

**ANNUAL REPORT OF
PROTECTION OF WAGES ON
INSOLVENCY FUND BOARD
2012-13**

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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 2012 to 31 March 2013.

As the Board Chairman of a new term, I am very pleased that in this first year at start of the term, the local economy remained stable and there were fewer employees who were owed wages and compensation due to business cessation seeking relief from the Protection of Wages on Insolvency Fund (the Fund). In 2012-13, the Fund received a total of 2 439 applications, representing a 36% decrease over 3 814 in 2011-12. In the same year, the Fund approved 2 588 applications, leading to a total payout of ex gratia payment of \$60.6 million, a drop of 11% compared to the preceding year. On the financial side, the Fund registered a surplus of \$536.5 million for the 2012-13 financial year and an accumulative surplus reaching \$3,287.2 million by the end of March 2013. The Board and the colleagues of the Wage Security Division of the Labour Department continued its dedication in discharging the function of the Fund as a safety net to provide timely assistance to employees affected by the insolvency of their employers.

One of the statutory functions of the Board is to make recommendations to the Chief Executive with respect to the rate of the business registration levy which finances the Fund. Concomitant with the continued improvement of the financial position of the Fund in recent years, the Board, having made comprehensive consideration of various relevant factors, proposed to reduce the levy rate from \$450 per annum to \$250 per annum. The proposal suitably reduced the levy rate to alleviate the burden of the small and medium enterprises while taking into account the Fund's need for sufficient reserve and cash flow to cope with the payout of ex gratia payments in such event as economic changes. I am glad that the Administration consulted the Labour Advisory Board and the Legislative Council (LegCo) Panel on Manpower successively during the year. The subsidiary legislation to make the relevant amendment was introduced into LegCo in May 2013. After scrutiny, the levy rate has been reduced to \$250 per annum with effect from 19 July 2013. Let me extend my gratitude to Board members of both employer and employee sides for reaching the consensus with practicality and mutual understanding in the process of deliberation.

On the other hand, the Board has all along enhanced the protection of the Fund progressively in accordance with its financial position and the societal

needs. The Protection of Wages on Insolvency (Amendment) Ordinance 2012 (the Amendment Ordinance), which came into operation on 29 June 2012, gives effect to the proposal endorsed by the Board to expand the scope of the Fund to cover pay for untaken annual leave and untaken statutory holidays under the Employment Ordinance. It represents a pivotal step forward in strengthening the protection of the Fund. Upon the passage of the Amendment Ordinance, the Board has agreed to review the coverage of the Amendment Ordinance one year after its implementation. In May this year, having considered the proposals raised by some members of the LegCo Panel on Manpower in February 2013, the Board decided to further include all other items (i.e. wages, wages in lieu of notice and severance payment) into the ambit of this review to be launched in the latter half of this year.

Regarding the prevention of abuse of the Fund, the inter-departmental Task Force, comprising representatives of the Labour Department (LD), Commercial Crime Bureau of the Police, Official Receiver's Office (ORO) and Legal Aid Department (LAD), acted in concert to proactively investigate and pursue with cases involving possible abuse of the Fund by employers and employees. Among them, during 2012-13, a restaurant director was convicted of fraud pursuant to the Theft Ordinance, leading to 3 years' imprisonment. The prosecution case gave a strong message to the public that any abuse of the Fund would not be tolerated and can be accorded serious sanction.

I take the opportunity to express my heartfelt gratitude to all members of the Board for their contributions in the past year. Through concerted efforts, I am confident that we can cope with the challenges ahead in the coming year and achieve continuous improvement of the Fund. Last but not least, on behalf of the Board, I would like to thank all our working partners, including LD, LAD, ORO, the Police and the Inland Revenue Department, for their support to the Board in upholding the Fund's effective operation and conducting to a harmonious and stable society.

Dr. David WONG Yau-kar, BBS, JP
Chairman
Protection of Wages on Insolvency Fund Board

MEMBERSHIP LIST OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD 2012-13

Chairman

Dr. David WONG Yau-kar, BBS, JP

Members

Representing employees

Ms. LAM Suk-fun

Mr. HUNG Hing-chu

Hon. POON Siu-ping, BBS, MH

Representing employers

Mr. Mark LIN, JP

Mrs. CHOI KWAN Wing-kum, MH

Mr. FUNG Hau-chung, JP

Representing government departments

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

Assistant Principal Solicitor of the Official Receiver's Office

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

Secretary

Senior Labour Officer, Wage Security Division of the Labour Department

**Group Photo of the
Protection of Wages on Insolvency Fund Board 2012-13**



Rear row from left:

Mr. Ernest IP Yee-cheung, JP
Assistant Commissioner
(Employees' Rights and Benefits),
Labour Department

Mr. Joseph HUI Kwok-hung
Assistant Principal Solicitor,
Official Receiver's Office

Mr. FUNG Hau-chung, JP
Representing employers

Mr. HUNG Hing-chu
Representing employees

Ms. Doris LUI Wai-lan
Assistant Principal Legal Aid Counsel,
Legal Aid Department

Miss Bonny WONG Wai-man
Secretary

Front row from left:

Mrs. CHOI KWAN Wing-kum, MH
Representing employers

Mr. Mark LIN, JP
Representing employers

Dr. David WONG Yau-kar, BBS, JP
Chairman

Hon. POON Siu-ping, BBS, MH
Representing employees

Ms. LAM Suk-fun
Representing employees

INTRODUCTION

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

This report covers the activities of the Protection of Wages on Insolvency Fund Board (the Board) and the operation of the Fund for the financial year ended 31 March 2013.

PROTECTION OF WAGES ON INSOLVENCY FUND BOARD

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

The Board has the following statutory functions:

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

PROTECTION OF WAGES ON INSOLVENCY FUND

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

Under the Ordinance, employees who are owed wages, wages in lieu of notice and severance payment by their insolvent employers may apply for ex gratia payment from the Fund. With the Protection of Wages on Insolvency (Amendment) Ordinance 2012 coming into operation on 29 June 2012,

employees may also apply for pay for untaken annual leave and untaken statutory holidays. The application should be made in an approved form and supported by a statutory declaration. The application has to be made within a period of six months from the applicant's last day of service.

Maximum amount of ex gratia payment payable by the Fund

As at 31 March 2013, ex gratia payment from the Fund covers:

- (a) wages of an employee for services rendered to his employer during the four months prior to the last day of service but not exceeding \$36,000 ("wages" include remuneration and earnings and items that could be deemed to be wages, namely, holiday pay, annual leave pay, end of year payment, maternity leave pay and sickness allowance);
- (b) wages in lieu of notice up to one month's wages or \$22,500, whichever is the lesser;
- (c) severance payment under the Employment Ordinance up to \$50,000 plus 50% of any entitlement in excess of \$50,000; and
- (d) pay for untaken annual leave and untaken statutory holidays, including
 - (i) pay for any annual leave earned in the employee's last full leave year and not yet taken and pro rata annual leave pay for the last leave year where the employee has at least 3 but less than 12 months' service entitled upon termination of employment contract under the Employment Ordinance, and
 - (ii) pay for statutory holidays entitled but not yet taken by an employee within 4 months before his last day of service. Neither of them, nor the total amount of them, may exceed \$10,500.

Prerequisites for making ex gratia payment from the Fund

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

- (a) the size of employment is less than 20 employees;
- (b) sufficient evidence exists to support the presentation of a petition in that case on the ground –

- (i) if the employer is a company, that he is unable to pay his debts; or
- (ii) if the employer is a person other than a company, that he is liable to have a bankruptcy petition presented against him; and
- (c) it is unreasonable or uneconomic to present a petition in that case.

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

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

Subrogation rights of the Fund

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

Application of the Fund's reserve

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

ANNUAL REVIEW OF APPLICATIONS RECEIVED AND PROCESSED

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

Applications received

During the year 2012-13, 2 439 applications involving claims for ex gratia payment of \$141.5 million were received from employees. A total of 517 suspected insolvency cases were recorded. Detailed breakdown of the applications is at **Appendix I**.

Of the 517 suspected insolvency cases, 502 involved less than 20 employees per case, 11 involved 20 to 49 employees per case, 2 involved 50 to 99 employees per case, and the remaining 2 each involved 100 employees or more.

During the year, the food and beverage service activities recorded the largest number of applications, with 671 applications involving a total claim of \$15.7 million. This was followed by the import and export trade industry with 411 applications and a total claim of \$44.0 million, and construction industry with 409 applications and a total claim of \$13.3 million. These three trades accounted for 61.1% of all applications and 51.6% of the total amount claimed.

Out of the total 2 439 applicants in the year, 2 160 applied for ex gratia payment on arrears of wages, 1 618 applied for payment on wages in lieu of notice, 785 applied for payment on severance payment and 456 applied for payment on untaken annual leave and untaken statutory holidays. Breakdowns of these applications are at **Appendices II, III, IV and V**.

Applications processed

A total of 2 588 applications were approved during the year, resulting in payment amounting to \$60.6 million. Out of these, a total payment of \$17.9 million was made to 854 applicants under section 16(1)(a)(ii) or section 18(1) of the Ordinance where presentation of a bankruptcy or winding-up petition was not required.

An analysis of ex gratia payment approved is at **Appendix VI**. As indicated at **Appendix VII**, the claimed amount was met in full in respect of 81.4% of applicants for arrears of wages, 99.1% of applicants for wages in lieu of notice, 38.0% of applicants for severance payment, and 42.7% of applicants for pay for untaken annual leave and untaken statutory holidays.

The Commissioner for Labour rejected 50 applications involving claims totalling \$14.8 million, mostly for reasons such as claims without legal backing, insufficient evidence, or the applicants' status as registered company directors. At the same time, 363 applications involving claims amounting to \$15.1 million were withdrawn, mainly as a result of direct settlement between employees and their employers or liquidators.

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

MEETINGS OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD

The Board met three times during the year to discuss matters relating to the administration of the Fund. These included the Fund's performance and financial statements, projection of income and expenditure, follow up of the Protection of Wages on Insolvency (Amendment) Ordinance 2012 and the progress of the legislative proposal to reduce the rate of levy on business registration certificates. In addition, the Board reviewed four appeals against the decisions of the Commissioner for Labour under section 17 of the Ordinance.

FINANCIAL POSITION OF THE PROTECTION OF WAGES ON INSOLVENCY FUND

During the year, the Fund received levy income of \$574.9 million and paid out a total of \$60.6 million in ex gratia payment. The Fund registered a surplus of \$536.5 million, as compared with a surplus of \$485.4 million in the previous financial year. As at 31 March 2013, the Fund's accumulated surplus stood at \$3,287.2 million.

A copy of the independent auditors' report and the audited financial statements for the year ended 31 March 2013 is at **Appendix X**.

ACTIVITIES HIGHLIGHT

Publicity and promotion for the Fund

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

To enhance public understanding of the legislative amendments which expanded the scope of the Fund to cover pay for untaken annual leave and untaken statutory holidays, the Labour Department conducted publicity through a wide range of channels including distribution of publications, displaying posters, issuance of press release and uploading relevant information to the Labour Department website, etc.



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



Poster, pamphlet and leaflet were prepared to publicize the Protection of Wages on Insolvency (Amendment) Ordinance 2012.

Achievements of the inter-departmental Task Force

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

During the year 2012-13, one restaurant director was convicted of fraud pursuant to the Theft Ordinance and sentenced to 3 years' imprisonment. Besides, the court disqualified a total of 15 company responsible persons involving abuse of the Fund from being directors, and taking part in the promotion, formation or management of a company, with the disqualification period ranging from two to three and a half years. Apart from the above, the Labour Department adopted a multi-pronged enforcement strategy to alleviate cases of non-payment of wages from proliferating into applications for the Fund. In the same period, there were 499 convicted summonses for wage offences. Of these, 113 convictions were against company directors and responsible persons.

The background is a solid purple color with several layers of abstract, wavy, concentric lines in varying shades of purple and lavender. These lines create a sense of depth and movement, resembling ripples or stylized waves. The lines are more prominent in the lower half of the image and fade slightly towards the top.

APPENDICES

Appendix I

Operating results of
the Protection of Wages on Insolvency Fund in 2012-13

I. Breakdown of applications by result

(1) No. of cases received	517
(2) No. of applications	
(i) b/f last period	1 517
received this period	2 439
reconsidered this period	10
	3 966
(ii) processed	3 001
<i>approved</i>	2 588
<i>refused</i>	50
<i>withdrawn</i>	363
outstanding	944
put aside *	21
	3 966

(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 untaken statutory holiday	HK\$'000
(i) b/f last period					131,799
received this period	58,671 +	23,854 +	54,873 +	4,130 =	141,528
reconsidered this period	780 +	80 +	268 +	0 =	1,128
					274,455

	Arrears of wages	Wages in lieu of notice	Severance payment	Pay for untaken annual leave and/or untaken statutory holiday	HK\$'000
(ii) approved	36,254 +	17,372 +	6,739 +	246 =	60,611
screened					107,948
refused					14,777
withdrawn					15,102
outstanding } put aside * }					76,017
					274,455

(4) No. of applications seeking review by the Fund Board	4
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II. Presentation of petition in relation to applications approved

(1) No. of applications where a winding-up petition has been made	1 677
(2) No. of applications where a bankruptcy petition has been made	57
(3) No. of applications dealt with under S.18(1) of the Protection of Wages on Insolvency Ordinance	822
(4) No. of applications dealt with under S.16(1)(a)(ii) of the Protection of Wages on Insolvency Ordinance	32
	2 588

* Cases pending private settlement or withdrawal.

III. Breakdown of cases by employment size

(1) Less than 20 employees	502
(2) 20 ~ 49 employees	11
(3) 50 ~ 99 employees	2
(4) 100 or more employees	2
	<u>517</u>

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, severance payment, pay for untaken annual leave and/or untaken statutory holidays)
<i>Division C</i>	<i>Manufacturing</i>			
Sub-group				
10	Manufacture of food products	4	(3)	\$ 39,022.88
13	Manufacture of textiles	125	(13)	\$ 13,086,690.54
14	Manufacture of wearing apparel	6	(5)	\$ 595,962.11
15	Manufacture of leather and related products	1	(1)	\$ 71,923.67
17	Manufacture of paper and paper products	2	(1)	\$ 266,073.00
21	Manufacture of pharmaceuticals, medicinal chemical and botanical products	3	(2)	\$ 513,056.06
22	Manufacture of rubber and plastics products (except furniture, toys, sports goods and stationery)	32	(6)	\$ 3,780,159.61
25	Manufacture of fabricated metal products (except machinery and equipment)	13	(2)	\$ 1,398,354.99
26	Manufacture of computer, electronic and optical products	3	(1)	\$ 266,761.60
27	Manufacture of electrical equipment	15	(1)	\$ 2,859,860.77
32	Other manufacturing	117	(15)	\$ 12,926,772.40
33	Repair and installation of machinery and equipment	1	(1)	\$ 10,079.45
<i>Division F</i>	<i>Construction</i>	409	(109)	\$ 13,268,597.57
<i>Division G</i>	<i>Import/export, wholesale and retail trades</i>			
Sub-group				
45	Import and export trade	411	(100)	\$ 43,993,691.98
46	Wholesale	29	(10)	\$ 2,168,415.85
47	Retail trade	143	(28)	\$ 9,387,690.59

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

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applicants		Amount claimed (including wages, wages in lieu of notice, severance payment, pay for untaken annual leave and/or untaken statutory holidays)
<i>Division H</i>	<i>Transportation, storage, postal and courier services</i>			
Sub-group				
49	Land transport	35	(18)	\$ 2,039,124.25
50	Water transport	5	(2)	\$ 350,938.03
51	Air transport	2	(1)	\$ 161,127.50
52	Warehousing and support activities for transportation	29	(5)	\$ 1,866,896.01
53	Postal and courier activities	8	(6)	\$ 278,271.95
<i>Division I</i>	<i>Accommodation and food service activities</i>			
Sub-group				
56	Food and beverage service activities	671	(64)	\$ 15,748,338.36
<i>Division J</i>	<i>Information and communications</i>			
Sub-group				
58	Publishing activities	4	(2)	\$ 910,606.26
59	Motion picture, video and television programme production, sound recording and music publishing activities	3	(2)	\$ 62,718.08
61	Telecommunications	1	(1)	\$ 31,406.39
62	Information technology service activities	63	(14)	\$ 3,569,131.60
63	Information service activities	4	(2)	\$ 670,596.87
<i>Division K</i>	<i>Financial and insurance activities</i>			
Sub-group				
64	Financial service activities (except insurance and pension funding)	10	(7)	\$ 537,146.74
65	Insurance	4	(1)	\$ 352,291.46
66	Activities auxiliary to financial service and insurance activities	6	(3)	\$ 270,188.27

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

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applicants		Amount claimed (including wages, wages in lieu of notice, severance payment, pay for untaken annual leave and/or untaken statutory holidays)
<i>Division M</i>	<i>Professional, scientific and technical activities</i>			
Sub-group				
70	Activities of head offices; management and management consultancy activities	2	(0)*	\$ 200,843.56
71	Architecture and engineering activities, technical testing and analysis	10	(2)	\$ 487,153.08
72	Scientific research and development	2	(1)	\$ 192,046.50
73	Veterinary activities	2	(2)	\$ 65,602.60
74	Advertising and market research	19	(8)	\$ 629,416.33
75	Other professional, scientific and technical activities	34	(3)	\$ 1,486,020.47
<i>Division N</i>	<i>Administrative and support service activities</i>			
Sub-group				
78	Employment activities	1	(1)	\$ 60,024.49
79	Travel agency, reservation service and related activities	39	(7)	\$ 1,780,668.47
80	Security and investigation activities	2	(1)	\$ 57,370.40
81	Services to buildings and landscape care activities	7	(1)	\$ 209,630.09
82	Office administrative, office support and other business support activities	34	(5)	\$ 496,888.59
<i>Division O</i>	<i>Public administration</i>	1	(1)	\$ 2,556.51
<i>Division P</i>	<i>Education</i>	18	(11)	\$ 1,351,160.04
<i>Division Q</i>	<i>Human health and social work activities</i>			
Sub-group				
86	Human health activities	9	(5)	\$ 107,984.87
87	Residential care activities	9	(1)	\$ 92,799.00
<i>Division R</i>	<i>Arts, entertainment and recreation</i>			
Sub-group				
90	Creative and performing arts activities	4	(3)	\$ 274,097.70
93	Sports and other entertainment activities	11	(4)	\$ 157,204.61

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

* All the applicants were of late applications of a case in the preceding year.

Hong Kong Standard Industrial Classification	Industry in which applicants worked	No. of applicants		Amount claimed (including wages, wages in lieu of notice, severance payment, pay for untaken annual leave and/or untaken statutory holidays)
<i>Division S</i>	<i>Other service activities</i>			
Sub-group				
95	Repair of motor vehicles, motorcycles, computers, personal and household goods	1	(1)	\$ 64,568.50
96	Other personal service activities	59	(18)	\$ 2,095,230.71
<i>Division T</i>	<i>Work activities within domestic households</i>			
Sub-group				
97	Activities of households as employers of domestic personnel	16	(16)	\$ 235,231.55
Total :		2 439	(517)	\$ 141,528,392.91

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

Appendix II

**Breakdown of applications for
ex gratia payment on arrears of wages received in 2012-13**

A. By amount

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

Amount	No. of applicants	Percentage
No entitlement/Not claimed	279	11.44
\$8,000* or less	613	25.13
\$8,001 - \$18,000	710	29.11
\$18,001 - \$24,000	217	8.90
\$24,001 - \$27,000	64	2.62
\$27,001 - \$30,000	59	2.42
\$30,001 - \$33,000	60	2.46
\$33,001 - \$36,000 [#]	49	2.01
\$36,001 - \$39,000	37	1.52
More than \$39,000	351	14.39
Total :	2 439	100.00

B. By period of outstanding wages

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

Period	No. of applicants	Percentage
No entitlement/Not claimed	371	15.21
Half month or less	391	16.03
More than 1/2 month to 1 month	520	21.32
More than 1 month to 2 months	747	30.63
More than 2 months to 3 months	184	7.54
More than 3 months to 4 months	81	3.32
More than 4 months	145	5.95
Total :	2 439	100.00

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

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

Appendix III

Breakdown of applications for
ex gratia payment on wages in lieu of notice received in 2012-13

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	821	33.66
\$2,000* or less	139	5.70
\$2,001 - \$6,000	316	12.96
\$6,001 - \$10,000	408	16.73
\$10,001 - \$15,000	289	11.85
\$15,001 - \$22,500 [#]	238	9.76
\$22,501 - \$25,000	54	2.21
More than \$25,000	174	7.13
Total :	2 439	100.00

B. By notice period

Notice period	No. of applicants	Percentage
No entitlement/Not claimed	821	33.66
1 day - 7 days	365	14.97
8 days - 14 days	22	0.90
15 days	5	0.21
16 days - less than 1 month	90	3.69
1 month* [#]	1 086	44.53
More than 1 month	50	2.05
Total :	2 439	100.00

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

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

Appendix IV

Breakdown of applications for ex gratia payment on severance payment[#] received in 2012-13

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	1 654	67.81
\$8,000* or less	49	2.01
\$8,001 - \$36,000	259	10.62
\$36,001 - \$50,000	94	3.85
\$50,001 - \$80,000	139	5.70
\$80,001 - \$110,000	92	3.77
\$110,001 - \$140,000	41	1.68
\$140,001 - \$170,000	34	1.39
\$170,001 - \$200,000	35	1.44
\$200,001 - \$250,000	24	0.98
\$250,001 - \$300,000	10	0.41
\$300,001 - \$350,000	7	0.29
\$350,001 - \$370,000	0	0.00
\$370,001 - \$390,000	0	0.00
More than \$390,000	1	0.04
Total :	2 439	100.00

B. By length of service

Length of service	No. of applicants	Percentage
Not claimed or less than 2 years' service	1 659	68.02
2 - 4.99 years	338	13.86
5 - 5.99 years	66	2.71
6 - 6.99 years	50	2.05
7 - 7.99 years	44	1.80
8 - 8.99 years	47	1.93
9 - 9.99 years	31	1.27
10 - 14.99 years	97	3.98
15 - 19.99 years	50	2.05
20 - 24.99 years	45	1.85
25 - 29.99 years	9	0.37
30 - 34.99 years	3	0.12
35 - 38.99 years	0	0.00
39 - 40.99 years	0	0.00
41 - 42.99 years	0	0.00
43 years' service and over	0	0.00
Total :	2 439	100.00

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

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

Appendix V

Breakdown of applications for ex gratia payment on pay for
untaken annual leave and untaken statutory holidays received in 2012-13

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	1 983	81.30
\$2,000 or less	113	4.63
\$2,001 - \$4,000	89	3.65
\$4,001 - \$6,000	66	2.71
\$6,001 - \$8,000	56	2.30
\$8,001 - \$10,500 [#]	41	1.68
\$10,501 - \$20,000	49	2.01
More than \$20,000	42	1.72
Total :	2 439	100.00

B. By leave year of pay for untaken annual leave

Leave year	No. of applicants	Percentage
No entitlement/Not claimed	1 993	81.71
1 year or less	264	10.82
More than 1 year to less than 2 years	123	5.04
2 years or above	59	2.42
Total :	2 439	100.00

C. By period claimed of pay for untaken statutory holidays

Period	No. of applicants	Percentage
No entitlement/Not claimed	2 362	96.84
2 months or less	36	1.48
More than 2 months to 4 months	4	0.16
More than 4 months	37	1.52
Total :	2 439	100.00

[#] Maximum amount of ex gratia payment on pay for untaken annual leave and untaken statutory holidays under the Protection of Wages on Insolvency Ordinance.

Appendix VI

Analysis of ex gratia payment approved in 2012-13

A. Analysis of payment approved for arrears of wages

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

Amount	No. of applicants	Percentage
Not claimed/Not approved	268	10.36
\$4,000 or less	315	12.17
\$4,001 - \$8,000	438	16.92
\$8,001 - \$10,000	164	6.34
\$10,001 - \$12,000	170	6.57
\$12,001 - \$14,000	139	5.37
\$14,001 - \$16,000	170	6.57
\$16,001 - \$18,000	140	5.41
\$18,001 - \$28,000	384	14.84
\$28,001 - \$36,000 [#]	400	15.46
Total :	2 588	100.00

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

Amount	No. of applicants	Percentage
Not claimed/Not approved	850	32.84
\$2,000 or less	211	8.15
\$2,001 - \$3,000	158	6.11
\$3,001 - \$4,000	139	5.37
\$4,001 - \$5,000	68	2.63
\$5,001 - \$6,000	57	2.20
\$6,001 - \$10,000	381	14.72
\$10,001 - \$22,500 [†]	724	27.98
Total :	2 588	100.00

C. Analysis of payment approved for severance payment

Amount	No. of applicants	Percentage
Not claimed/Not approved	2 023	78.17
\$8,000 or less	329	12.71
\$8,001 - \$22,000	151	5.83
\$22,001 - \$36,000	40	1.55
\$36,001 - \$50,000	22	0.85
\$50,001 - \$80,000	11	0.43
\$80,001 - \$110,000	2	0.08
\$110,001 - \$140,000	4	0.15
\$140,001 - \$170,000	6	0.23
\$170,001 - \$200,000	0	0.00
\$200,001 - \$210,000	0	0.00
\$210,001 - \$220,000 [*]	0	0.00
Total :	2 588	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.

Appendix VI(cont)

*Analysis of
ex gratia payment approved in 2012-13*

D. Analysis of payment approved for pay for untaken annual leave and untaken statutory holidays

Amount	No. of applicants	Percentage
Not claimed/Not approved	2 520	97.37
\$1,000 or less	13	0.50
\$1,001 - \$3,000	24	0.93
\$3,001 - \$5,000	15	0.58
\$5,001 - \$7,000	5	0.19
\$7,001 - \$10,500 [#]	11	0.43
Total :	<u>2 588</u>	<u>100.00</u>

[#] The maximum amount of ex gratia payment out of the Fund on pay for untaken annual leave and untaken statutory holidays.

Appendix VII

*Analysis of approved ex gratia payment
as percentage of applicants' claimed amount in 2012-13*

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

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	81.42
90% or above	84.33
80% or above	86.44
70% or above	88.60
60% or above	91.22
50% or above	93.54
40% or above	95.99
30% or above	97.72
20% or above	98.52
10% or above	99.70
5% or above	99.92

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

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	99.10
90% or above	99.27
80% or above	99.38
70% or above	99.38
60% or above	99.44
50% or above	99.55
40% or above	99.72
30% or above	99.94
20% or above	100.00

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

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	38.00
90% or above	42.31
80% or above	48.01
70% or above	52.68
60% or above	58.89
50% or above	64.42

Appendix VII(Cont)

*Analysis of approved ex gratia payment
as percentage of applicants' claimed amount in 2012-13*

D. Pay for untaken annual leave and untaken statutory holidays at maximum payment of \$10,500

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	42.65
90% or above	47.06
80% or above	54.41
70% or above	64.71
60% or above	75.00
50% or above	89.71
40% or above	91.18
30% or above	94.12
20% or above	97.06
10% or above	97.06
5% or above	98.53

Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2008-09 to 2012-13

Figure 1

Number of applications received by the Fund from 2008-09 to 2012-13

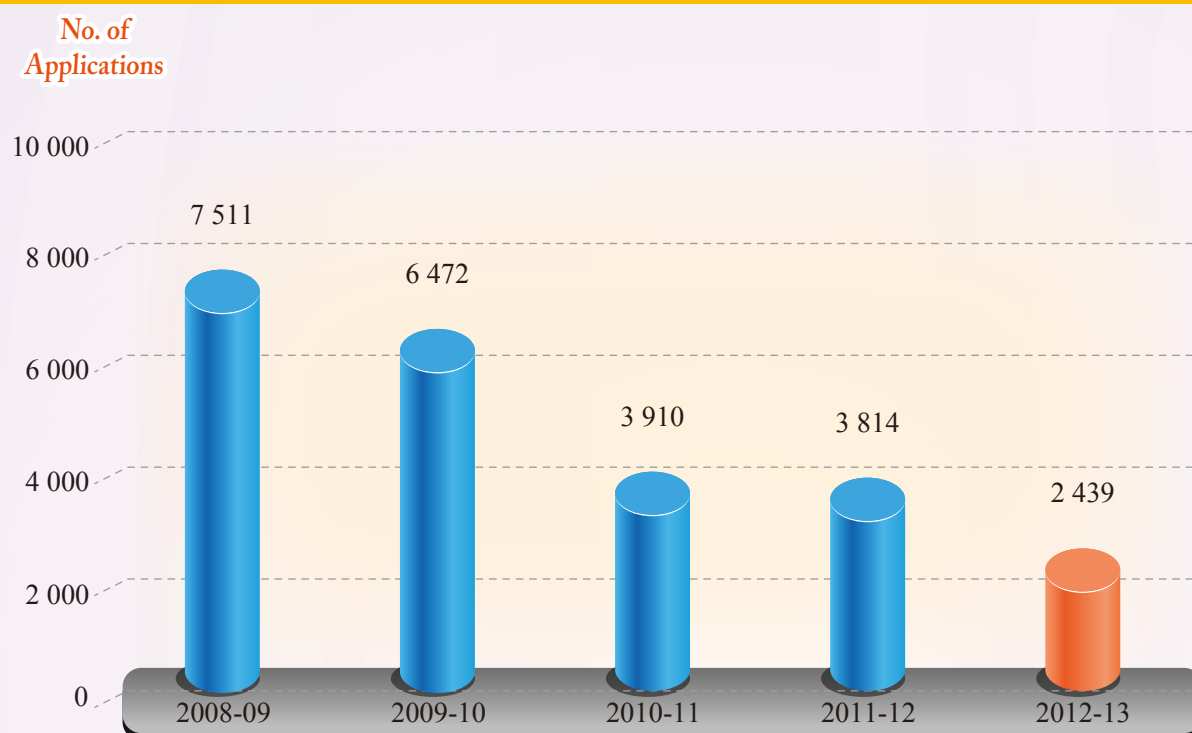


Figure 2

First three industries with the largest number of applications received from 2008-09 to 2012-13

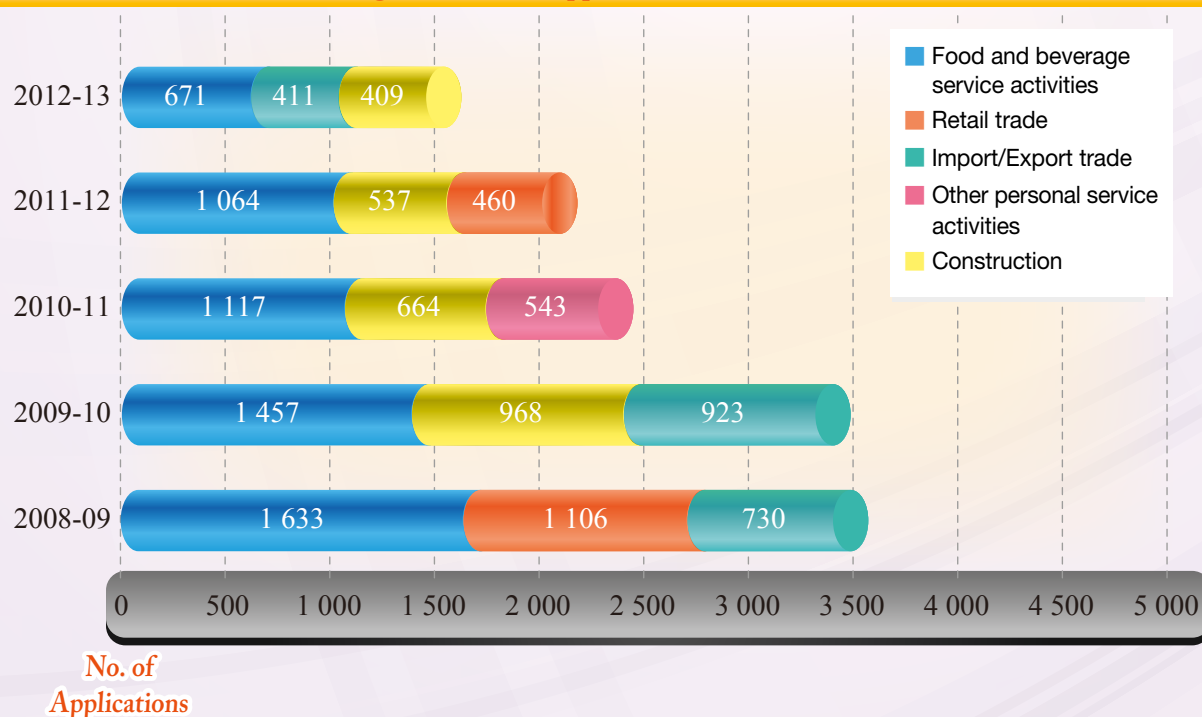


Figure 3

Number of applications and amount of ex gratia payment approved from 2008-09 to 2012-13

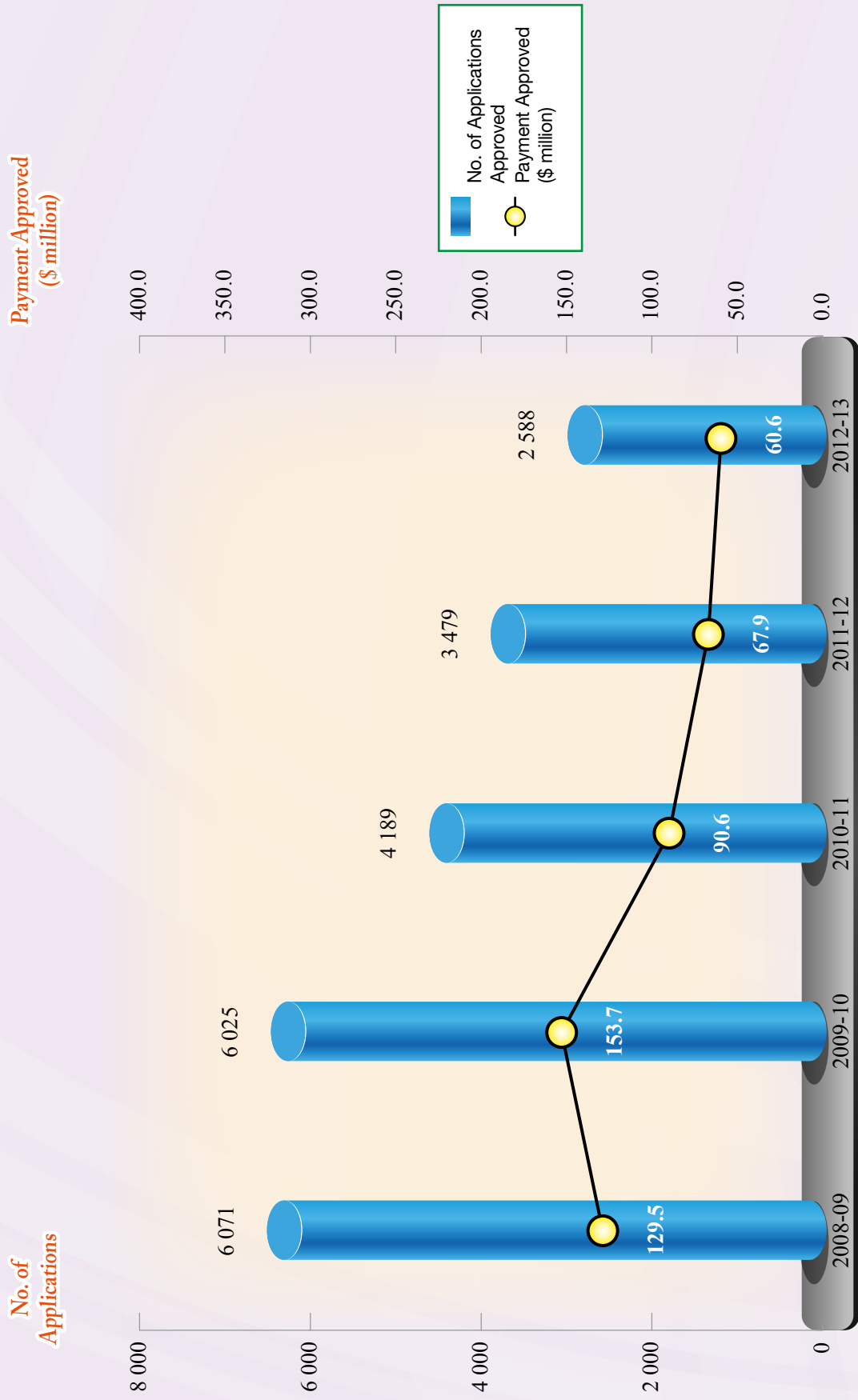


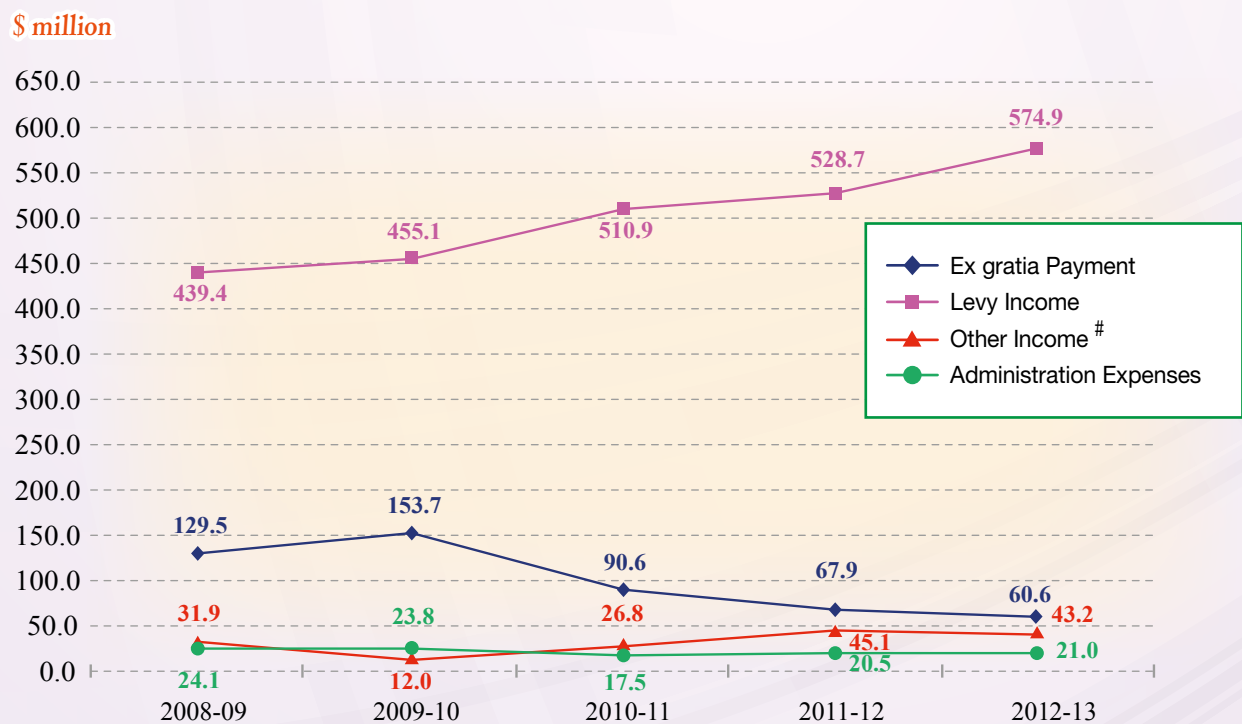
Figure 4

Total income and expenditure of the Fund from 2008-09 to 2012-13



Figure 5

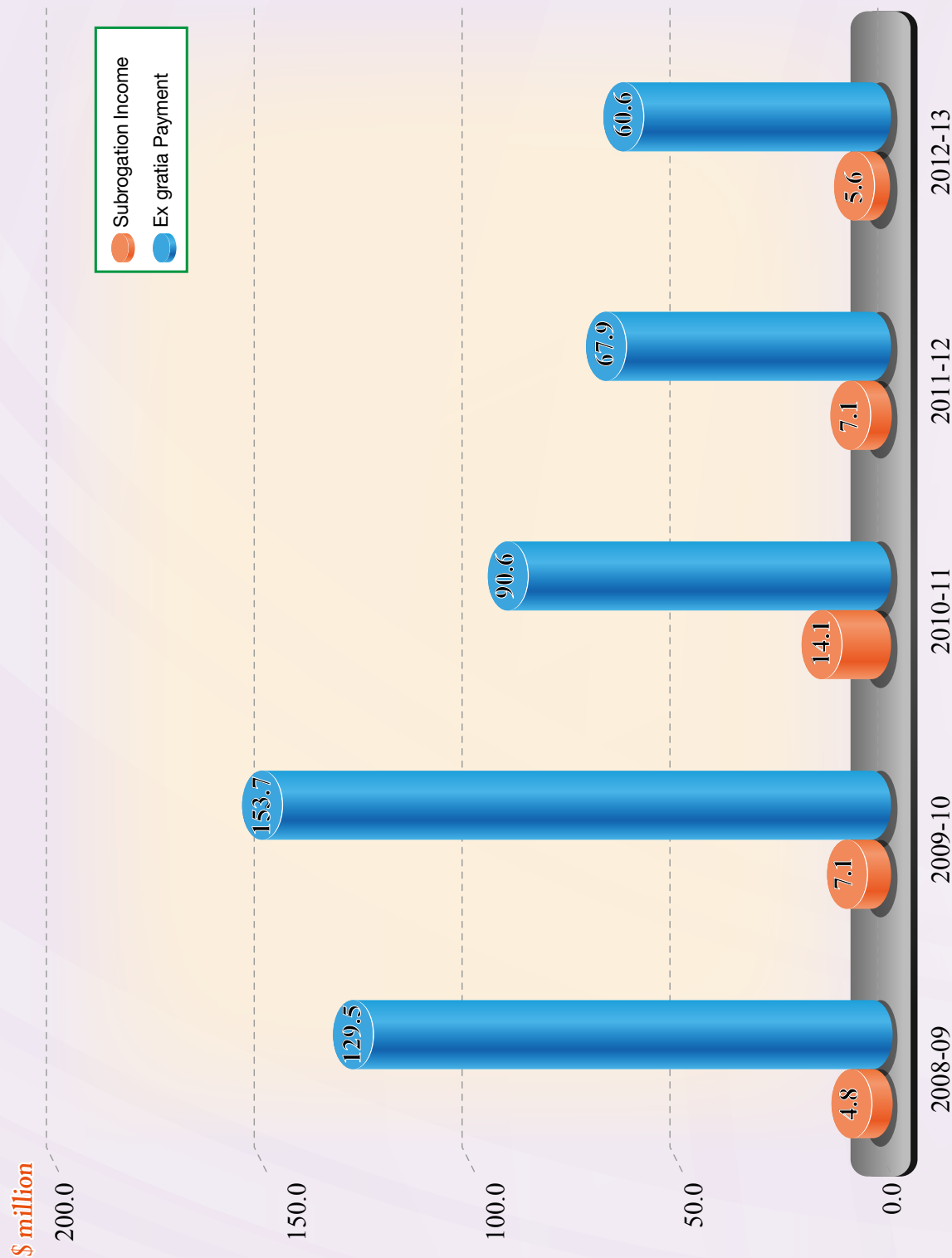
Breakdown of income and expenditure of the Fund from 2008-09 to 2012-13



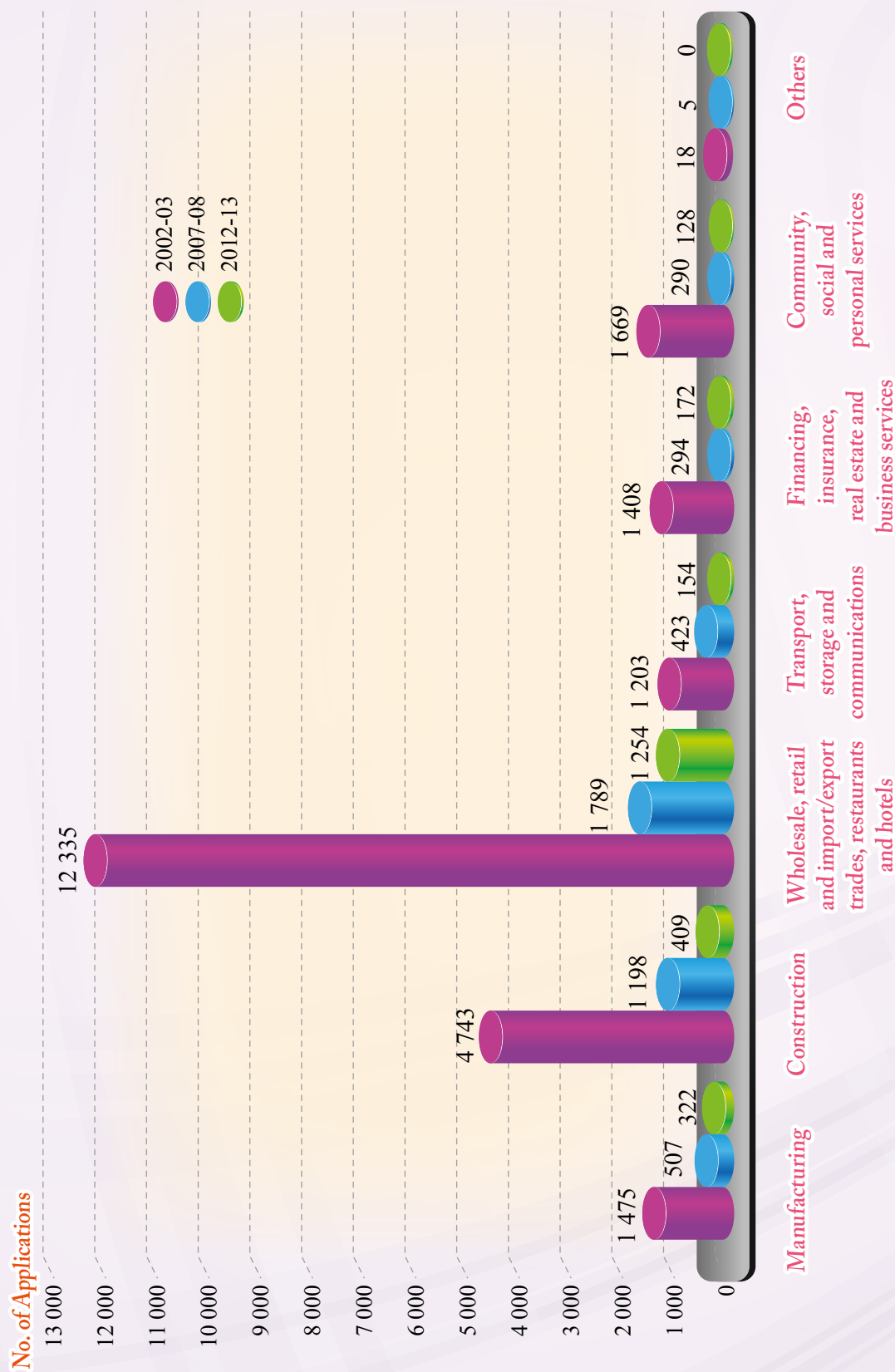
Bank deposit interests and money recovered through subrogation

Figure 6

Subrogation income and ex gratia payment of the Fund from 2008-09 to 2012-13

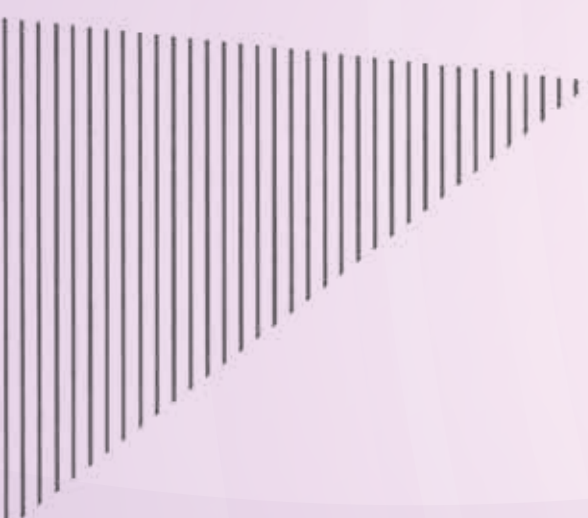


Analysis of applications received by economic sector in 2002-03, 2007-08 and 2012-13





**Independent Auditors' Report and Audited Financial Statements
for the year ended 31 March 2013**



Independent Auditors' Report and Audited Financial
Statements

PROTECTION OF WAGES ON INSOLVENCY FUND

31 March 2013

Ernst & Young

PROTECTION OF WAGES ON INSOLVENCY FUND

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Statement of financial position	4
Statement of changes in funds and reserves	5
Statement of cash flows	6
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Independent auditors' report

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

We have audited the financial statements of the Protection of Wages on Insolvency Fund (the "Fund") set out on pages 3 to 14, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, the statement of changes in funds and reserves, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with the Protection of Wages on Insolvency Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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



Independent auditors' report (continued)

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Fund as at 31 March 2013, and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Protection of Wages on Insolvency Ordinance.



Certified Public Accountants
Hong Kong
2 September 2013

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
INCOME	3	<u>618,083,358</u>	<u>573,799,365</u>
EXPENDITURE			
Claims	4	60,611,258	67,925,226
Supervision fee	5	20,086,607	19,390,782
Auditors' remuneration		79,500	75,000
Rates and building management charges		270,858	266,016
Insurance		6,308	6,308
Printing and stationery		38,550	35,300
Miscellaneous expenses		<u>502,908</u>	<u>681,202</u>
TOTAL EXPENDITURE		<u>81,595,989</u>	<u>88,379,834</u>
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	<u><u>536,487,369</u></u>	<u><u>485,419,531</u></u>

破產欠薪保障基金委員會 Protection of Wages on Insolvency Fund Board

PROTECTION OF WAGES ON INSOLVENCY FUND

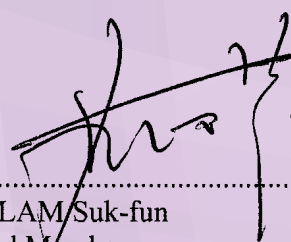
STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 HK\$	2012 HK\$
NON-CURRENT ASSET			
Property	9	-	-
CURRENT ASSETS			
Levies receivable		53,269,850	50,766,600
Interest receivables		3,621,143	6,030,162
Sundry deposits		42,000	35,000
Prepayment		58,333	40,417
Time deposits	10	3,254,400,000	2,717,100,000
Cash at banks	10	192,781	124,890
Total current assets		3,311,584,107	2,774,097,069
CURRENT LIABILITIES			
Approved claims payable		3,987,094	3,893,165
Accrued operation expenses		83,600	77,860
Accrued supervision fee	5	20,300,000	19,400,000
Total current liabilities		24,370,694	23,371,025
NET CURRENT ASSETS		3,287,213,413	2,750,726,044
Net assets		3,287,213,413	2,750,726,044
FINANCED BY:			
Accumulated surplus		3,270,674,626	2,734,187,257
General reserve	11	16,538,787	16,538,787
Total accumulated funds and reserves		3,287,213,413	2,750,726,044



Dr. David WONG Yau-kar, BBS, JP
Chairman



Ms. LAM Suk-fun
Board Member

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CHANGES IN FUNDS AND RESERVES

Year ended 31 March 2013

	Accumulated surplus HK\$	General reserve HK\$	Total accumulated funds and reserves HK\$
At 1 April 2011	2,248,767,726	16,538,787	2,265,306,513
Surplus and total comprehensive income for the year	<u>485,419,531</u>	<u>-</u>	<u>485,419,531</u>
At 31 March 2012 and at 1 April 2012	2,734,187,257	16,538,787	2,750,726,044
Surplus and total comprehensive income for the year	<u>536,487,369</u>	<u>-</u>	<u>536,487,369</u>
At 31 March 2013	<u>3,270,674,626</u>	<u>16,538,787</u>	<u>3,287,213,413</u>

破產欠薪保障基金委員會 Protection of Wages on Insolvency Fund Board

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	Notes	2013 HK\$	2012 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		536,487,369	485,419,531
Adjustment for bank interest income	3	(37,577,835)	(37,965,786)
		498,909,534	447,453,745
Decrease/(increase) in levies receivable	(	2,503,250)	12,606,550
Increase in sundry deposits	(	7,000)	-
Decrease/(increase) in a prepayment	(	17,916)	17,916
Increase in approved claims payable		93,929	101,360
Increase/(decrease) in accrued operation expenses		5,740	(20,430)
Increase in accrued supervision fee		900,000	2,100,000
		<u>497,381,037</u>	<u>462,259,141</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		39,986,854	34,273,652
Decrease/(increase) in time deposits with original maturity over three months		(449,000,000)	6,700,000
		<u>(409,013,146)</u>	<u>40,973,652</u>
Net cash flows from/(used in) investing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		88,367,891	503,232,793
		<u>947,324,890</u>	<u>444,092,097</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>1,035,692,781</u>	<u>947,324,890</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	10	192,781	124,890
Time deposits with original maturity of less than three months when acquired	10	1,035,500,000	947,200,000
		<u>1,035,692,781</u>	<u>947,324,890</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

1. GENERAL INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Fund and, accordingly, they have had no impact on the Fund’s financial statements for the year ended 31 March 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Fund has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31 March 2013, in these financial statements. The Fund is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Fund’s results of operations and financial position.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and depreciation

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

Depreciation is calculated on the straight-line basis to write off the cost of the Fund's property 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 an income or an expenditure in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Financial instruments

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

(a) Loans and receivables

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

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

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

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Financial liabilities

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

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

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

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash at banks, including term deposits, which are not restricted as to use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Fund is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged as expenditure on the straight-line basis over the lease terms.

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.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Fund and when the revenue can be measured reliably, on the following bases:

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

Recognition of claims

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

Employee benefits

Pension scheme

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

3. INCOME

An analysis of income is as follows:

	2013 HK\$	2012 HK\$
Levies	574,884,950	528,674,200
Money recovered by subrogation	5,620,573	7,159,379
Bank interest income	37,577,835	37,965,786
	<u>618,083,358</u>	<u>573,799,365</u>

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

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

4. CLAIMS

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

(a) Wages

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

(b) Wages in lieu of notice

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

(c) Severance payment

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

(d) Pay for untaken annual leave and untaken statutory holidays

Either or the total amount of pay for untaken annual leave and untaken statutory holidays not exceeding HK\$10,500, which includes (i) pay for any annual leave earned in the applicant's last full leave year and not yet taken and pro rata annual leave pay for the last leave year where the applicant has at least 3 but less than 12 months' service entitled upon termination of employment contract under the Employment Ordinance, and (ii) pay for statutory holidays entitled but not yet taken by an applicant within 4 months before his last day of service.

5. SUPERVISION FEE

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

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

6. SURPLUS FOR THE YEAR

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

	2013 HK\$	2012 HK\$
Employee benefit expense:		
Wages and salaries	175,626	183,142
Pension scheme contributions	17,664	18,311
	<u>193,290</u>	<u>201,453</u>
Minimum lease payments under an operating lease of a building	<u>201,000</u>	<u>180,000</u>

7. REMUNERATION OF MEMBERS OF THE BOARD

No members of the Board received any fees or other emoluments in respect of their services rendered to the Fund during the year (2012: Nil).

8. INCOME TAX

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

9. PROPERTY

Land and
building
HK\$

31 March 2013

At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013:

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

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

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

10. CASH AT BANKS AND TIME DEPOSITS

	2013 HK\$	2012 HK\$
Bank balances	192,781	124,890
Time deposits with original maturity of:		
3 months or less	1,035,500,000	947,200,000
More than 3 months but less than 12 months	2,218,900,000	1,769,900,000
	<u>3,254,592,781</u>	<u>2,717,224,890</u>

11. GENERAL RESERVE

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

12. OPERATING LEASE COMMITMENTS

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

At 31 March 2013, the Fund had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2013 HK\$	2012 HK\$
Within one year	222,000	90,000
In the second to fifth years, inclusive	<u>111,000</u>	<u>-</u>
	<u>333,000</u>	<u>90,000</u>

13. CONTINGENT LIABILITIES

At 31 March 2013, contingent liabilities in respect of claims received but not yet approved and provided for in the financial statements amounted to HK\$76,017,493 (2012: HK\$131,798,861).

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.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2013

14. FAIR VALUE

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

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

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

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

The Fund's receivable balances are monitored on an ongoing basis and the Fund's exposure to bad debts is not significant. The Fund's maximum exposure on credit risk arising from the default of the counterparties equal to the aggregate carrying amount of these financial assets in the statement of financial position.

Interest rate risk

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

Capital management

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

The Fund manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 2 September 2013.