

**Annual Report of the
Protection of Wages on Insolvency Fund Board**

2002-03

Contents

Chairman's Foreword	4
Membership list of the Protection of Wages on Insolvency Fund Board 2002-03	6
Introduction	8
Protection of Wages on Insolvency Fund Board	8
Protection of Wages on Insolvency Fund	8-10
Maximum amount of ex-gratia payment payable by the Fund	9
Prerequisites for making ex-gratia payment from the Fund	9
Subrogation rights of the Fund	10
Application of the Fund's reserve	10
Annual review of applications received and processed	10-11
Applications received	10
Applications processed	11
Meetings of the Protection of Wages on Insolvency Fund Board	11
Financial position of the Protection of Wages on Insolvency Fund	11
Activities Highlight	12-15
Signing of bridging loan agreement	12
Task Force to combat abuses of the Fund	12
Seminar on "Employees' protection in the course of winding-up of a company or bankruptcy of a firm"	13
Seminar on "Partnership Approach"	14
Stepping up publicity on preventing abuses to the Fund	15

Contents

Appendix I -	Operating results of the Protection of Wages on Insolvency Fund in 2002-03	16-18
Appendix II -	Breakdown of applications for ex-gratia payment on arrears of wages received in 2002-03	19
Appendix III -	Breakdown of applications for ex-gratia payment on wages in lieu of notice received in 2002-03	20
Appendix IV -	Breakdown of applications for ex-gratia payment on severance payment received in 2002-03	21
Appendix V -	Analysis of ex-gratia payment approved in 2002-03	22
Appendix VI -	Analysis of approved ex-gratia payment as percentage of applicants' claimed amount in 2002-03	23
Appendix VII -	Comparative figures on the performance of the Protection of Wages on Insolvency Fund	24-28
Appendix VIII -	Report and Financial statements for the year ended 31 March 2003	29

Chairman's Foreword

Introduction

The objective of setting up the Protection of Wages on Insolvency Fund (the Fund) is to provide timely financial relief in the form of ex-gratia payment to employees of insolvent employers. Since its establishment in 1985, the Fund has played a significant role in maintaining harmonious labour relations and social stability in Hong Kong.

Performance of the Fund

The year 2002-03 proved to be an extremely busy year for the Board. With the economy still suffering from the deflationary spiral, the number of insolvency and winding-up cases continued to increase. Indeed, the total number of applications received by the Fund in the year hit a record high of 22 851, representing an increase of 26% over the previous financial year. To cope with the surge in applications, additional staffs were employed by the Wage Security Unit (WSU) of the Labour Department (LD) to speed up the vetting work. As a result, a record high of 22 569 (+75%) applications were processed and ex-gratia payment amounting to \$555.7 million (+72%) representing a sharp increase over the previous financial year.

Financial Position of the Fund

There has been a sharp increase in ex-gratia payment made from the Fund with no corresponding increase in its income since the Asian financial crisis in 1997. The Fund has been operating on perennial deficits since 1997-98. To ensure the financial viability of the Fund, the Government raised the levy charged on the Business Registration Certificate (BRC) from \$250 to \$600 per annum with effect from 16 May 2002.

The increase of the levy has generated temporary relief to the cash-flow problem of the Fund. However, the economic downturn continued to exert great pressure on the Fund. In particular, the sudden collapse in June 2002 of a catering group involving 2 100 employees created enormous pressure on the Fund. On 8 November 2002, the Finance Committee of the Legislative Council (LegCo) approved the extension of a standby government loan of \$695 million to the Fund Board. The loan is in the form of a credit line with interest and can be drawn down as and when necessary.

As at the end of the financial year, the Fund registered another deficit of \$159.8 million, representing an increase of 16% over the previous financial year. Its reserve dropped to a historical low of \$35.1 million.

Inter-departmental “Task Force”

In response to the concern expressed by some LegCo Members, an inter-departmental “Task Force” comprising representatives of the LD, the Official Receiver’s Office (ORO), the Legal Aid Department (LAD) and the Commercial Crime Bureau (CCB) of the Hong Kong Police Force was set up in November 2002 to investigate into suspected cases of abuse.

By 31 March 2003, the CCB has arrested two directors and 11 ex-employees involved in one case of conspiracy to defraud the Fund. The CCB and the ORO were closely investigating the 13 cases referred by the LD. The Task Force and the Board will take every possible measure to safeguard the Fund against fraud.

Conclusion

The past year has been an extremely difficult year for the Board and its staff. On behalf of the Board, I would like to express our appreciation to all staff of the WSU for their unfaltering commitment and hard work in coping with the drastic increase in workload. They had been working under immense pressure and long working hours to cope with the surge in applications and to ensure prompt payment was made to qualified applicants. I would also like to thank various parties for their kind assistance to the Fund, notably the Inland Revenue Department for collecting the levy, the LAD and ORO for their valuable support, and the CCB for their efforts in cracking down on abuses of the Fund.

Finally, the Board would like to thank the Government for providing a bridging loan to the Fund to ensure that it has sufficient cash flow to help employees in distress arising from the insolvency of their employers.

HO Sai-chu, SBS, JP
Chairman

Protection of Wages on Insolvency Fund Board
September 2003

**Membership list of the
Protection of Wages on Insolvency Fund Board
2002-03**

Chairman

Mr. HO Sai-chu, SBS, JP

Members

Representing employees

Mr. CHU Ming

Mr. WAN Koon-sun

Ms. LAM Shuk-yee

Representing employers

Mr. Michael LI Hon-shing, JP

Mr. Joseph PANG Yuk-wing, JP

Mr. Clement CHEN Cheng-jen

Representing government departments

Assistant Commissioner of the Labour Department
responsible for wage security matters

Assistant Principal Legal Aid Counsel of the Legal Aid Department
responsible for matters relating to insolvency, costing and enforcement

Assistant Principal Solicitor of the Official Receiver's Office

Secretary

Senior Labour Officer, Wage Security Unit of the Labour Department



Group photo of members and staff of the Protection of Wages on Insolvency Fund Board

Rear row from the left :

Mr. Michael LI Hon-shing, JP	Ms. Irene WONG Mei-ling	Mr. Joseph PANG Yuk-wing, JP	Mr. Clement CHEN Cheng-jen	Mr. WAN Koon-sun	Mr. Ernest IP Yee-cheung
Representing employers	Treasury Accountant, Labour Department	Representing employers	Representing employers	Representing employees	Secretary

Front row from the left :

Ms. LAM Shuk-yee	Mrs. Jennie CHOR CHAN Chui-yuk, JP	Mr. HO Sai-chu, SBS, JP	Mrs. Nina TAM LEE Po-lin	Ms. Fiona LEE Kwan-wai
Representing employees	Assistant Commissioner, Labour Department	Chairman	Assistant Principal Legal Aid Counsel, Legal Aid Department	Assistant Principal Solicitor, Official Receiver's Office

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 2003.

Protection of Wages on Insolvency Fund Board

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

The Board has the following statutory functions:

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

Protection of Wages on Insolvency Fund

The Fund is mainly financed by a levy on each business registration certificate. The levy is collected by the Inland Revenue Department when the business registration fee is paid. The levy rate has been increased from \$250 to \$600 per annum with effect from 16 May 2002.

Under the Ordinance, employees who are owed wages, wages in lieu of notice and severance payment by their insolvent employers may apply for ex-gratia payment from the Fund. The application should be made in an approved form and supported by a statutory declaration. The application has to be made within a period of six months from the applicant's last day of service.

Maximum amount of ex-gratia payment payable by the Fund

Ex-gratia payment from the Fund covers:

- (a) wages of an employee for services rendered to his employer during the four months prior to the last day of service but not exceeding \$36,000 (“wages” include remuneration and earnings and items deemed to be wages under section 43 of the Employment Ordinance, namely, statutory holiday pay, annual leave pay, end of year payment, maternity leave pay and sickness allowance);
- (b) wages in lieu of notice up to one month’s wages or \$22,500, whichever is the less; and
- (c) severance payment up to \$50,000 plus 50% of any entitlement, under the Employment Ordinance, in excess of \$50,000.

Prerequisites for making ex-gratia payment from the Fund

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

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

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

The Commissioner for Labour is empowered by the Ordinance to investigate applicants’ claims before making payment from the Fund. For the purpose of verifying applications, the Commissioner may demand employers and applicants to submit wage and employment records and request them to attend interviews.

Subrogation rights of the Fund

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

Application of the Fund's reserve

In accordance with section 10 of the Ordinance, the Board has obtained the Financial Secretary's approval to invest not more than 20% of the Fund's uncommitted balance in equities as the Board thinks fit. However, with falling reserve, all investment holdings entrusted with the fund manager has been liquidated in October 2001. A property was purchased in 1990 to provide office accommodation for the Board. 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 summarized as follows.

Applications received

During the year 2002-03, 22 851 applications involving claims for ex-gratia payment of \$956.0 million were received from employees in 2 661 suspected insolvency cases. Detailed breakdown of the applications is at Appendix I.

Of the 2 661 suspected insolvency cases, 2 490 involved less than 20 employees, and 23 involved 100 employees or more. The remaining 148 cases involved 20 to 99 employees.

During the year, the restaurant and catering trade recorded the largest number of applications. The applications amounted to 10 157 with a total claim of \$285.3 million. This was followed by the construction industry with 4 743 applications and a total claim of \$185.4 million, and the import and export trade with 1 304 applications and a total claim of \$98.0 million. These three trades accounted for 70.9% of the total number of applications and 59.5% of the total amount claimed.

Out of 22 851 applicants, 20 690 applied for ex-gratia payment on arrears of wages, 15 191 applied for payment on wages in lieu of notice and 8 799 applied for payment on severance payment. Breakdowns of these applications are at Appendices II, III and IV.

Applications processed

A total of 20 341 applications were approved during the year, resulting in payment amounting to \$555.7 million. Out of these, a total payment of \$99.5 million was made to 3 548 applicants by the Commissioner for Labour under section 16(1)(a)(ii) or section 18(1) of the Ordinance.

An analysis of ex-gratia payment approved is at Appendix V. As indicated at Appendix VI, the claimed amount was met in full in respect of 55.7% of applicants on arrears of wages, 71.5% of applicants on wages in lieu of notice, and 12.3% of applicants on severance payment.

The Commissioner for Labour rejected 985 applications involving claims totalling \$63.7 million. Among the cases rejected, 398 applications were not eligible for the claims, 352 applications produced insufficient evidence, and 235 applications had already been settled with their employers or liquidators. The grounds rendering ineligibility of the claims were due to applicants' status as registered company directors, claims outside the 6-month qualifying period, claims without legal backing or claims without petitions.

A total of 1 243 applications involving claims amounting to \$43.6 million were withdrawn, mainly as a result of direct settlement between employees and their employers or liquidators, or because the applicants decided not to pursue their claims for various reasons.

Appendix VII sets out comparative figures on the Fund's performance in the last five to ten years.

Meetings of the Protection of Wages on Insolvency Fund Board

The Board met five times during the year to discuss matters relating to the administration of the Fund. These included examination of its performance and financial statements, projection of income and expenditure, and a decision to apply for a bridging loan from the Government. It also reviewed three appeals against the decision of the Commissioner for Labour under section 17 of the Ordinance.

Financial position of the Protection of Wages on Insolvency Fund

The Fund received a levy of \$395.6 million, as compared with \$171.2 million in the previous year. It paid out a total of \$555.7 million, as compared with \$322.6 million a year ago. It registered a deficit of \$159.8 million, as compared with a deficit of \$138.1 million in the previous year. Its reserve dropped to \$35.1 million from \$194.9 million a year ago, despite the increase in levy from \$250 to \$600 per annum with effect from 16 May 2002. The Finance Committee of the Legislative Council approved the provision of a bridging loan of \$695 million to the Board on 8 November 2002. This was in the form of an interest bearing credit line, to be drawn as and when necessary. The Fund had not drawn on the bridging loan during this financial year.

A copy of the financial statements and the auditors' report for the year ended 31 March 2003 is at Appendix VIII.

Activities Highlight

Signing of bridging loan agreement

The Fund has been suffering from annual deficits since the Asian financial crisis in late 1997. The Finance Committee of the Legislative Council approved a bridging loan of \$695 million to the Board on 8 November 2002 to tide over its cash flow problem as a result of the sharp increase in the number of claims because of the current economic slump.



Mr. Matthew Cheung Kin-chung (left), Permanent Secretary for the Economic Development and Labour Bureau (Labour) and the Board Chairman Mr. Ho Sai-chu signing the bridging loan agreement on 13 December 2002.

Task Force to combat abuses of the Fund

The Labour Department (LD), the Official Receiver's Office (ORO) and the Legal Aid Department (LAD) joined hands with the Commercial Crime Bureau (CCB) of the Hong Kong Police Force (HKPF) to set up a "Task Force" in November 2002 with a view to strengthening their collaboration to combat possible abuses of the Fund. To achieve this objective, the "Task Force" has organized seminars, established intelligence collection mechanism, reviewed relevant strategies and referral procedures and stepped up its enforcement and prosecution action.

On 7 January 2003, the police arrested two directors and 11 employees of a transportation company for defrauding ex-gratia payment from the Fund by providing false information to the LD. By 31 March 2003, LD had referred 13 suspected cases in connection with illegal transfer of assets and conspiracy to defraud the Fund to CCB and ORO for follow-up action.

Seminar on “Employees’ protection in the course of winding-up of a company or bankruptcy of a firm”

The Board and LD co-organised a seminar on “Employees’ protection in the course of winding-up of a company or bankruptcy of a firm” on 12 December 2002. The objective of the seminar was to enhance participants’ understanding and to enrich their knowledge in employees’ rights and benefits during winding-up or bankruptcy. It also touched upon existing legal provisions on illegal transfer of company assets and fraudulent acts, and the channels of reporting such frauds.



Seminar on Employees’
Protection in
Winding-up or
Bankruptcy.



Guest speakers: (from the left) Miss Pauline Lo, Legal Aid Counsel, Mr. Patrick Law, Senior Superintendent of CCB, HKPF, Mrs. Jennie Chor, Assistant Commissioner of LD, Ms. Fiona Lee, Assistant Principal Solicitor of ORO and Mr. Stephen Liu, Partner, Corporate Finance Services of Ernst & Young Transactions Ltd. answering questions during the open forum.



Presenting souvenir to guest speaker Mr. Stephen Liu (right), by the Board Chairman Mr. Ho Sai-chu (left).

Seminar on “Partnership Approach – How Private Insolvency Practitioners collaborate with the Administration to combat abuses of the Protection of Wages on Insolvency Fund”

In order to prevent possible abuses of the Fund, the LD, CCB of the HKPF and the ORO on 7 March 2003 co-organised a seminar entitled “Partnership Approach – How Private Insolvency Practitioners collaborate with the Administration to combat abuses of the Protection of Wages on Insolvency Fund”. The objective was to strengthen the collaboration between insolvency practitioners and concerned government departments in the detection of frauds and commercial crimes in the course of winding-up of a company or bankruptcy of a firm, so as to prevent abuses of the Fund.



Mrs. Jennie Chor (left), Assistant Commissioner of LD, delivering her opening address.



65 insolvency practitioners attended the Seminar on Partnership Approach.



Guest speakers: (from the left) Ms. Fiona Lee, Assistant Principal Solicitor of ORO, Mr. Eric Wong, Superintendent of CCB, HKPF and Miss Joyce Tam, Labour Officer of LD shared their experience and discussed with insolvency practitioners on how they could strengthen their future collaboration.

Stepping up publicity on preventing abuses to the Fund



Posters are displayed and leaflets are available for distribution at Labour Relations Offices, Labour Tribunal, Minor Employment Claims Adjudication Board, trade unions and employers' associations.

(1) No. of cases received	2 661
(2) No. of applications	
(i) b/f last period	12 109
received this period	22 851
reconsidered this period	93
	<u>35 053</u>
(ii) Processed	22 569
<i>approved</i>	20 341
<i>refused</i>	985
<i>withdrawn</i>	1 243
outstanding	12 348
put aside *	136
	<u>35 053</u>

(3)	Amount of ex-gratia payment (in HK\$'000) applied for		Arrears of wages		Wages in lieu of notice		Severance payment	<u>HK\$'000</u>
(i)	b/f last period							575,427
	received this period	430,451	+	119,855	+	405,695	=	956,001
	reconsidered this period	2,055	+	437	+	1,138	=	<u>3,630</u>
								1,535,058

	Arrears of wages		Wages in lieu of notice		Severance payment		HK\$'000
(ii) approved	238,651	+	77,781	+	239,282	=	555,714
screened							351,247
refused							63,675
withdrawn							43,627
outstanding							
put aside *							
							520,795
							1,535,058

(4) No. of applications seeking review by the Fund Board	3
--	---

(1) No. of cases where a winding-up petition has been made	674
(2) No. of cases where a bankruptcy petition has been made	160
(3) No. of cases dealt with under S.18(1) of the Protection of Wages on Insolvency Ordinance	993
(4) No. of cases dealt with under S.16(1)(a)(ii) of the Protection of Wages on Insolvency Ordinance	77

(1) Less than 20 employees	2 490
(2) 20 - 49 employees	108
(3) 50 - 99 employees	40
(4) 100 or more employees	23
	2 661

16

IV. Breakdown of applications by industry :

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of Applicants		Amount claimed (including wages, wages in lieu of notice and severance payment)
<i>Division 1</i>	<i>Agriculture and Fishing</i>	1	(0)	\$15,000.00
<i>Division 2</i>	<i>Mining and Quarrying</i>	4	(1)	\$154,750.33
<i>Division 3</i>	<i>Manufacturing</i>			
Sub-group				
311-312	Food	25	(11)	\$1,446,846.66
313	Beverage industries	96	(4)	\$2,902,648.36
320-322	Wearing apparel, except footwear	367	(46)	\$25,144,766.99
323	Leather and leather products, except footwear and wearing apparel	12	(4)	\$2,076,133.24
324	Footwear, except rubber, plastic and wooden footwear	11	(3)	\$931,965.74
325-329	Textiles	77	(20)	\$4,616,570.50
332	Furniture and fixtures, except primarily of metal	37	(11)	\$1,580,173.65
341	Paper and paper products	26	(10)	\$3,050,388.49
342	Printing, publishing and allied industries	268	(44)	\$20,600,816.80
351-352	Chemicals and chemical products	9	(2)	\$786,217.90
355	Manufacture of rubber products	2	(1)	\$47,605.66
356	Plastic products	39	(12)	\$4,415,305.49
371-372	Basic metal industries	10	(4)	\$602,289.00
380-381	Fabricated metal products, except machinery and equipment	52	(8)	\$4,474,932.21
382	Manufacture of office, accounting and computing machinery	6	(1)	\$822,268.79
383	Radio, television & communication equipment and apparatus	23	(4)	\$1,182,124.38
384	Electronic parts and components	130	(15)	\$26,625,910.95
385	Electrical appliances & houseware and electronic toys	64	(5)	\$7,424,724.92
386-387	Machinery, equipments, apparatus, parts and components, not elsewhere classified	111	(11)	\$11,216,943.83
390-391	Manufacturing industries, not elsewhere classified	110	(35)	\$9,496,400.02
<i>Division 4</i>	<i>Electricity, Gas and Water</i>	13	(3)	\$1,045,501.00
<i>Division 5</i>	<i>Construction</i>	4 743	(586)	\$185,423,741.17
<i>Division 6</i>	<i>Wholesale, Retail and Import/Export Trades, Restaurants and Hotels</i>			
Sub-group				
611-612	Wholesale	132	(31)	\$8,356,054.16
621	Retail	694	(137)	\$26,884,254.78
631-632	Import/Export	1 304	(373)	\$97,976,552.48
641	Restaurants	10 157	(448)	\$285,254,709.65
651	Hotels and boarding houses	48	(2)	\$1,625,258.26

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

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of Applicants		Amount claimed (including wages, wages in lieu of notice and severance payment)
<i>Division 7</i>	<i>Transport, Storage and Communication</i>			
Sub-group				
711	Land passenger transport	14	(5)	\$1,484,373.30
712	Land freight transport	487	(114)	\$34,232,372.60
713	Supporting services to land transport	48	(9)	\$1,302,693.23
714	Ocean and coastal water transport	102	(7)	\$1,938,257.43
715	Inland water transport	28	(3)	\$3,251,634.95
716	Supporting services to water transport	10	(5)	\$938,809.55
717	Air transport	16	(4)	\$1,489,975.56
718	Services incidental to transport	46	(10)	\$2,340,299.19
721	Storage	230	(12)	\$13,771,732.73
731	Communications	222	(42)	\$10,557,146.35
<i>Division 8</i>	<i>Financing, Insurance, Real Estate and Business Services</i>			
Sub-group				
812	Finance and investment companies	75	(15)	\$5,681,194.75
813	Stock, commodity and bullion brokers, exchanges and services	11	(3)	\$646,412.76
819	Financial institutions, not elsewhere classified	67	(21)	\$4,111,287.79
821	Insurance	8	(3)	\$405,490.15
831	Real Estate	139	(27)	\$7,690,330.70
832	Rental of machinery and equipment	9	(3)	\$386,738.74
833	Business services except rental of machinery and equipment	1 099	(210)	\$72,149,542.76
<i>Division 9</i>	<i>Community, Social and Personal Services</i>			
Sub-group				
910	Public administration	1	(0)	\$7,704.00
921	Sanitary and similar services	118	(13)	\$2,081,518.37
931	Education services	177	(25)	\$5,510,438.19
933	Medical, dental, other health and veterinary services	108	(20)	\$3,720,318.75
935	Business, professional and labour associations	10	(5)	\$1,384,605.53
939	Miscellaneous social and related community services	1	(1)	\$12,861.46
940-941	Motion pictures and other entertainment services	128	(25)	\$4,843,247.09
942	Libraries, museums, gardens and cultural services	1	(1)	\$40,000.00
949	Miscellaneous amusement & recreational services	231	(27)	\$6,706,802.59
951	Repair services	35	(12)	\$1,790,400.47
952	Laundry, dry cleaning, dyeing and garment services	125	(12)	\$3,044,971.50
959	Miscellaneous personal services	734	(195)	\$28,299,439.09
Total :		22 851	(2 661)	\$956,001,454.99

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

**Breakdown of applications for ex-gratia payment on arrears of wages
received in 2002-03**

A. By amount

(including overtime pay and "deemed wages" under S.43 of the Employment Ordinance)

Amount	No. of applicants	Percentage
No entitlement/Not claimed	2 161	9.46
\$8,000* or less	8 365	36.61
\$8,001 - \$18,000	5 803	25.39
\$18,001 - \$24,000	1 678	7.34
\$24,001 - \$27,000	587	2.57
\$27,001 - \$30,000	516	2.26
\$30,001 - \$33,000	419	1.83
\$33,001 - \$36,000 [#]	393	1.72
\$36,001 - \$39,000	331	1.45
More than \$39,000	2 598	11.37
Total :	<u><u>22 851</u></u>	<u><u>100.00</u></u>

B. By periods of outstanding wages

(excluding overtime pay and "deemed wages" under S.43 of the Employment Ordinance)

<u>Period</u>	No. of applicants	Percentage
No entitlement/Not claimed	3 367	14.73
1/2 month or less	3 164	13.85
More than 1/2 month to 1 month	4 013	17.56
More than 1 month to 2 months	7 559	33.08
More than 2 months to 3 months	2 170	9.50
More than 3 months to 4 months	1 020	4.46
More than 4 months	1 558	6.82
Total :	<u><u>22 851</u></u>	<u><u>100.00</u></u>

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

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

Breakdown of applications for ex-gratia payment on wages in lieu of notice received in 2002-03

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	7 660	33.52
\$2,000* or less	4 508	19.73
\$2,001 - \$6,000	4 647	20.34
\$6,001 - \$10,000	2 318	10.14
\$10,001 - \$15,000	1 867	8.17
\$15,001 - \$22,500 [#]	1 102	4.82
\$22,501 - \$25,000	165	0.72
More than \$25,000	584	2.56
Total :	<u>22 851</u>	<u>100.00</u>

B. By notice period

Notice Period	No. of applicants	Percentage
No entitlement/Not claimed	7 660	33.52
1 day - 7 days	8 002	35.02
8 days - 14 days	258	1.13
15 days	224	0.98
16 days - less than 1 month	664	2.91
1 month ^{* #}	5 819	25.46
More than 1 month	224	0.98
Total :	<u>22 851</u>	<u>100.00</u>

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

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

**Breakdown of applications for ex-gratia payment on severance payment[#]
received in 2002-03**

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	14 052	61.49
\$8,000* or less	385	1.69
\$8,001 - \$36,000	4 606	20.16
\$36,001 - \$60,000	1 792	7.84
\$60,001 - \$80,000	723	3.16
\$80,001 - \$100,000	459	2.01
\$100,001 - \$120,000	269	1.18
\$120,001 - \$160,000	268	1.17
\$160,001 - \$200,000	145	0.64
\$200,001 - \$250,000	74	0.32
\$250,001 - \$270,000	22	0.10
\$270,001 - \$290,000	16	0.07
\$290,001 - \$310,000	11	0.05
\$310,001 - \$330,000	9	0.04
\$330,001 - \$350,000	10	0.04
\$350,001 - \$370,000	10	0.04
More than \$370,000	0	0.00
Total :	<u><u>22 851</u></u>	<u><u>100.00</u></u>

B. By length of service

Length of service	No. of applicants	Percentage
Not claimed or less than 2 years' service	14 209	62.18
2 - 4.99 years	4 067	17.80
5 - 5.99 years	954	4.17
6 - 6.99 years	666	2.91
7 - 7.99 years	544	2.38
8 - 8.99 years	414	1.81
9 - 9.99 years	388	1.70
10 - 17.99 years	1 334	5.84
18 - 24.99 years	200	0.87
25 - 26.99 years	22	0.10
27 - 28.99 years	15	0.07
29 - 30.99 years	17	0.07
31 - 32.99 years	6	0.03
33 - 34.99 years	2	0.01
35 - 36.99 years	3	0.01
37 - 38.99 years	1	0.01
39† - 40.99 years	5	0.02
41 ^ψ years' service and over	4	0.02
Total :	<u><u>22 851</u></u>	<u><u>100.00</u></u>

[#] The maximum amount of payment out of the Protection of Wages on Insolvency Fund is \$200,000 for date of termination of employment which falls between 1.10.2001 to 30.9.2002 and \$210,000 from 1.10.2002 to 30.9.2003.

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

[†] Fully reckonable years of service under the Employment Ordinance for date of termination of employment which falls between 1.10.2001 to 30.9.2002 are 39 years plus 50% of any period exceeding 39 years.

^ψ Fully reckonable years of service under the Employment Ordinance for date of termination of employment which falls between 1.10.2002 to 30.9.2003 are 41 years plus 50% of any period exceeding 41 years.

Analysis of ex-gratia payment approved in 2002-03

A. Analysis of payment approved for arrears of wages

(including overtime pay and "deemed wages" under S.43 of the Employment Ordinance)

Amount	No. of applicants	Percentage
No claimed/Not approved	2 129	10.47
\$4,000 or less	4 006	19.69
\$4,001 - \$8,000	4 074	20.03
\$8,001 - \$10,000	1 658	8.15
\$10,001 - \$12,000	1 198	5.89
\$12,001 - \$14,000	982	4.83
\$14,001 - \$16,000	857	4.21
\$16,001 - \$18,000	687	3.38
\$18,001 - \$28,000	1 969	9.68
\$28,001 - \$36,000 [#]	2 781	13.67
Total :	20 341	100.00

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

Amount	No. of applicants	Percentage
No claimed/Not approved	6 480	31.86
\$2,000 or less	5 072	24.93
\$2,001 - \$3,000	2 248	11.05
\$3,001 - \$4,000	1 407	6.92
\$4,001 - \$5,000	560	2.75
\$5,001 - \$6,000	478	2.35
\$6,001 - \$10,000	1 490	7.33
\$10,001 - \$22,500 [†]	2 606	12.81
Total :	20 341	100.00

C. Analysis of payment approved for severance payment

Amount	No. of applicants	Percentage
No claimed/Not approved	12 746	62.66
\$8,000 or less	774	3.81
\$8,001 - \$18,000	2 007	9.87
\$18,001 - \$24,000	990	4.87
\$24,001 - \$36,000	1 274	6.26
\$36,001 - \$50,000	1 105	5.43
\$50,001 - \$80,000	1 093	5.37
\$80,001 - \$117,000	262	1.29
\$117,001 - \$133,000	43	0.21
\$133,001 - \$143,000	10	0.05
\$143,001 - \$153,000	12	0.06
\$153,001 - \$163,000	9	0.04
\$163,001 - \$180,000	6	0.03
\$180,001 - \$190,000	10	0.05
\$190,001 - \$200,000 [*]	0	0.00
\$200,001 - \$210,000 ^{**}	0	0.00
Total :	20 341	100.00

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

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

^{*} The maximum amount of ex-gratia payment out of the Fund on severance payment for date of termination of employment which falls between 1.10.2001 to 30.9.2002.

^{**} The maximum amount of ex-gratia payment out of the Fund on severance payment for date of termination of employment which falls between 1.10.2002 to 30.9.2003.

**Analysis of approved ex-gratia payment as percentage of applicants' claimed amount
in 2002-03**

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

Approved payment as percentage of applicants' claimed amount for AW	Percentage of applicants
100%	55.71
90% or above	74.20
80% or above	81.96
70% or above	87.41
60% or above	91.09
50% or above	94.07
40% or above	96.19
30% or above	97.72
20% or above	98.76
10% or above	99.47
5% or above	99.77

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

Approved payment as percentage of applicants' claimed amount for WILON	Percentage of applicants
100%	71.51
90% or above	78.06
80% or above	81.57
70% or above	84.50
60% or above	85.60
50% or above	87.87
40% or above	88.93
30% or above	89.52
20% or above	98.53
10% or above	99.71

C. Severance payment (SP) at maximum payment of \$50,000 + 50% of excess entitlements

Approved payment as percentage of applicants' claimed amount for SP	Percentage of applicants
100%	12.25
90% or above	29.27
80% or above	53.37
70% or above	72.95
60% or above	83.56
50% or above	89.66

Comparative figures on the performance of the Protection of Wages on Insolvency Fund

Figure 1.

Total Number of Applications Received by the Fund from 1998-99 to 2002-03

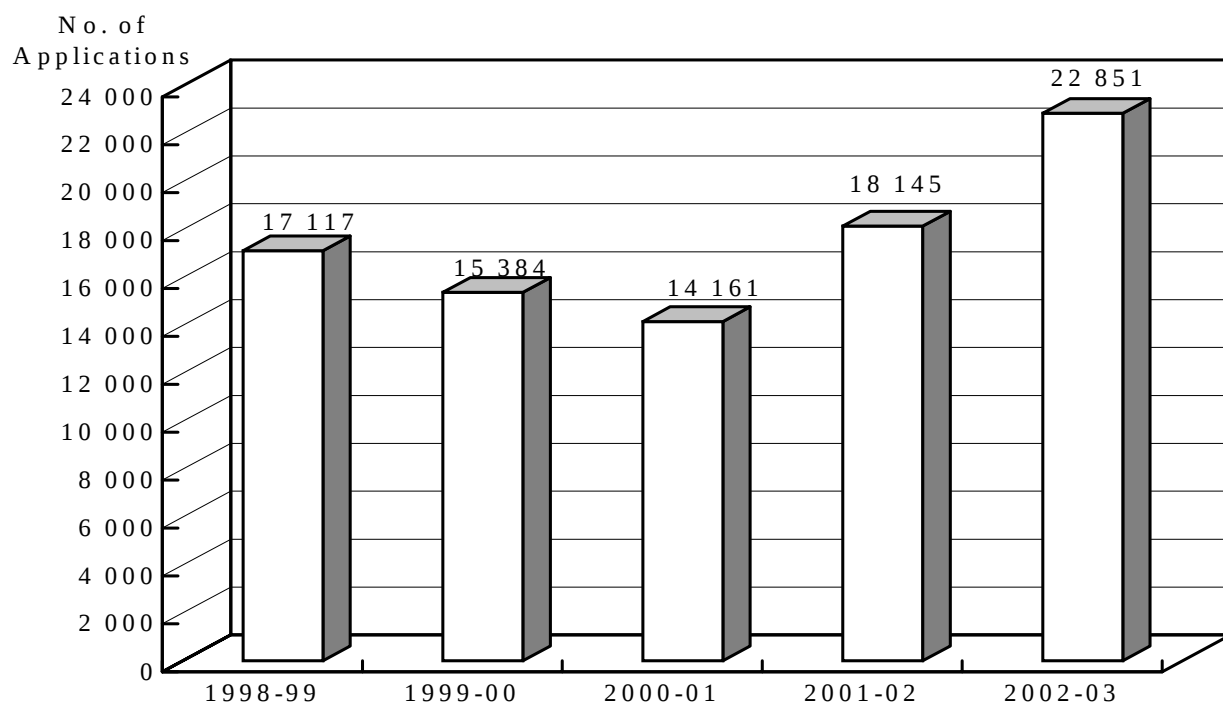


Figure 2.

First Three Industries/Trades with the Largest Number of Applications Received from 1998-99 to 2002-03

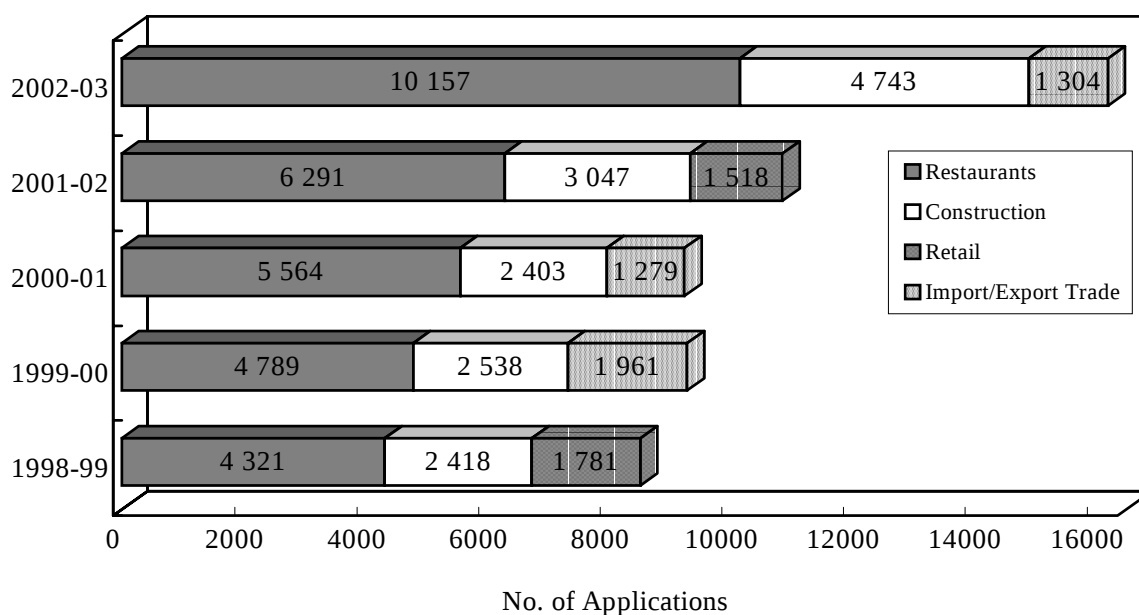


Figure 3.

Number of Applications Received by the Fund in 1992-93, 1997-98 and 2002-03 by Economic Sectors

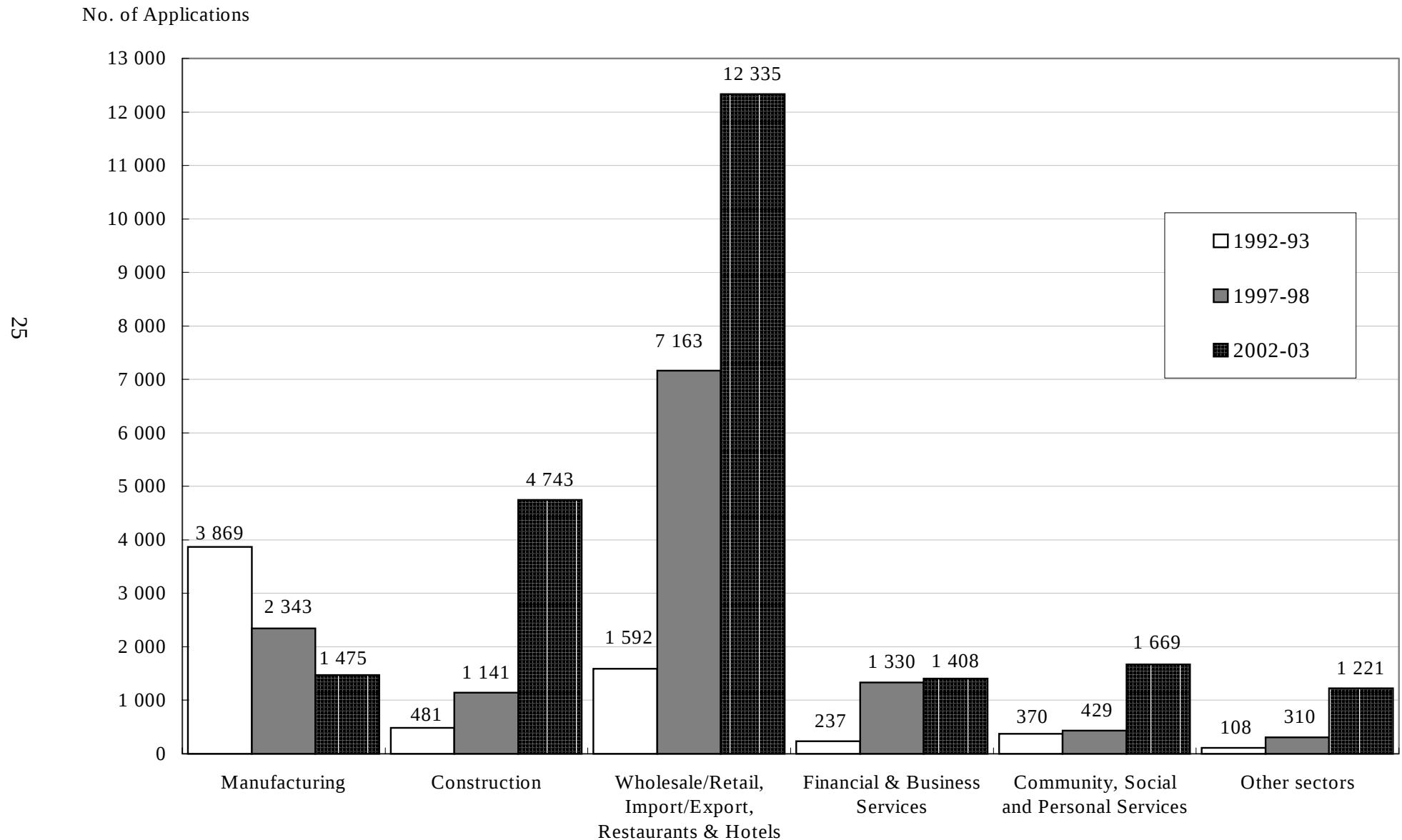


Figure 4.

Number of Applications and Amount of Ex-gratia Payment Approved from 1998-99 to 2002-03

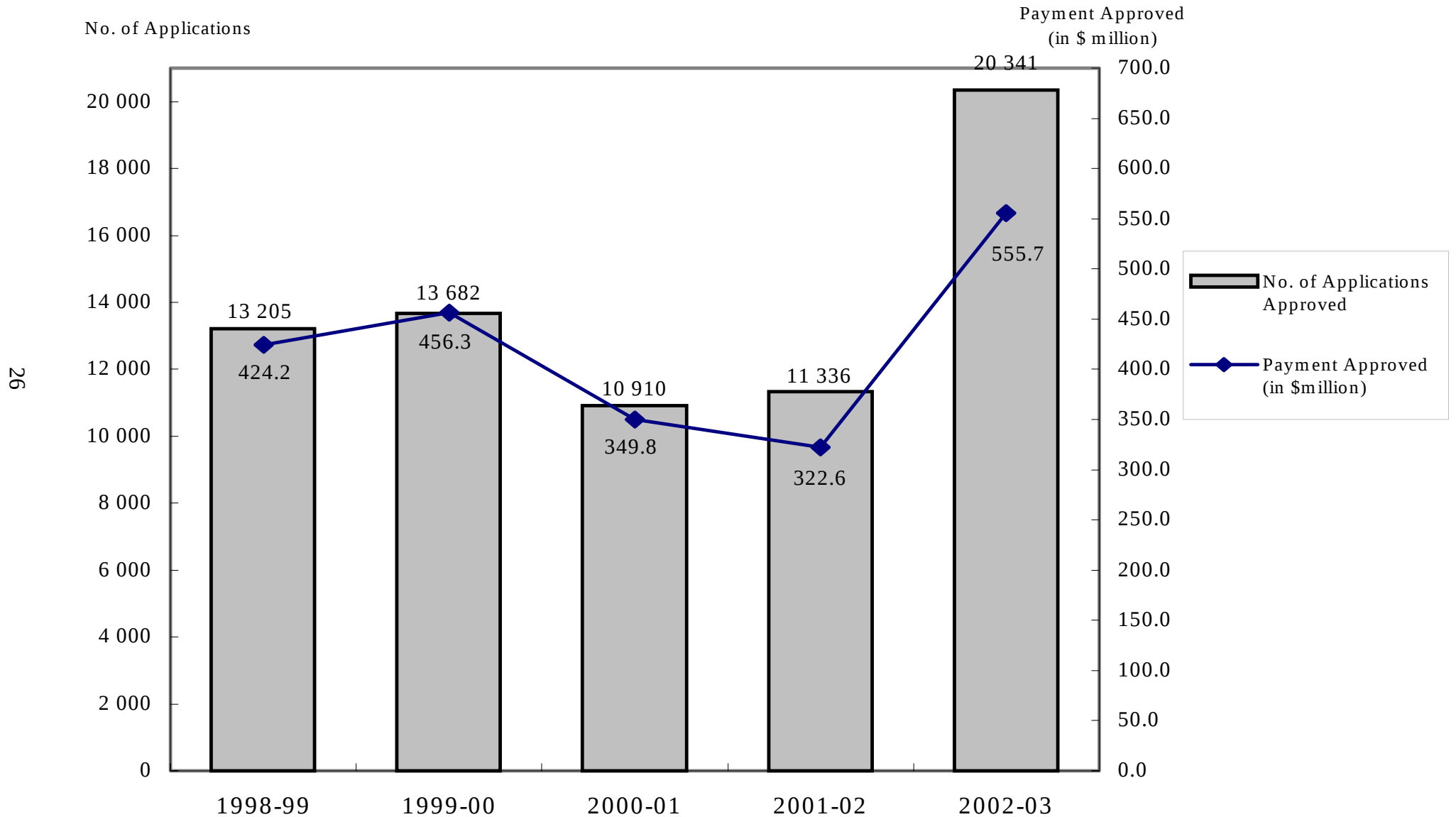


Figure 5.

Total Income and Expenditure of the Fund from 1998-99 to 2002-03

in \$ m

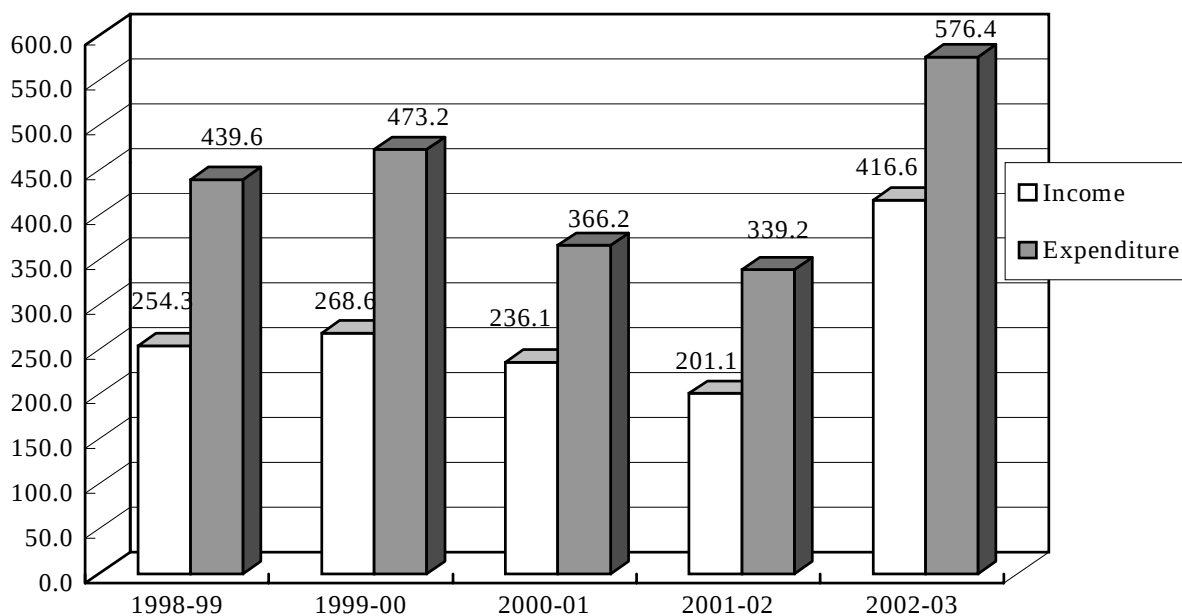
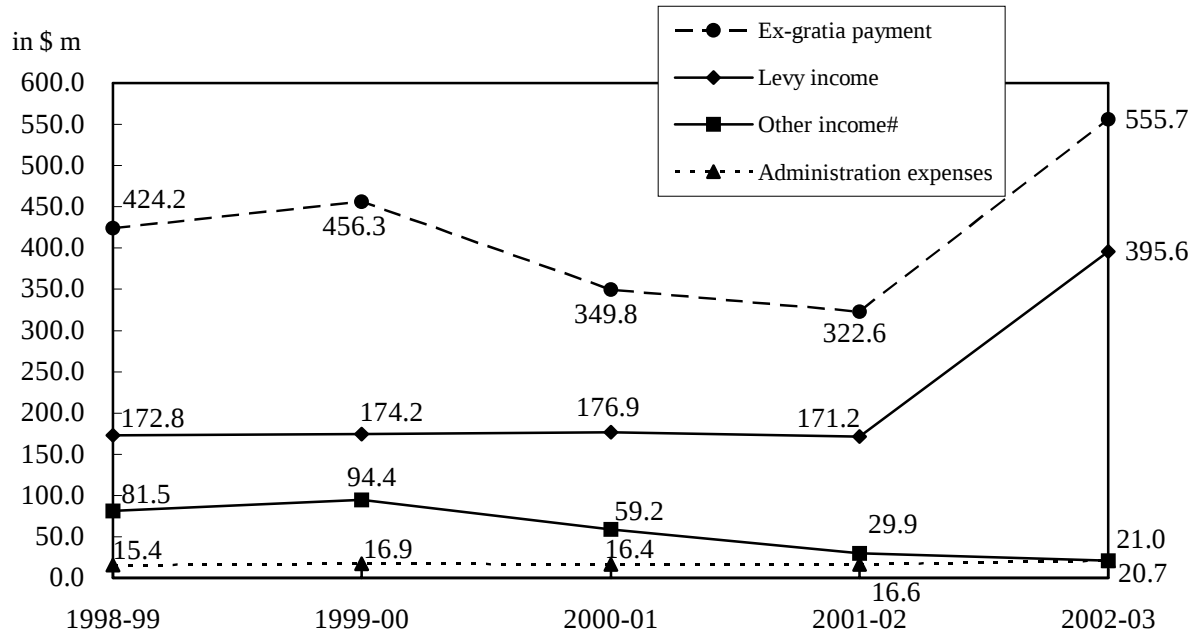


Figure 6.

Breakdown of Income and Expenditure of the Fund from 1998-99 to 2002-03

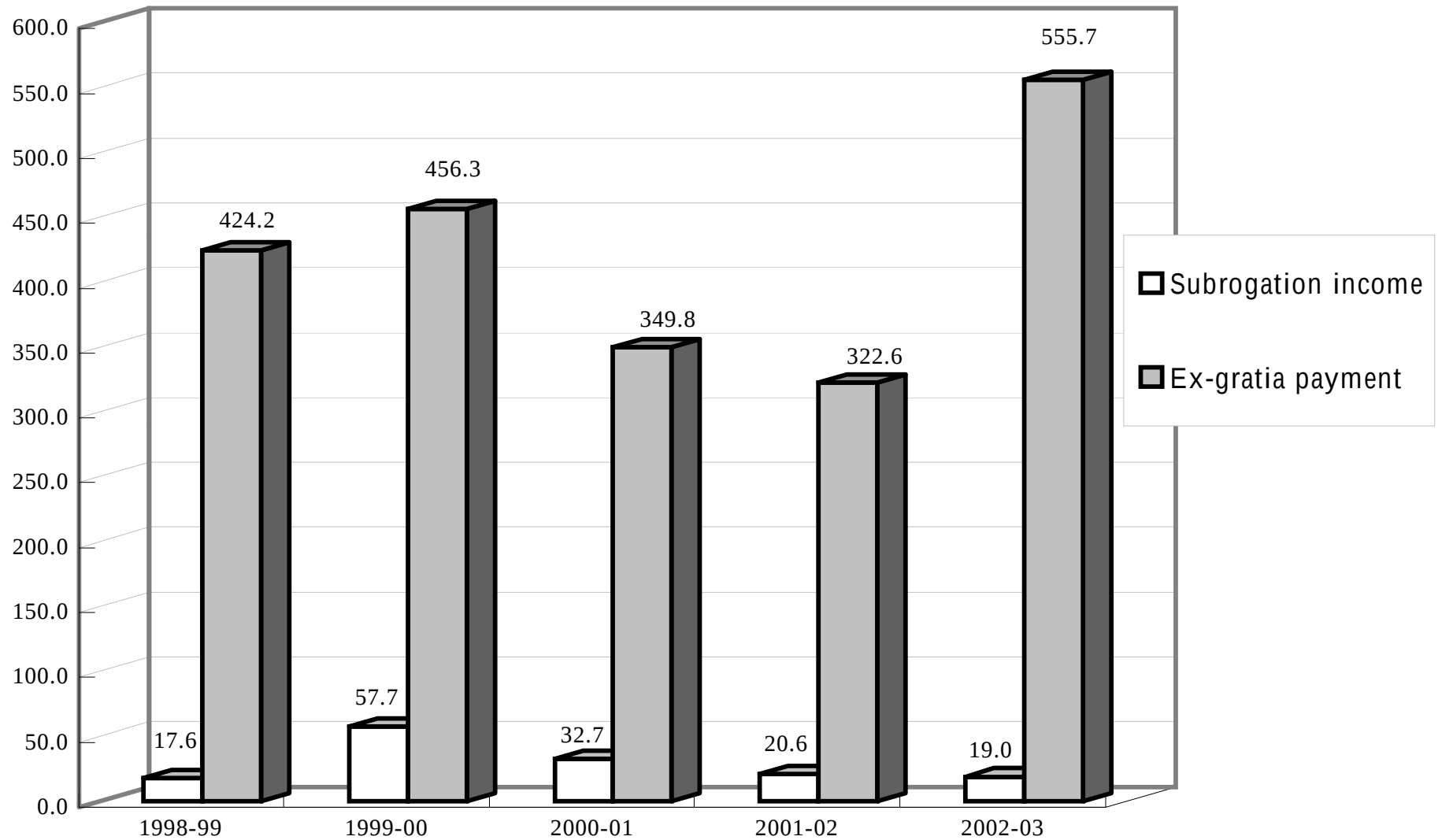


Bank deposit interests, money recovered through subrogation and net portfolio investment gains

Figure 7.

Ex-gratia Payment and Subrogation Income of the Fund from 1998-99 to 2002-03

in \$ million



2002-03

Appendix VIII

**Deloitte
Touche
Tohmatsu**

PROTECTION OF WAGES ON INSOLVENCY FUND

Report and Financial Statements
For the year ended 31 March 2003

德勤·關黃陳方會計師行

PROTECTION OF WAGES ON INSOLVENCY FUND

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

<u>CONTENTS</u>	<u>PAGE(S)</u>
AUDITORS' REPORT	1
STATEMENT OF INCOME AND EXPENDITURE	2
STATEMENT OF ASSETS AND LIABILITIES	3
STATEMENT OF CHANGES IN FUND AND RESERVES	4
CASH FLOW STATEMENT	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 10

AUDITORS' REPORT

TO THE MEMBERS OF PROTECTION OF WAGES ON INSOLVENCY FUND BOARD (THE "BOARD") (Established under the Protection of Wages on Insolvency Ordinance)

We have audited the financial statements on pages 2 to 10 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the board and auditors

The Protection of Wages on Insolvency Ordinance requires the Board to prepare financial statements of the Protection of Wages on Insolvency Fund (the "Fund"). In preparing the financial statements it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 31 March 2003 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the Protection of Wages on Insolvency Ordinance.



15 September 2003

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2003

	<u>NOTES</u>	<u>2003</u> <u>HK\$</u>	<u>2002</u> <u>HK\$</u>
INCOME			
Levy	4	395,629,900	171,207,950
Interest income		1,935,671	8,443,160
Money recovered by subrogation		19,045,562	20,533,195
Net portfolio investment gain	5	-	876,651
		<u>416,611,133</u>	<u>201,060,956</u>
RECURRENT EXPENDITURE			
Claims	6	555,714,527	322,606,153
Supervision fee	7	19,077,185	15,613,069
Auditors' remuneration		43,200	44,000
Rates and building management charges		368,897	350,685
Insurance		5,584	5,253
Printing and stationery		125,478	41,373
Miscellaneous expenses		596,465	459,501
		<u>575,931,336</u>	<u>339,120,034</u>
CAPITAL EXPENDITURE	8	457,260	83,971
TOTAL EXPENDITURE		<u>576,388,596</u>	<u>339,204,005</u>
DEFICIT FOR THE YEAR		<u>(159,777,463)</u>	<u>(138,143,049)</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 MARCH 2003

	<u>NOTES</u>	<u>2003</u> <u>HK\$</u>	<u>2002</u> <u>HK\$</u>
NON-CURRENT ASSET			
Property	9	<u>27,474,677</u>	<u>27,474,677</u>
CURRENT ASSETS			
Cash at banks		30,720,135	203,338,187
Levy receivable		39,647,650	14,287,500
Interest receivable		3,722	523,433
Sundry deposits		14,200	5,000
Sundry debtors		<u>8,374</u>	<u>-</u>
		<u>70,394,081</u>	<u>218,154,120</u>
CURRENT LIABILITIES			
Approved claims payable		16,240,138	7,514,911
Accrued operation expenses		50,760	58,563
Accrued supervision fee	7	<u>19,000,000</u>	<u>15,700,000</u>
		<u>35,290,898</u>	<u>23,273,474</u>
NET CURRENT ASSETS		<u>35,103,183</u>	<u>194,880,646</u>
		<u>62,577,860</u>	<u>222,355,323</u>
FINANCED BY			
Accumulated fund		18,564,396	178,341,859
General reserve	10	16,538,787	16,538,787
Building reserve	9	<u>27,474,677</u>	<u>27,474,677</u>
		<u>62,577,860</u>	<u>222,355,323</u>

The financial statements on pages 2 to 10 were approved and authorised for issue by the Board on 15 September 2003 and are signed on its behalf by:



CHAIRMAN



BOARD MEMBER

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CHANGES IN FUND AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2003

	Accumulated <u>fund</u> HK\$	General <u>reserve</u> HK\$	Building <u>reserve</u> HK\$	Investment <u>reserve</u> HK\$	<u>Total</u> HK\$
Balance at 1 April 2001	316,484,908	16,538,787	27,474,677	598,244	361,096,616
Realised upon disposal	-	-	-	(598,244)	(598,244)
Deficit for the year	<u>(138,143,049)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138,143,049)</u>
Balance at 1 April 2002	178,341,859	16,538,787	27,474,677	-	222,355,323
Deficit for the year	<u>(159,777,463)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(159,777,463)</u>
Balance at 31 March 2003	<u>18,564,396</u>	<u>16,538,787</u>	<u>27,474,677</u>	<u>-</u>	<u>62,577,860</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	<u>2003</u> HK\$	<u>2002</u> HK\$
OPERATING ACTIVITIES		
Deficit for the year	(159,777,463)	(138,143,049)
Adjustments for:		
Interest income	(1,935,671)	(8,443,160)
Net portfolio investment gain	-	(876,651)
Operating cash flows before movements in working capital	(161,713,134)	(147,462,860)
(Increase) decrease in levy receivable	(25,360,150)	1,343,750
Increase in sundry deposits	(9,200)	-
(Increase) decrease in sundry debtors	(8,374)	20,000
Increase (decrease) in approved claims payable	8,725,227	(2,855,751)
(Decrease) increase in accrued operation expenses	(7,803)	2,023
Decrease in accrued fund management fee	-	(31,270)
Increase in accrued supervision fee	3,300,000	100,000
NET CASH USED IN OPERATING ACTIVITIES	(175,073,434)	(148,884,108)
INVESTING ACTIVITIES		
Interest received	2,455,382	9,776,063
Net investment income received	-	1,278,726
Proceeds from disposal of equity securities	-	5,129,793
Proceeds from disposal of debt securities	-	35,882,948
Payments to acquire equity securities	-	(246,736)
Payments to acquire debt securities	-	(7,968,277)
Decrease in bank deposits grouped under investments	-	988,049
Decrease (increase) in bank deposits with maturity over three months	142,207,930	(72,820,282)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	144,663,312	(27,979,716)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,410,122)	(176,863,824)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	61,130,257	237,994,081
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30,720,135	61,130,257
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash at banks with maturity of three months or less	30,720,135	61,130,257

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. GENERAL

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

The fund consists principally of moneys received from the Commissioner of Inland Revenue being an annual levy collected on each Business Registration Certificate issued.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Fund has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these standards has had no effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Presentation of Financial Statements

The adoption of SSAP 1 (Revised) "Presentation of Financial Statements", has resulted in the introduction of the statement of changes in fund and reserves, but has had no effect in the results for the current or prior accounting period.

Cash Flow Statements

In the current year, the Fund has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest received which was previously presented under a separate heading, are classified as investing cash flows.

Employee Benefits

In the current year, the Fund has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits and specifies the disclosure requirements in respect of the Fund's defined contribution retirement benefit schemes. Because the Fund participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

PROTECTION OF WAGES ON INSOLVENCY FUND

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong as modified for the accounting of property, plant and equipment stated below. The principal accounting policies adopted are as follows:

Income recognition

Levy income is recognised when the amounts are received by the Inland Revenue Department.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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

Property, plant and equipment

The Fund has taken the advantage of the exemption under section 2 of Statement of Standard Accounting Practice 2.117 "Property, plant and equipment" issued by the Hong Kong Society of Accountants. Accordingly, no depreciation has been provided on the property. Capital expenditure other than for the acquisition of properties incurred during an accounting period is charged entirely to the statement of income and expenditure in that period.

Recognition of claims

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

Operating leases

Rentals payable under operating leases are charged to the statement of income and expenditure on a straight-line basis over the relevant lease term.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

4. LEVY

In accordance with the provisions of Sections 7 and 21 of the Business Registration Ordinance and Section 6 in Part III of the Protection of Wages on Insolvency Ordinance, a levy being contributions to the fund was imposed at the rate of HK\$250 and HK\$750 respectively on those one-year and three-year Business Registration Certificates issued on or after 1 July 1991, and at the rate of HK\$600 and HK\$1,800 respectively on those one-year and three-year certificates issued on or after 16 May 2002.

PROTECTION OF WAGES ON INSOLVENCY FUND

5. NET PORTFOLIO INVESTMENT GAIN

	<u>2003</u> HK\$	<u>2002</u> HK\$
Net realised gains on disposal of non-trading securities	-	78,232
Interest and dividends received and receivable from non-trading securities	-	848,421
Fund management fee	-	(50,002)
	<u>-</u>	<u>876,651</u>

6. CLAIMS

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

Wages

Not exceeding HK\$36,000, being wages for services rendered not more than 4 months prior to an applicant's last day of service;

Wages in lieu of notice

Not exceeding the equivalent of 1 month's wages of the applicant or HK\$22,500, whichever is the lesser, which became due not more than 6 months prior to the date of application;

Severance payment

Not exceeding the aggregate of HK\$50,000 and half of that part of the applicant's entitlement in excess of HK\$50,000, being severance payment the liability for payment of which arose not more than 6 months prior to the date of application.

7. SUPERVISION FEE

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

PROTECTION OF WAGES ON INSOLVENCY FUND

8. CAPITAL EXPENDITURE

	<u>2003</u> HK\$	<u>2002</u> HK\$
Office equipment and fixtures	<u>457,260</u>	<u>83,971</u>

9. PROPERTY

This represents the total cost of purchase of the Board's office premises situated in Hong Kong which is held under long lease. The cost was funded from an appropriation from the Accumulated Fund in the year of purchase. The appropriation has been credited to the Building Reserve Account.

10. GENERAL RESERVE

Levy collected and interest received prior to the establishment of the Protection of Wages on Insolvency Fund Board were set aside under the General Reserve Account.

11. TAXATION

The Fund is exempt from Hong Kong taxation.

12. OPERATING LEASE COMMITMENTS

The maximum lease payment paid under operating lease during the year was HK\$20,626 (2002: HK\$Nil).

At 31 March 2003, the Fund had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, as follows:

	<u>2003</u> HK\$	<u>2002</u> HK\$
Within one year	<u>25,300</u>	<u>-</u>

Operating lease payments represent rentals payable by the Fund for its rented property. Leases are negotiated for terms of 2 years on fixed monthly rentals.

PROTECTION OF WAGES ON INSOLVENCY FUND

13. CONTINGENT LIABILITIES

As at the balance sheet date, the Fund had contingent liabilities not provided for in these financial statements as follows:

	<u>2003</u> HK\$	<u>2002</u> HK\$
Claims received but not yet approved	<u>520,795,000</u>	<u>575,427,000</u>
