendations direct to the Labour Department for cases with Section 18 applications with effect from April 2023.

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 for section 16 applications, 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 2023 to provide new 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 received³

During the year 2024-25, 5 188 applications involving ex gratia payment of \$612.5 million applied for were received from employees. A total of 864 suspected insolvency cases were recorded. Detailed breakdown of the applications is at **Appendix I**.

Of the 864 suspected insolvency cases, 831 involved less than 20 employees per case, 27 involved 20 to 49 employees per case, four involved 50 to 99 employees per case and the remaining two involved 100 employees or more.

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



During the year, the food and beverage service activities was the industry recorded the largest number of applications, with 1 490 applications involving a total amount of \$92.2 million. This was followed by the construction industry with 1 078 applications and a total amount of \$97.0 million, and sports and other entertainment activities with 825 applications and a total amount of \$158.2 million. These three trades accounted for 65.4% of all applications and 56.7% of the total amount applied for.

Out of the total 5 188 applications in the year, 4 695 applied for ex gratia payment on arrears of wages, 3 404 applied for payment on wages in lieu of notice, 1 853 applied for payment on severance payment and 2 793 applied for payment on pay for untaken annual leave and/or pay for untaken statutory holidays. Breakdowns of these applications are at **Appendix II**.

Applications processed⁴

A total of 5 398 applications were approved during the year, with payment amounting to \$297.0 million being made⁵. Among these applications, a total payment of \$71.6 million was made to 1 496 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 5 398 applications approved, 4 930 applications approved for arrears of wages, 3 529 applications approved for wages in lieu of notice, 1 391 applications approved for severance payment, and 3 034 applications approved for pay for untaken annual leave and/or pay for untaken statutory holidays.

The Commissioner for Labour refused 44 applications involving a total amount of \$14.7 million, mostly for reasons such as the applicants being directors of registered companies or applications made outside the qualifying period. At the same time, 276 applications involving a total amount of \$18.0 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.

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.



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 coverage of ex gratia payment on severance payment, fitting-out progress of new office accommodation, deposit arrangement of the Fund and the result of the customer opinion survey, etc.

FINANCIAL POSITION OF THE PROTECTION OF WAGES ON INSOLVENCY FUND

During the year, the Fund had a total income of \$320.6 million, of which \$16.6 million was levy income⁶. The total expenditure was \$350.9 million, of which \$297.0 million was expenditure on ex gratia payment. The Fund registered a deficit of \$30.3 million as compared with a surplus of \$349.3 million in the previous financial year. As at 31 March 2025, the Fund's accumulated surplus stood at \$7,287.5 million.

A copy of the independent auditor's report and the audited financial statements for the year ended 31 March 2025 is at **Appendix VI**.

⁶ In the 2024-25 Budget, the Financial Secretary announced to increase the business registration fee by \$200 to \$2,200 with effect from 1 April 2024. To relieve the relevant impact on enterprises, the Government waived the levy of \$150 payable to the Fund with effect from the same date for two years until 31 March 2026. The main reason of the Board still recording levy income of \$16.6 million in 2024-25 was due to the late payment of the business registration levy due before 1 April 2024 by the enterprises.

ACTIVITIES HIGHLIGHT

Publicity and promotion for the Fund

During the year, the Labour Department continued to carry out various activities, including organising four physical exhibitions in different districts and five online exhibitions to promote the Employment Ordinance. 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 (“Task Force”) continued to play an active role in guarding against abuse of the Fund. Current members of the Task Force include representatives from the Labour Department, the Commercial Crime Bureau of the Hong Kong Police Force and the Official Receiver’s Office. These departments acted in concert to proactively pursue and investigate cases involving possible abuse of the Fund by employers and employees.

Whenever suspected illegal cases (e.g. illegal transfer of assets, theft of company funds, evasion of liability by deception, and failure to keep proper accounting records, etc.) are detected in the course of processing applications to the Fund, the Labour Department will refer such cases to the Police and/or the Official Receiver’s Office for further follow-up action. The Board noted that during the year 2024-25, the court had disqualified one company responsible person involved in abuse of the Fund from assuming a director of a company and from taking part in the promotion, formation or management of a company, with the disqualification period of four and a half years. Apart from the above, the Labour Department has all along been adopting a multi-pronged enforcement strategy to guard against the worsening of incidents of non-payment of wages which may trigger applications for the Fund. During the year 2024-25, there were 886 convicted summonses in respect of wage offences recorded by the Labour Department. Of these, 340 convictions were against company directors and responsible officers.

Appendices



Operating results of the Protection of Wages on Insolvency Fund in 2024-25

I. Breakdown of applications by result

(1) No. of cases received					864
(2) No. of applications					
(i) brought forward from last period					1 730
received this period					5 188
reconsidered this period					48
					6 966
(ii) processed					5 718
<i>approved</i>					5 398
<i>refused</i>					44
<i>withdrawn</i>					276
outstanding					1 230
put aside *					18
					6 966
(3) Amount of ex gratia payment (in HK\$'000) applied for	Arrears of wages	Wages in lieu of notice	Severance payment	Pay for untaken annual leave and/or pay for untaken statutory holidays	HK\$'000
(i) brought forward from last period					207,839
received this period	262,857 +	92,128 +	198,279 +	59,269 =	612,533
reconsidered this period	3,676 +	1,480 +	509 +	987 =	6,652
					827,024
(ii) approved	Arrears of wages	Wages in lieu of notice	Severance payment	Pay for untaken annual leave and/or pay for untaken statutory holidays	HK\$'000
screened	168,858 +	63,073 +	39,469 +	25,577 =	296,977
refused					380,723
withdrawn					14,736
outstanding					17,973
put aside * }					116,615
					827,024
(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	3 719
(2) No. of applications where a bankruptcy petition has been made	183
(3) No. of applications dealt with under S.18(1) of the Protection of Wages on Insolvency Ordinance	1 481
(4) No. of applications dealt with under S.16(1)(a)(ii) of the Protection of Wages on Insolvency Ordinance	15
	5 398

III. Breakdown of cases received by employment size

(1) Less than 20 employees	831
(2) 20 ~ 49 employees	27
(3) 50 ~ 99 employees	4
(4) 100 or more employees	2
	864

* Applications pending private settlement or withdrawal.

Operating results of the Protection of Wages on Insolvency Fund in 2024-25

IV. Breakdown of applications by industry

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applications ~		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 B</i>	<i>Mining and quarrying</i>	3	(2)	\$ 2,007,866.25
<i>Division C</i>	<i>Manufacturing</i>			
Sub-group				
10	Manufacture of food products	57	(3)	\$ 3,199,297.38
13	Manufacture of textiles	1	(0)#	\$ 127,964.64
14	Manufacture of wearing apparel	1	(1)	\$ 193,618.96
16	Manufacture of wood and of products of wood and cork, articles of straw and plaiting materials (except furniture and toys)	1	(1)	\$ 71,727.82
17	Manufacture of paper and paper products	1	(1)	\$ 201,135.23
18	Printing and reproduction of recorded media	2	(0)#	\$ 376,464.09
19	Manufacture of coke and refined petroleum products	4	(0)#	\$ 4,208,401.43
22	Manufacture of rubber and plastics products (except furniture, toys, sports goods and stationery)	1	(0)#	\$ 982,104.07
24	Manufacture of basic metals	5	(1)	\$ 65,402.12
26	Manufacture of computer, electronic and optical products	4	(2)	\$ 1,429,021.34
27	Manufacture of electrical equipment	22	(6)	\$ 3,524,580.37
29	Body assembly of motor vehicles	2	(1)	\$ 224,664.52
31	Manufacture of furniture	3	(1)	\$ 479,144.31
32	Other manufacturing	14	(2)	\$ 4,365,901.89
33	Repair and installation of machinery and equipment	16	(3)	\$ 1,747,181.93
<i>Division D</i>	<i>Electricity and gas supply</i>	1	(1)	\$ 93,698.63
<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	3	(2)	\$ 189,070.26
39	Remediation activities and other waste management services	1	(1)	\$ 3,000.00
<i>Division F</i>	<i>Construction</i>	1 078	(154)	\$ 96,969,732.06
<i>Division G</i>	<i>Import/export, wholesale and retail trades</i>			
Sub-group				
45	Import and export trade	174	(50)	\$ 40,390,626.61
46	Wholesale	58	(10)	\$ 6,320,637.82
47	Retail trade	270	(72)	\$ 21,404,716.28

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

All were late applications of case(s) received in preceding year(s).

Operating results of the Protection of Wages on Insolvency Fund in 2024-25

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applications ~		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 H</i> Sub-group	<i>Transportation, storage, postal and courier services</i>			
49	Land transport	89	(13)	\$ 12,253,977.73
50	Water transport	1	(0)#	\$ 61,436.86
52	Warehousing and support activities for transportation	30	(15)	\$ 3,601,834.38
53	Postal and courier activities	23	(7)	\$ 2,069,993.67
<i>Division I</i> Sub-group	<i>Accommodation and food service activities</i>			
56	Food and beverage service activities	1 490	(220)	\$ 92,168,385.96
<i>Division J</i> Sub-group	<i>Information and communications</i>			
58	Publishing activities	28	(1)	\$ 2,744,751.37
59	Motion picture, video and television programme production, sound recording and music publishing activities	17	(6)	\$ 1,612,097.78
60	Programming and broadcasting activities	4	(2)	\$ 2,350,993.81
61	Telecommunications	3	(3)	\$ 2,204,473.34
62	Information technology service activities	88	(27)	\$ 14,810,415.92
63	Information service activities	25	(1)	\$ 2,427,141.50
<i>Division K</i> Sub-group	<i>Financial and insurance activities</i>			
64	Financial service activities (except insurance and pension funding)	135	(29)	\$ 54,324,721.94
65	Insurance	1	(1)	\$ 218,696.55
66	Activities auxiliary to financial service and insurance activities	1	(1)	\$ 1,042,118.21
<i>Division L</i>	<i>Real estate activities</i>	27	(9)	\$ 6,185,090.08
<i>Division M</i> Sub-group	<i>Professional, scientific and technical activities</i>			
69	Legal and accounting activities	1	(0)#	\$ 182,872.33
70	Activities of head offices; management and management consultancy activities	19	(8)	\$ 5,825,984.87
71	Architecture and engineering activities, technical testing and analysis	22	(8)	\$ 2,157,225.69
72	Scientific research and development	1	(1)	\$ 26,716.19
74	Advertising and market research	20	(9)	\$ 2,883,363.68
75	Other professional, scientific and technical activities	54	(10)	\$ 7,677,204.13

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

All were late applications of case(s) received in preceding year(s).

Operating results of the Protection of Wages on Insolvency Fund in 2024-25

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applications ~		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				
78	Employment activities	59	(9)	\$ 6,353,452.40
79	Travel agency, reservation service and related activities	38	(5)	\$ 8,276,813.77
80	Security and investigation activities	45	(5)	\$ 1,041,065.38
81	Services to buildings and landscape care activities	28	(4)	\$ 1,262,872.82
82	Office administrative, office support and other business support activities	39	(19)	\$ 6,166,811.70
<i>Division P</i>	<i>Education</i>	171	(41)	\$ 15,320,102.91
<i>Division Q</i>	<i>Human health and social work activities</i>			
Sub-group				
86	Human health activities	25	(12)	\$ 1,387,157.62
88	Social work activities without accommodation	25	(1)	\$ 1,030,708.10
<i>Division R</i>	<i>Arts, entertainment and recreation</i>			
Sub-group				
90	Creative and performing arts activities	1	(1)	\$ 117,239.16
91	Libraries, archives, museums and other cultural activities	2	(1)	\$ 523,883.41
93	Sports and other entertainment activities	825	(13)	\$ 158,209,727.18
<i>Division S</i>	<i>Other service activities</i>			
Sub-group				
94	Activities of membership organisations	1	(1)	\$ 310,044.52
95	Repair of motor vehicles, motorcycles, computers, personal and household goods	3	(3)	\$ 376,021.78
96	Other personal service activities	108	(48)	\$ 6,146,843.57
<i>Division T</i>	<i>Work activities within domestic households</i>			
Sub-group				
97	Activities of households as employers of domestic personnel	15	(15)	\$ 467,286.08
98	Goods- and services-producing activities of private households for own use	2	(1)	\$ 136,800.00
Total :		5 188	(864)	\$ 612,532,284.40

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

Breakdown of applications for ex gratia payment received in 2024-25

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	493	9.50
\$8,000 [^] or less	550	10.60
\$8,001 - \$18,000	815	15.71
\$18,001 - \$36,000 ⁺	1 346	25.94
\$36,001 - \$50,000	596	11.49
\$50,001 - \$60,000	263	5.07
\$60,001 - \$70,000	186	3.59
\$70,001 - \$80,000 ⁺	156	3.01
\$80,001 - \$90,000	122	2.35
More than \$90,000	661	12.74
Total :	5 188	100.00

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	599*	11.54
Half month or less	498	9.60
More than half month to 1 month	1 135	21.88
More than 1 month to 2 months	1 790	34.50
More than 2 months to 3 months	569	10.97
More than 3 months to 4 months ⁺	195	3.76
More than 4 months	402	7.75
Total :	5 188	100.00

[^] 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.

⁺ 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.

* Including 106 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 2024-25

II. Wages in lieu of notice

A. By amount

Amount	No. of applications	Percentage
Not applied for	1 784	34.39
\$2,000 [†] or less	64	1.23
\$2,001 - \$6,000	750	14.46
\$6,001 - \$22,500 [★]	1 413	27.24
\$22,501 - \$30,000	439	8.46
\$30,001 - \$35,000	192	3.70
\$35,001 - \$40,000	123	2.37
\$40,001 - \$45,000 [★]	83	1.60
\$45,001 - \$50,000	52	1.00
More than \$50,000	288	5.55
Total :	5 188	100.00

B. By notice period

Notice period	No. of applications	Percentage
Not applied for	1 784	34.39
1 day - 7 days	1 411	27.20
8 days - 14 days	44	0.85
15 days	7	0.13
16 days - less than 1 month	147	2.83
1 month ^{† ★}	1 560	30.07
More than 1 month	235	4.53
Total :	5 188	100.00

[†] 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 2024-25

III. Severance payment[○]

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

A. By amount

Amount	No. of applications	Percentage
Not applied for	3 335	64.28
\$8,000 [◆] or less	48	0.93
\$8,001 - \$24,000	149	2.87
\$24,001 - \$36,000	253	4.88
\$36,001 - \$50,000	229	4.41
\$50,001 - \$100,000	488	9.41
\$100,001 - \$150,000	237	4.57
\$150,001 - \$200,000	153	2.95
\$200,001 - \$245,000	102	1.96
\$245,001 - \$300,000	67	1.29
\$300,001 - \$350,000	48	0.93
\$350,001 - \$390,000	72	1.39
More than \$390,000	7	0.13
Total :	5 188	100.00

B. By length of service

Length of service	No. of applications	Percentage
Not applied for or less than 2 years' service	3 343 [∞]	64.44
2 years - less than 5 years	681	13.13
5 years - less than 6 years	172	3.31
6 years - less than 7 years	168	3.24
7 years - less than 8 years	95	1.83
8 years - less than 9 years	116	2.24
9 years - less than 10 years	41	0.79
10 years - less than 15 years	284	5.47
15 years - less than 20 years	130	2.51
20 years - less than 25 years	74	1.43
25 years - less than 30 years	57	1.10
30 years - less than 35 years	21	0.40
35 years - less than 39 years	6	0.11
39 years - less than 41 years	0	0.00
41 years - less than 43 years	0	0.00
43 years and over	0	0.00
Total :	5 188	100.00

[○] 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 between 17 June 2022 and 20 March 2025) / \$295,000 (for the liability for payment arose on or after 21 March 2025).

[◆] 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.

[∞] Including 8 applications with less than 2 years of service.

Breakdown of applications for ex gratia payment received in 2024-25

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

A. By amount

Amount	No. of applications	Percentage
Not applied for	2 395	46.16
\$2,000 or less	254	4.90
\$2,001 - \$5,000	639	12.32
\$5,001 - \$10,500 [⌘]	658	12.68
\$10,501 - \$15,500	374	7.21
\$15,501 - \$20,000	197	3.80
\$20,001 - \$26,000 [⌘]	163	3.14
\$26,001 - \$30,000	86	1.66
More than \$30,000	422	8.13
Total :	5 188	100.00

B. By leave year of pay for untaken annual leave

Leave year	No. of applications	Percentage
Not applied for	2 423	46.70
1 year or less	1 384	26.68
More than 1 year to less than 2 years [⌘]	560	10.79
2 years or above	821	15.83
Total :	5 188	100.00

C. By period involved in pay for untaken statutory holidays

Period	No. of applications	Percentage
Not applied for	4 498	86.70
2 months or less	255	4.91
More than 2 months to 4 months [⌘]	87	1.68
More than 4 months	348	6.71
Total :	5 188	100.00

[⌘] 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 2024-25

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	468	8.67
\$8,000 or less	545	10.10
\$8,001 - \$18,000	846	15.67
\$18,001 - \$36,000 [#]	1 843	34.14
\$36,001 - \$50,000	587	10.88
\$50,001 - \$60,000	259	4.80
\$60,001 - \$70,000	167	3.09
\$70,001 - \$80,000 [#]	683	12.65
Total :	5 398	100.00

II. Wages in lieu of notice

By amount		
Amount	No. of applications	Percentage
Not applied for/Not approved	1 869	34.62
\$2,000 or less	64	1.19
\$2,001 - \$6,000	657	12.17
\$6,001 - \$22,500 [†]	1 854	34.35
\$22,501 - \$30,000	405	7.50
\$30,001 - \$35,000	179	3.32
\$35,001 - \$40,000	119	2.20
\$40,001 - \$45,000 [†]	251	4.65
Total :	5 398	100.00

[#] 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).

[†] 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 2024-25

III. Severance payment [○]

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

By amount		
Amount	No. of applications	Percentage
Not applied for/Not approved	4 007	74.23
\$8,000 or less	344	6.37
\$8,001 - \$24,000	494	9.15
\$24,001 - \$36,000	188	3.48
\$36,001 - \$50,000	109	2.02
\$50,001 - \$100,000	188	3.48
\$100,001 - \$150,000	64	1.19
\$150,001 - \$200,000	3	0.06
\$200,001 - \$245,000	1	0.02
\$245,001 - \$295,000	0	0.00
Total :	5 398	100.00

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	2 364	43.79
\$2,000 or less	351	6.50
\$2,001 - \$5,000	822	15.23
\$5,001 - \$10,500 [‡]	1 147	21.25
\$10,501 - \$15,500	305	5.65
\$15,501 - \$20,000	143	2.65
\$20,001 - \$26,000 [‡]	266	4.93
Total :	5 398	100.00

[○] 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 between 17 June 2022 and 20 March 2025) / \$295,000 (for the liability for payment arose on or after 21 March 2025).

[‡] 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 2020-21 to 2024-25

Figure 1

Number of applications received by the Fund from 2020-21 to 2024-25
(excluding claims for shortfall in ex gratia payment on severance payment)

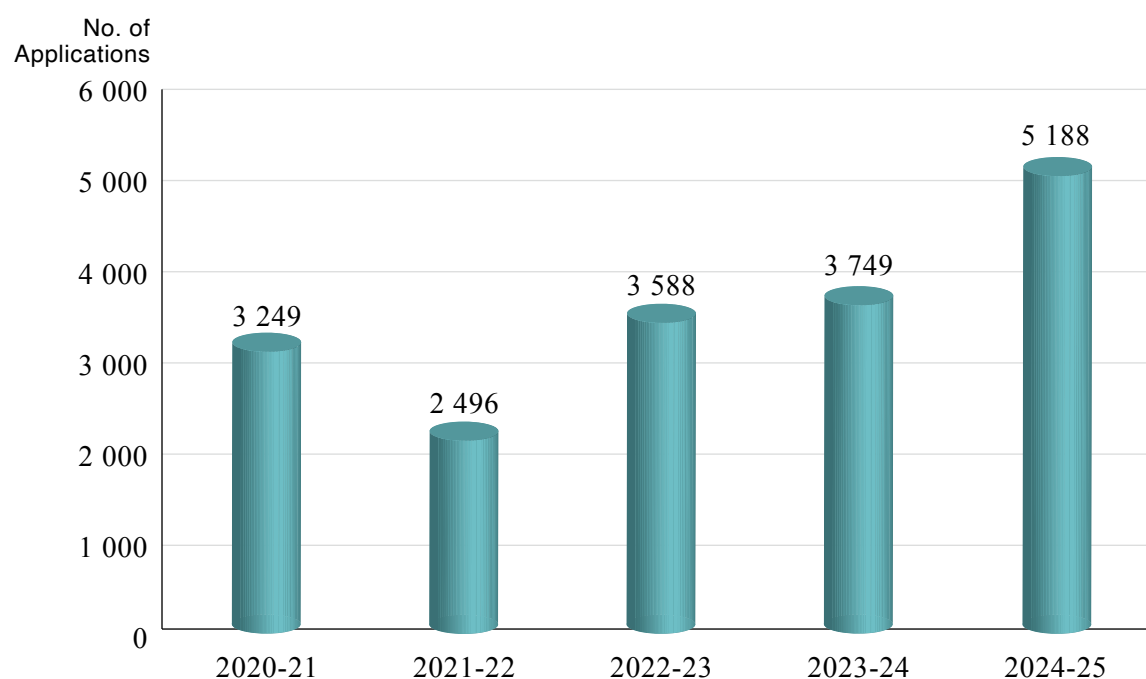
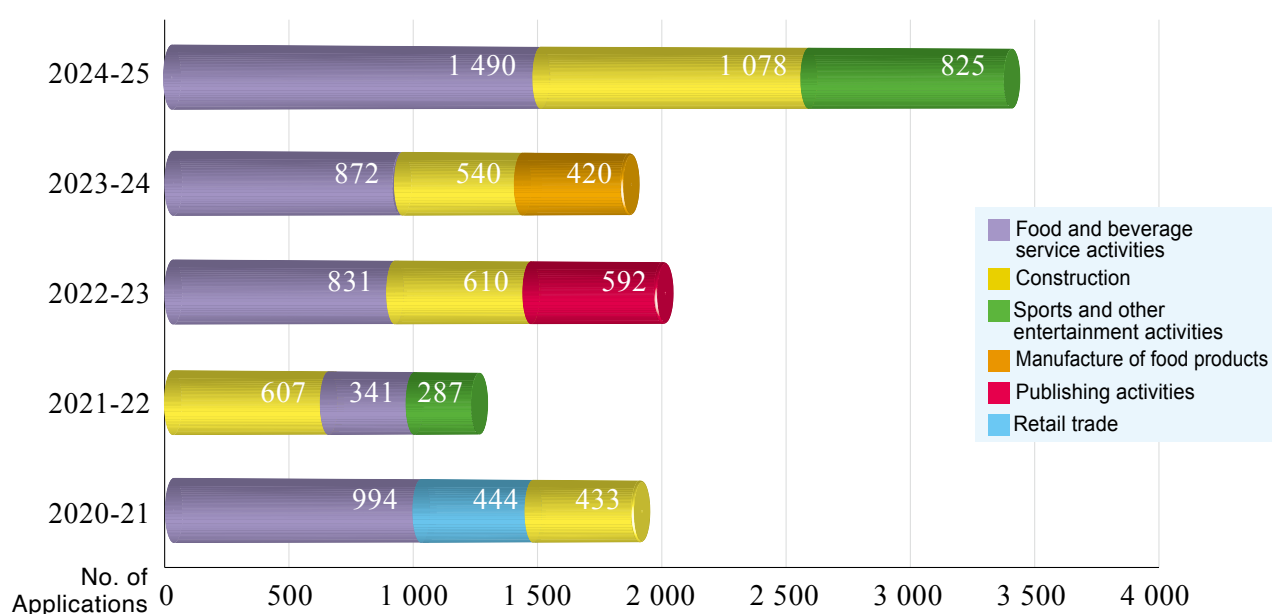


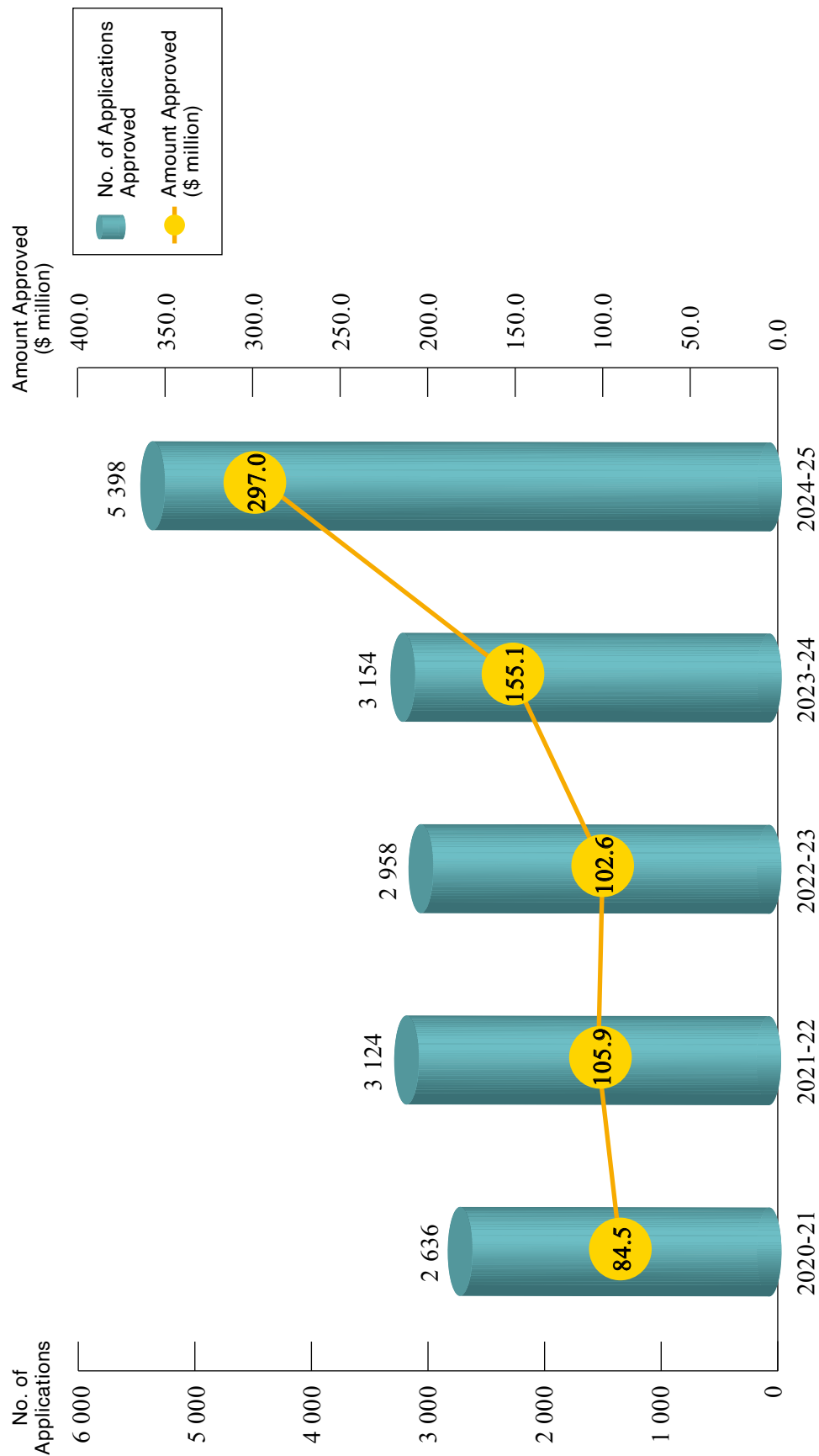
Figure 2

First three industries with the largest number of applications received from 2020-21 to 2024-25
(excluding claims for shortfall in ex gratia payment on severance payment)



Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2020-21 to 2024-25

Figure 3
Number of applications and amount of ex gratia payment approved from 2020-21 to 2024-25
 (excluding claims for shortfall in ex gratia payment on severance payment)



Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2020-21 to 2024-25

Figure 4

Total income and expenditure of the Fund from 2020-21 to 2024-25

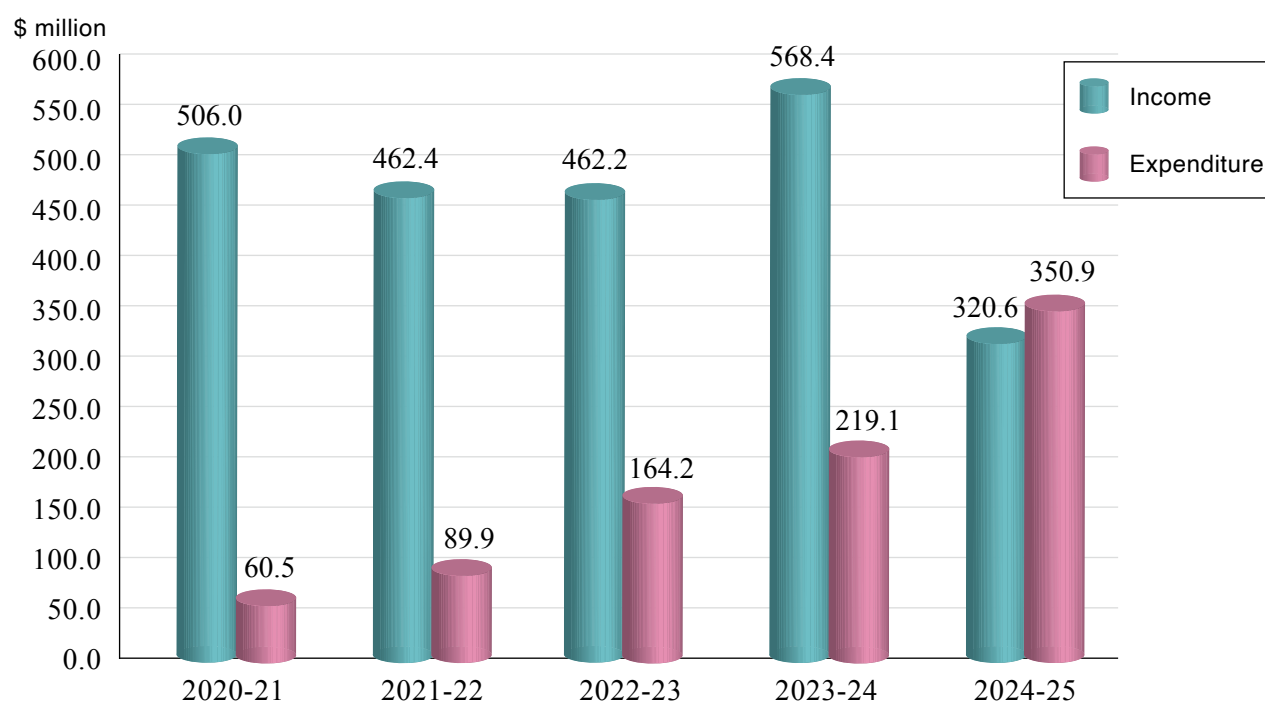
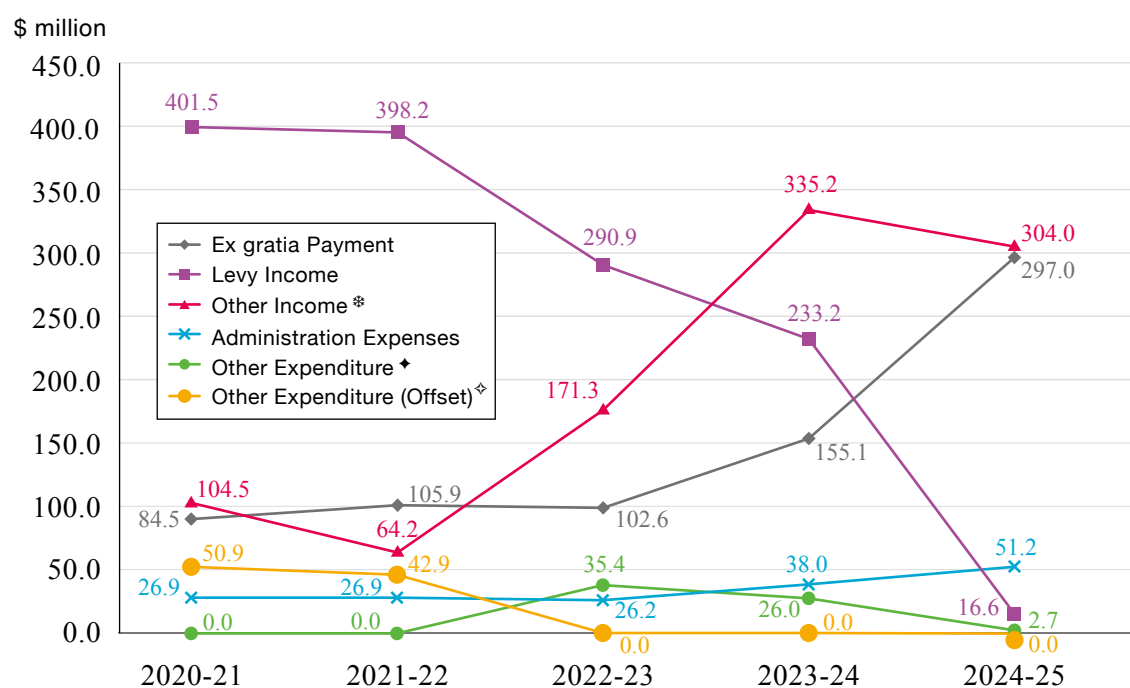


Figure 5

Breakdown of income and expenditure of the Fund from 2020-21 to 2024-25



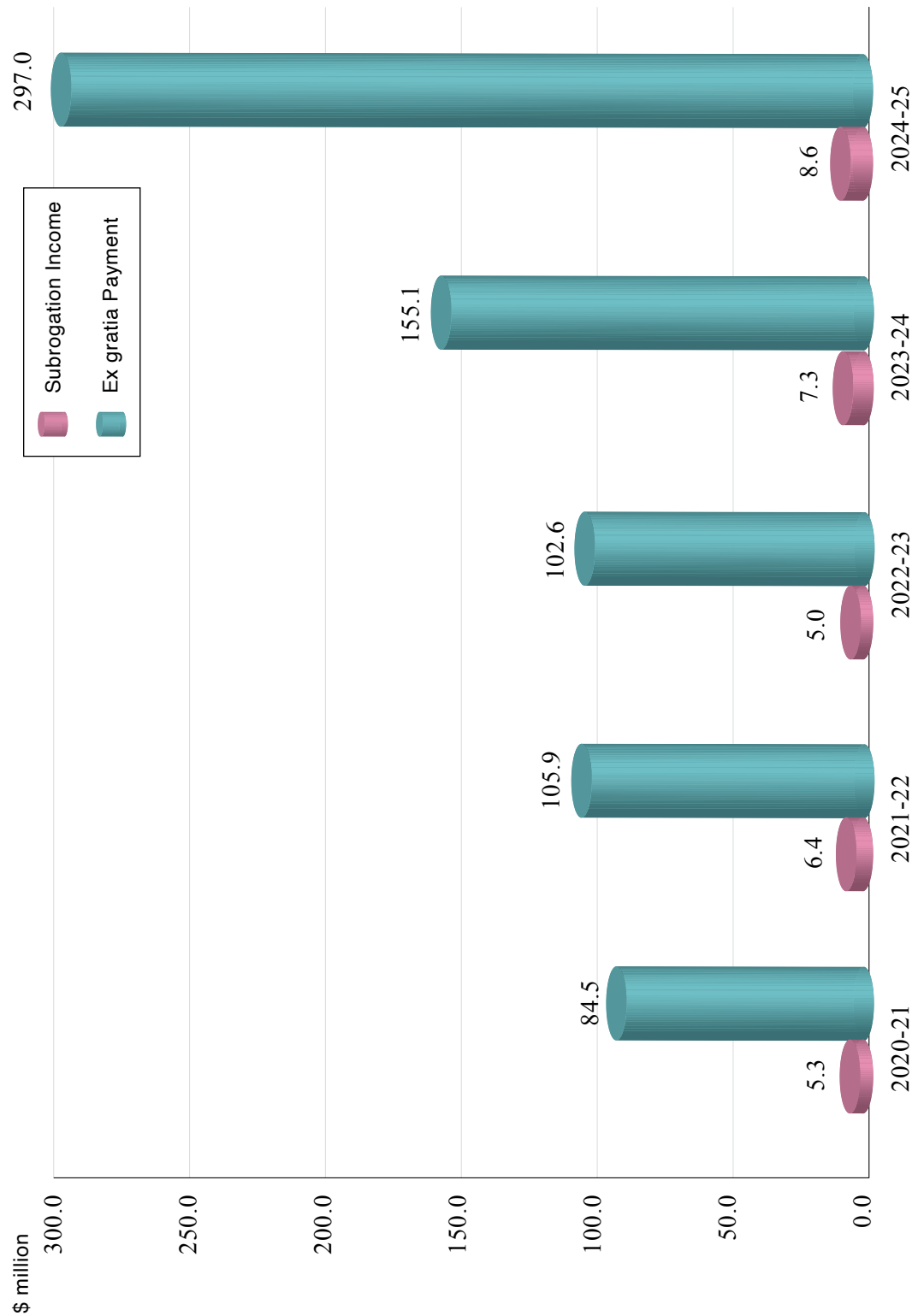
* Bank deposit interests and money recovered through subrogation

♦ 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)

Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2020-21 to 2024-25

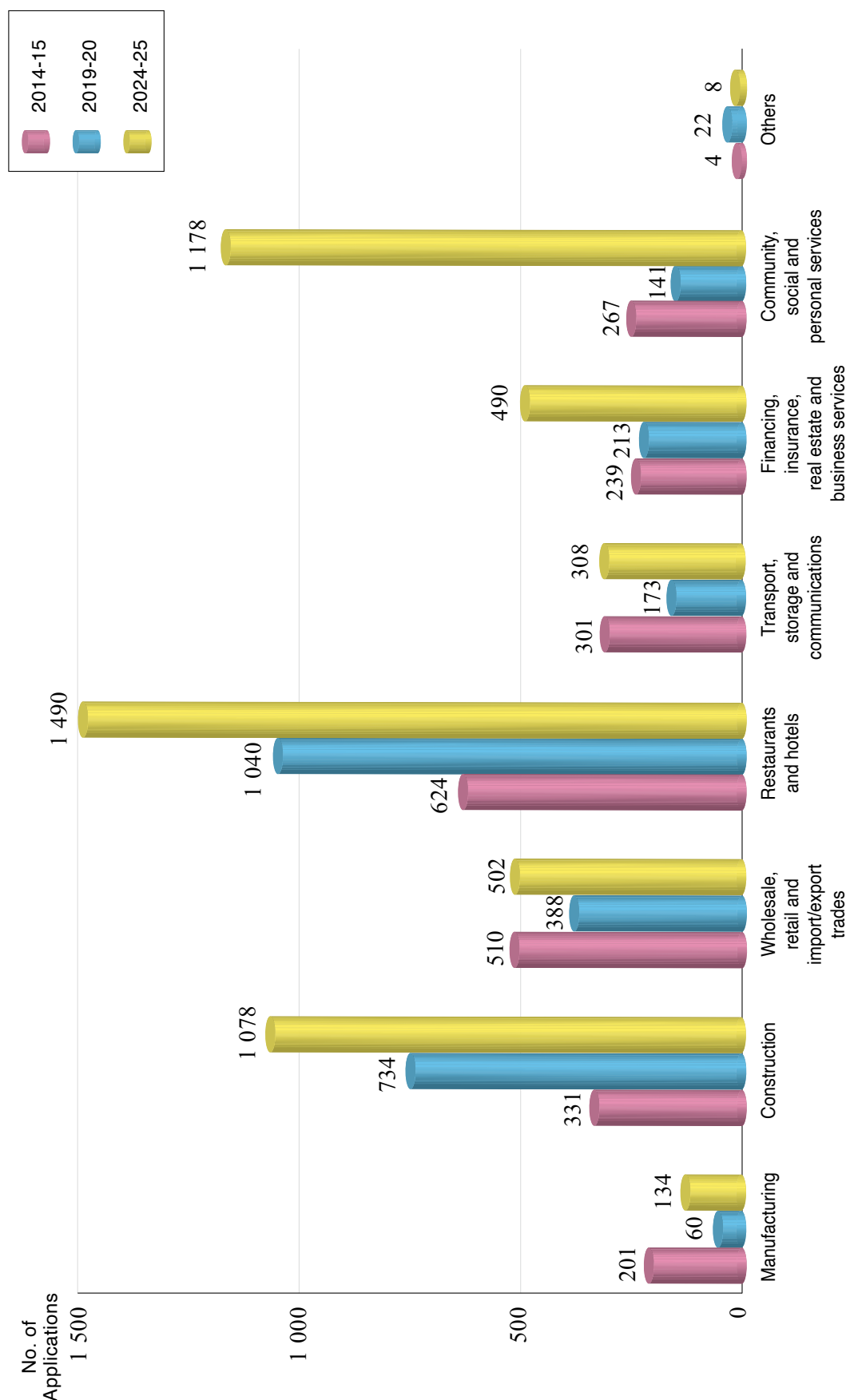
Figure 6
Subrogation income and ex gratia payment of the Fund from 2020-21 to 2024-25



Analysis of applications received by economic sector in 2014-15, 2019-20 and 2024-25

Analysis of applications received by economic sector in 2014-15, 2019-20 and 2024-25

(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 2025





PROTECTION OF WAGES ON INSOLVENCY FUND

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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 28, which comprise the statement of financial position as at 31 March 2025, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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") as 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 HKFRS Accounting Standards as 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.

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)

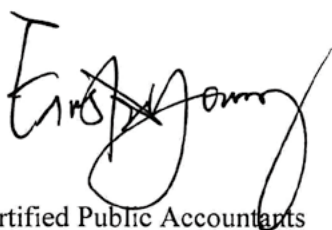
Auditor's responsibilities for the audit of the financial statements (continued)

- 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.
- 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.

Report on Other Legal and Regulatory Requirements

The engagement partner on the audit resulting in this independent auditor's report is Kong Choi Yi (practicing certificate number: P07873).



Certified Public Accountants
Hong Kong

08 AUG 2025

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2025

	Notes	2025 HK\$	2024 HK\$
INCOME	3	320,599,945	568,449,864
EXPENDITURE			
Ex gratia payments	4	296,977,245	155,143,241
Supervision fee	5	28,218,463	29,714,577
Legal and professional fee		9,337,791	4,387,423
Auditor's remuneration		130,500	137,000
Rates and building management charges		1,821,909	971,744
Insurance		40,859	12,172
Printing and stationery		58,100	32,000
Foreign exchange differences		2,706,531	26,014,401
Finance cost	7	34,486	33,903
Depreciation of right-of-use assets	11	8,186,304	639,536
Miscellaneous expenses		<u>3,341,318</u>	<u>2,074,376</u>
TOTAL EXPENDITURE		<u>350,853,506</u>	<u>219,160,373</u>
(DEFICIT)/SURPLUS AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	6	<u>(30,253,561)</u>	<u>349,289,491</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF FINANCIAL POSITION

31 March 2025

	Notes	2025 HK\$	2024 HK\$
NON-CURRENT ASSETS			
Property	10	69,687,150	69,687,150
Right-of-use assets	11	168,399,252	175,498,449
Total non-current assets		<u>238,086,402</u>	<u>245,185,599</u>
CURRENT ASSETS			
Levies receivable		676,600	17,371,300
Interest receivables		33,432,037	44,483,456
Sundry deposits		528,292	508,647
Time deposits	12	7,029,371,968	7,038,121,410
Cash at banks	12	19,536,699	5,980,938
Total current assets		<u>7,083,545,596</u>	<u>7,106,465,751</u>
CURRENT LIABILITIES			
Approved applications payable		4,699,493	4,038,113
Accrued operation expenses		130,500	137,000
Accrued supervision fee	5	28,480,000	29,400,000
Lease liability	11	545,745	311,022
Total current liabilities		<u>33,855,738</u>	<u>33,886,135</u>
NET CURRENT ASSETS		<u>7,049,689,858</u>	<u>7,072,579,616</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,287,776,260</u>	<u>7,317,765,215</u>
NON-CURRENT LIABILITY			
Lease liability	11	<u>264,606</u>	<u>-</u>
Net assets		<u>7,287,511,654</u>	<u>7,317,765,215</u>
FINANCED BY:			
Accumulated surplus		7,270,972,867	7,301,226,428
General reserves	13	16,538,787	16,538,787
Total accumulated funds and reserves		<u>7,287,511,654</u>	<u>7,317,765,215</u>



Mr. MA Ho-fai, GBS, JP
Chairman



Ms. Juan LEUNG Chung-yan, MH
Board Member

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CHANGES IN FUNDS AND RESERVES

Year ended 31 March 2025

	Accumulated surplus HK\$	General reserves HK\$	Total accumulated funds and reserves HK\$
At 1 April 2023	6,951,936,937	16,538,787	6,968,475,724
Surplus and total comprehensive income for the year	<u>349,289,491</u>	<u>-</u>	<u>349,289,491</u>
At 31 March 2024 and at 1 April 2024	7,301,226,428	16,538,787	7,317,765,215
Deficit and total comprehensive loss for the year	<u>(30,253,561)</u>	<u>-</u>	<u>(30,253,561)</u>
At 31 March 2025	<u><u>7,270,972,867</u></u>	<u><u>16,538,787</u></u>	<u><u>7,287,511,654</u></u>

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CASH FLOWS

Year ended 31 March 2025

	Notes	2025 HK\$	2024 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/surplus for the year		(30,253,561)	349,289,491
Adjustments for:			
Bank interest income	3	(295,447,600)	(327,936,563)
Finance cost	7	34,486	33,903
Depreciation of right-of-use assets	11	<u>8,186,304</u>	<u>639,536</u>
		(317,480,371)	22,026,367
Decrease in levies receivable		16,694,700	9,549,000
Increase in sundry deposits		(19,645)	(307,729)
Decrease in a prepayment		-	63,040
Increase in approved applications payable		661,380	3,827
Decrease in accrued operation expenses		(6,500)	(114,496)
(Decrease)/increase in accrued supervision fee		(920,000)	4,400,000
Decrease in other payable		<u>-</u>	<u>(69,169)</u>
Cash (used in)/ generated from operations		(301,070,436)	35,550,840
Interest paid		<u>(34,486)</u>	<u>(33,903)</u>
Net cash flows (used in) /from operating activities		<u>(301,104,922)</u>	<u>35,516,937</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		306,499,019	334,254,988
Purchase of an office premises		-	(69,687,150)
Addition to leasehold land included in right-of-use assets		-	(175,200,000)
(Increase)/decrease in time deposits with original maturity over three months		<u>(1,128,250,558)</u>	<u>2,563,224,536</u>
Net cash flows (used in)/from investing activities		<u>(821,751,539)</u>	<u>2,652,592,374</u>
CASH FLOWS FROM A FINANCING ACTIVITY			
Principal portion of lease payments	14	(587,778)	(642,057)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>3,392,980,938</u>	<u>705,513,684</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>2,269,536,699</u></u>	<u><u>3,392,980,938</u></u>

continued/...

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2025

	Note	2025 HK\$	2024 HK\$
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	12	19,536,699	5,980,938
Time deposits with original maturity of three months or less when acquired	12	<u>2,250,000,000</u>	<u>3,387,000,000</u>
Cash and cash equivalents as stated in the statement of cash flows		<u>2,269,536,699</u>	<u>3,392,980,938</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

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. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 HKFRS Accounting Standards for the first time for the current year’s financial statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The adoption of the above revised HKFRS Accounting Standards has had no significant financial effect on these financial statements except the followings.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Fund has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Fund.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 Non-current Liabilities with Covenants

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Fund has reassessed the terms and conditions of its liabilities as at 1 April 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Fund.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Fund has not applied any new and revised HKFRS Accounting Standards, that have been issued but are not yet effective for the financial year ended 31 March 2025, in these financial statements.

The Fund is in the process of making assessment of the impact of the new and revised HKFRS Accounting standards upon initial application but is not yet in a position to state whether these new and revised HKFRS Accounting Standards would have a significant impact on the Fund's financial statements in the period of initial application.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

2.4 MATERIAL 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.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

2.4 MATERIAL 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 and the estimated useful lives of the assets are as follows:

Leasehold land	33 years
Storeroom	2 years

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 2025

2.4 MATERIAL 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.

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

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 2025

2.4 MATERIAL 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 2025

2.4 MATERIAL 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 2025

2.4 MATERIAL 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

Cash and cash equivalents in the statement of financial position comprise cash at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

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 deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Fund's cash management.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

2.4 MATERIAL 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 2025

3. INCOME

An analysis of income is as follows:

	2025 HK\$	2024 HK\$
Levies	16,601,800	233,214,600
Money recovered by subrogation	8,550,545	7,298,701
Bank interest income	295,447,600	327,936,563
	<u>320,599,945</u>	<u>568,449,864</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\$150 and HK\$450 are respectively imposed on one-year and three-year business registration according to the Business Registration Ordinance (Amendment of Schedule 2) Order 2022. The levies are waived for two years starting from 1 April 2024.

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\$200,000 (on or before 20 March 2025: HK\$100,000) and half of the part of the applicant's entitlement to severance payment in excess of HK\$200,000 (on or before 20 March 2025: 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 2025

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. (DEFICIT) /SURPLUS FOR THE YEAR

The Fund's (deficit)/surplus for the year is arrived at after charging:

	Note	2025 HK\$	2024 HK\$
Depreciation of right-of-use assets	11	8,186,304	639,536
Employee benefit expenses:			
Salaries		2,840,160	1,630,855
Pension scheme contributions (defined contribution scheme)		157,122	86,696
Total		<u>2,997,282</u>	<u>1,717,551</u>
Auditor's remuneration		<u>130,500</u>	<u>137,000</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

7. FINANCE COST

	2025 HK\$	2024 HK\$
Interest on lease liability	<u>34,486</u>	<u>33,903</u>

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 (2024: Nil).

9. INCOME TAX

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

10. PROPERTY

	Ownership interests in properties held for own use HK\$
At 1 April 2024:	
Cost	97,161,827
Accumulated depreciation	<u>(27,474,677)</u>
Net carrying amount	<u>69,687,150</u>
At 31 March 2025, net of accumulated depreciation	<u>69,687,150</u>
At 31 March 2025:	
Cost	97,161,827
Accumulated depreciation	<u>(27,474,677)</u>
Net carrying amount	<u>69,687,150</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

10. PROPERTY (continued)

	Ownership interests in properties held for own use HK\$
At 1 April 2023:	
Cost	27,474,677
Accumulated depreciation	<u>(27,474,677)</u>
Net carrying amount	<u>-</u>
At 1 April 2023, net of accumulated depreciation	-
Addition	<u>69,687,150</u>
At 31 March 2024, net of accumulated depreciation	<u>69,687,150</u>
At 31 March 2024:	
Cost	97,161,827
Accumulated depreciation	<u>(27,474,677)</u>
Net carrying amount	<u>69,687,150</u>

During the years ended 31 March 2024 and 2025, the aforementioned office premises is still under refurbishment, no depreciation is charged for the year.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

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 storeroom outside the Fund. For the leasehold land, the Fund has made lump sum payments upfront to acquire the land from the owner with a lease period of 33 years, and no ongoing payments will be made under the terms of this land lease.

(a) Right-of-use assets

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

	Leasehold land HK\$	Storeroom HK\$	Total HK\$
At 1 April 2023	-	937,985	937,985
Addition	175,200,000	-	175,200,000
Depreciation charge	-	(639,536)	(639,536)
At 31 March 2024 and 1 April 2024	175,200,000	298,449	175,498,449
Lease modification	-	1,087,107	1,087,107
Depreciation charge	(7,597,959)	(588,345)	(8,186,304)
At 31 March 2025	<u>167,602,041</u>	<u>797,211</u>	<u>168,399,252</u>

(b) Lease liability

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

	2025 HK\$	2024 HK\$
Carrying amount at the beginning of year	311,022	953,079
Lease modification	1,087,107	-
Accretion of interest recognised during the year	34,486	33,903
Payments	(622,264)	(675,960)
Carrying amount at 31 March	<u>810,351</u>	<u>311,022</u>
Analysed into:		
Current portion	545,745	311,022
Non-current portion	<u>264,606</u>	<u>-</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

11. LEASES (continued)

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

	2025 HK\$	2024 HK\$
Interest on lease liability	34,486	33,903
Depreciation of right-of-use assets	<u>8,186,304</u>	<u>639,536</u>
Total amount recognised in profit or loss	<u><u>8,220,790</u></u>	<u><u>673,439</u></u>

12. CASH AT BANKS AND TIME DEPOSITS

	2025 HK\$	2024 HK\$
Bank balances	<u>19,536,699</u>	<u>5,980,938</u>
Time deposits with original maturity of:		
Three months or less	2,250,000,000	3,387,000,000
More than 3 months to 12 months, inclusive	4,779,371,968	3,428,748,845
More than 12 months to 24 months, inclusive	<u>-</u>	<u>222,372,565</u>
Total	<u><u>7,029,371,968</u></u>	<u><u>7,038,121,410</u></u>

At the end of the reporting period, the cash at banks and time deposits of the Fund denominated in Renminbi (“RMB”) amounted to RMB422,803,290 (equivalent to approximately HK\$453,371,968) (2024: RMB408,048,777 (equivalent to approximately HK\$440,121,410)).

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

13. GENERAL RESERVES

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 March 2025, the Fund had non-cash modification to right-of-use asset and lease liability of HK\$1,087,107 and HK\$1,087,107 respectively, in respect of lease arrangement for a store room.

There are no major non-cash modification for the year ended 31 March 2024.

(b) Reconciliation of liability arising from a financing activity

	Lease liability HK\$
At 1 April 2023	953,079
Changes from financing cash flows	(642,057)
Interest expense	33,903
Interest paid classified as operating cash flows	(33,903)
At 31 March 2024 and 1 April 2024	311,022
Changes from financing cash flows	(587,778)
Lease modification	1,087,107
Interest expense	34,486
Interest paid classified as operating cash flows	(34,486)
At 31 March 2025	<u>810,351</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:

	2025 HK\$	2024 HK\$
Within operating activities	34,486	33,903
Within financing activity	<u>587,778</u>	<u>642,057</u>
	<u>622,264</u>	<u>675,960</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

15. CONTINGENT LIABILITIES

At 31 March 2025, 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\$116,614,531 (2024: HK\$207,839,410).

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.

16. 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.

17. 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.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

18. 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.

The following table demonstrates the sensitivity of the Fund's deficit/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 deficit HK\$
<u>2025</u>		
If HK\$ weakens against RMB	1	(4,533,720)
If HK\$ strengthens against RMB	(1)	<u>4,533,720</u>

	Change in the rate %	Increase/ (decrease) in surplus HK\$
<u>2024</u>		
If HK\$ weakens against RMB	1	4,401,214
If HK\$ strengthens against RMB	(1)	<u>(4,401,214)</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 2025 and 31 March 2024, the loss allowance was assessed to be minimal.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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".

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:

2025

	Repayable on demand/less than 1 year HK\$	Within 2 to 5 years HK\$	Total HK\$
Approved applications payable	4,699,493	-	4,699,493
Accrued operation expenses	130,500	-	130,500
Accrued supervision fee	28,480,000	-	28,480,000
Lease liability	575,280	268,464	843,744
	<u>33,885,273</u>	<u>268,464</u>	<u>34,153,737</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2025

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

2024

	Repayable on demand/less than 1 year HK\$	Within 2 to 5 years HK\$	Total HK\$
Approved applications payable	4,038,113	-	4,038,113
Accrued operation expenses	137,000	-	137,000
Accrued supervision fee	29,400,000	-	29,400,000
Lease liability	315,448	-	315,448
	<u>33,890,561</u>	<u>-</u>	<u>33,890,561</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 2025 and 31 March 2024.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 8 August 2025.



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