# Protection of Wages on Insolvency Fund Board

(IIIIII)

2013-14 Annual Report

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# **CHAIRMAN'S FOREWORD**

I hereby present the Annual Report of the Protection of Wages on Insolvency Fund Board (the Board) covering the period from 1 April 2013 to 31 March 2014.

This year, I am glad to see that concomitant with the stable local economy, 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 2013-14, the Fund received a total of 2 179 applications, representing 11% decrease over 2 439 in 2012-13. In the same year, the Fund approved 1 771 applications, leading to a total payout of ex gratia payment of \$47.6 million, a drop of 21% compared to that of the preceding year. The Board and 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 their insolvent employers. During the year, we conducted a customer opinion survey in which the applicants provided positive feedback to our service and performance. We will continue to strive for quality customer service to the applicants.

The Board has all along enhanced the protection of the Fund progressively in accordance with its financial position and the societal needs. Right after one year's implementation of the Protection of Wages on Insolvency (Amendment) Ordinance 2012 (the Amendment Ordinance) in June last year, the Board commenced the review of the coverage of pay for untaken annual leave and untaken statutory holidays newly added under the Amendment Ordinance in the latter half of 2013. Furthermore, the Board actively extended the review to include all other existing items, namely wages, wages in lieu of notice and severance payment. I wish to express my heartfelt gratitude to all members who, despite the arduousness of the task, participated actively in the review of the protection of the Fund, offered valuable inputs and strived to seek common ground.

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. Subsequent to the recommendation of the Board, the levy was reduced from \$450 to \$250 per annum in July last year to allevaite the business cost of the small and medium enterprises. The Fund maintained a sound financial position with a surplus of \$425.9 million for the 2013-14 financial year and an accumulative surplus of \$3,713.1 million by the end of March 2014. The Board will continue to monitor closely the financial position of the Fund.

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), continued to spare no efforts in proactively investigating and pursuing cases involving possible abuse of the Fund by employers and employees. During 2013-14, two restaurant workers and an employer of a foreign domestic helper were convicted of making a false statutory declaration and using a copy of a false instrument respectively under the Crimes Ordinance. The two workers were both sentenced to two months' imprisonment, suspended for 12 months together with a fine of \$2,500 while the employer was sentenced to 240 hours' community service order. The prosecution cases gave a strong message to the community that any abuse of the Fund would incur criminal liability and the sanction would be serious.

I take this opportunity to extend my cordial thanks to all members of the Board for their contributions in the past year. With their concerted efforts, I am confident that the Board will reach constructive proposals in the review of the scope of the Fund. Last but not least, on behalf of the Board, I would also like to convey our great appreciation to 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 contributing to a harmonious and stable society.

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

September 2014

# MEMBERSHIP LIST OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD 2013-14

# 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

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Senior Labour Officer, Wage Security Division of the Labour Department

# Group Photo of the Protection of Wages on Insolvency Fund Board 2013-14



**Rear row from left:** 

Mr. Henry HUNG Hing-lin Assistant Principal Solicitor, Official Receiver's Office

#### Mr. Ernest IP Yee-cheung, JP

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

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 2014.

# 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, severance payment, pay for untaken annual leave and/or untaken statutory holidays by their insolvent employers may apply for ex gratia payment from the Fund. The application should be made in an approved form and supported by a statutory declaration. The application has to be made within a period of six months from the applicant's last day of service.

# Maximum amount of ex gratia payment payable by the Fund

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/ or untaken statutory holidays, his rights and remedies under the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Bankruptcy Ordinance would, to the extent of the amount of payment, be transferred to the Board. The Board, in exercising these subrogated rights, may file a proof of debt with the Official Receiver or the private liquidator for the purpose of recovering any payment made to the applicant in the course of winding-up or bankruptcy proceedings.

# Application of the Fund's reserve

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

# ANNUAL REVIEW OF APPLICATIONS RECEIVED AND PROCESSED

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

# **Applications received**

During the year 2013-14, 2 179 applications involving claims for ex gratia payment of \$141.3 million were received from employees. A total of 440 suspected insolvency cases were recorded. Detailed breakdown of the applications is at **Appendix I**.

Of the 440 suspected insolvency cases, 424 involved less than 20 employees per case, 13 involved 20 to 49 employees per case, 2 involved 50 to 99 employees per case, and the remaining 1 involved 100 employees or more.

During the year, the construction industry recorded the largest number of applications, with 404 applications involving a total claim of \$14.1 million. This was followed by the food and beverage service activities with 311 applications and a total claim of \$8.5 million, and import and export trade industry with 286 applications and a total claim of \$29.7 million. These three trades accounted for 45.9% of all applications and 37.0% of the total amount claimed.

Out of the total 2 179 applicants in the year, 1 944 applied for ex gratia payment on arrears of wages, 1 446 applied for payment on wages in lieu of notice, 603 applied for payment on severance payment and 1 209 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 1 771 applications were approved during the year, resulting in payment amounting to \$47.6 million. Out of these, a total payment of \$15.4 million was made to 653 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 83.1% of applicants for arrears of wages, 99.3% of applicants for wages in lieu of notice, 46.0% of applicants for severance payment, and 39.7% of applicants for pay for untaken annual leave and untaken statutory holidays.

The Commissioner for Labour rejected 22 applications involving claims totalling \$1.8 million, mostly for reasons such as claims without legal backing, insufficient evidence, or the applicants' status as registered company directors. At the same time, 255 applications involving claims amounting to \$9.6 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, review of the coverage of the existing items under the Fund and the progress of the legislative proposal to reduce the rate of levy on business registration certificates. In addition, the Board reviewed one appeal against the decision 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 \$448.9 million and paid out a total of \$47.6 million in ex gratia payment. The Fund registered a surplus of \$425.9 million, as compared with a surplus of \$536.5 million in the previous financial year. As at 31 March 2014, the Fund's accumulated surplus stood at \$3,713.1 million.

A copy of the independent auditors' report and the audited financial statements for the year ended 31 March 2014 is at **Appendix X**.

# **ACTIVITIES HIGHLIGHT**

## **Customer Opinion Survey**

The Board has in collaboration with the Labour Department, conducted a customer opinion survey from November 2013 to February 2014. Feedback showed that the customers were in general satisfied with the services provided by the Labour Department. The survey findings were presented to the Board in its meeting on 10 June 2014.

# Publicity and promotion for the Fund

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



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

# Achievements of the inter-departmental Task Force

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

During the year 2013-14, two restaurant workers and an employer of a foreign domestic helper were convicted of making a false statutory declaration and using a copy of a false instrument respectively under the Crimes Ordinance. The two workers were sentenced to 2 months' imprisonment, suspended for 12 months and a fine of \$2,500 each while the employer was sentenced to 240 hours' community service order. Besides, the court disqualified a total of 20 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 1.25 to 6.5 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 479 convicted summonses for wage offences. Of these, 174 convictions were against company directors and responsible persons.





# Appendix I

| Operating results of                                  |
|---|
| the Protection of Wages on Insolvency Fund in 2013-14 |

| I. Bre                       | eakdown of applications by result  |  |                                     |                 |                       |   |
|------------------------------|--|--|-------------------------------------|-----------------|-----------------------|---|
|                              | No. of cases received  |  |                                     |                 |                       | 440   |
| (2)                          | No. of applications  |  |                                     |                 | =                     |   |
|                              | (i) b/f last period  |  |                                     |                 |                       | 965   |
|                              | received this period   |  |                                     |                 |                       | 2 179   |
|                              | reconsidered this period   |  |                                     |                 |                       | 9   |
|                              | Υ.<br>Υ  |  |                                     |                 | -                     | 3 153   |
|                              | (ii) processed   |  |                                     |                 | =                     | 2 048   |
|                              | (ii) processed   |  |                                     |                 | Г                     | 1 771   |
|                              | approved<br>refused  |  |                                     |                 |                       | 22  |
|                              | refused<br>withdrawn   |  |                                     |                 |                       | 255   |
|                              | outstanding  |  |                                     |                 | L                     | 1 033   |
|                              | put aside *  |  |                                     |                 |                       | 72  |
|                              | put aside  |  |                                     |                 | -                     | 3 153   |
|                              |  |  |                                     |                 | =                     |   |
| (3)                          | Amount of ex gratia payment (in HK\$'000)  |  | Wages                               |                 | Pay for untaken       |   |
|                              | applied for  | wages  | in lieu of                          | payment         | annual leave          |   |
|                              |  |  | notice                              |                 | and/or untaken        |   |
|                              |  |  |                                     |                 | statutory             | 111202000   |
|                              | (i) $h/f$ last usual   |  |                                     |                 | holidays              | HK\$'000  |
|                              | (i) b/f last period  | (2.200 )   | 22.069                              | 44 (22 )        | 10.406 -              | 76,017  |
|                              | received this period   | 63,200 +<br>862 +  | 23,068 +<br>228 +                   | 44,632 +<br>0 + | 10,406 = 0 =          | 141,306   |
|                              | reconsidered this period   | 802 +  | 228 +                               | 0 +             | 0                     | 1,090   |
|                              |  |  |                                     |                 | -                     | 218,413   |
|                              |  | Arrears of   | Wages                               | Severance       | Pay for untaken       |   |
|                              |  | wages  | in lieu of                          | payment         | annual leave          |   |
|                              |  |  | notice                              |                 | and/or untaken        |   |
|                              |  |  |                                     |                 | statutory<br>holidays |   |
|                              |  |  |                                     |                 | holidave              |   |
|                              |  | 26.706   | 12.027                              | 4.72.4          |                       | HK\$'000  |
|                              | (ii) approved  | 26,706 +   | 13,037 +                            | 4,724 +         | 3,179 =               | 47,646  |
|                              | screened   | 26,706 +   | 13,037 +                            | 4,724 +         |                       | 47,646<br>72,485  |
|                              | screened<br>refused  | 26,706 +   | 13,037 +                            | 4,724 +         |                       | 47,646<br>72,485<br>1,840   |
|                              | screened<br>refused<br>withdrawn   | 26,706 +   | 13,037 +                            | 4,724 +         |                       | 47,646<br>72,485  |
|                              | screened<br>refused<br>withdrawn<br>outstanding  | 26,706 +   | 13,037 +                            | 4,724 +         |                       | 47,646<br>72,485<br>1,840<br>9,604  |
|                              | screened<br>refused<br>withdrawn   | 26,706 +   | 13,037 +                            | 4,724 +         |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838                                |
|                              | screened<br>refused<br>withdrawn<br>outstanding  | 26,706 +   | 13,037 +                            | 4,724 +         |                       | 47,646<br>72,485<br>1,840<br>9,604  |
| (4)                          | screened<br>refused<br>withdrawn<br>outstanding  |  | 13,037 +                            | 4,724 +         |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838                                |
|                              | screened<br>refused<br>withdrawn<br>outstanding<br>put aside *   | und Board  |                                     | 4,724 +         |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838                                |
| <mark>ll. Pre</mark>         | screened<br>refused<br>withdrawn<br>outstanding<br>put aside *<br>No. of applications seeking review by the Fu   | und Board<br>cations appr  | oved                                | 4,724 +         |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838                                |
| <mark>II. Pre</mark><br>(1)  | screened<br>refused<br>withdrawn<br>outstanding<br>put aside *<br>No. of applications seeking review by the Fu   | und Board<br>cations appr<br>tion has been                                   | oved<br>made                        | 4,724 +         |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838<br>218,413<br>1                |
| II. Pre<br>(1)<br>(2)        | screened<br>refused<br>withdrawn<br>outstanding<br>put aside *<br>No. of applications seeking review by the Fu<br>esentation of petition in relation to applic<br>No. of applications where a winding-up peti  | und Board<br>cations appr<br>tion has been<br>tion has been                  | <mark>oved</mark><br>made<br>made   |                 |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838<br>218,413<br>1<br>1 081       |
| II. Pre<br>(1)<br>(2)        | screened<br>refused<br>withdrawn<br>outstanding<br>put aside *<br>No. of applications seeking review by the For<br>esentation of petition in relation to applic<br>No. of applications where a winding-up peti<br>No. of applications where a bankruptcy peti  | und Board<br>cations appr<br>tion has been<br>tion has been                  | <mark>oved</mark><br>made<br>made   |                 |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838<br>218,413<br>1<br>1 081       |
| II. Pre<br>(1)<br>(2)<br>(3) | screened<br>refused<br>withdrawn<br>outstanding<br>put aside *<br>No. of applications seeking review by the For<br>esentation of petition in relation to applie<br>No. of applications where a winding-up peti<br>No. of applications where a bankruptcy peti<br>No. of applications dealt with under S.18                         | und Board<br>cations appr<br>tion has been<br>tion has been<br>(1) of the Pr | oved<br>made<br>made<br>otection of | Wages on        |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838<br>218,413<br>1<br>1 081<br>37 |
| II. Pre<br>(1)<br>(2)<br>(3) | screened<br>refused<br>withdrawn<br>outstanding<br>put aside *<br>No. of applications seeking review by the For<br>esentation of petition in relation to applie<br>No. of applications where a winding-up peti<br>No. of applications where a bankruptcy peti<br>No. of applications dealt with under S.18<br>Insolvency Ordinance | und Board<br>cations appr<br>tion has been<br>tion has been<br>(1) of the Pr | oved<br>made<br>made<br>otection of | Wages on        |                       | 47,646<br>72,485<br>1,840<br>9,604<br>86,838<br>218,413<br>1<br>1 081<br>37 |

\* Cases pending private settlement or withdrawal.

## Operating results of the Protection of Wages on Insolvency Fund in 2013-14

| III. Breakdown of cases by employment size |     |
|--|-----|
| (1) Less than 20 employees                 | 424 |
| (2) $20 \sim 49$ employees                 | 13  |
| (3) $50 \sim 99$ employees                 | 2   |
| (4) 100 or more employees                  | 1   |
|  | 440 |

#### IV. Breakdown of applications by industry

| Hong Kong<br>Standard<br>Industrial<br>Classification | Industry in which applicants worked   | No. of applicants |      | Amount claimed<br>(including wages,<br>wages in lieu of<br>notice, severance<br>payment, pay for<br>untaken annual leave<br>and/or untaken<br>statutory holidays) |               |  |
|---|---|-------------------|------|---|---------------|--|
| Division C  | Manufacturing   |                   |      |   |               |  |
| Sub-group   |   |                   |      |   |               |  |
| 10  | Manufacture of food products  | 3                 | (2)  | \$  | 87,735.11     |  |
| 13  | Manufacture of textiles   | 7                 | (3)  | \$  | 641,698.53    |  |
| 14  | Manufacture of wearing apparel  | 3                 | (1)  | \$  | 291,571.63    |  |
| 17  | Manufacture of paper and paper products   | 1                 | (1)  | \$  | 335,420.10    |  |
| 18  | Printing and reproduction of recorded media   | 5                 | (2)  | \$  | 539,278.19    |  |
| 22  | Manufacture of rubber and plastics products (except furniture, toys, sports goods and stationery) | 5                 | (1)  | \$  | 307,355.18    |  |
| 23  | Manufacture of other non-metallic mineral products  | 2                 | (2)  | \$  | 149,509.26    |  |
| 24  | Manufacture of basic metals   | 1                 | (1)  | \$  | 53,689.79     |  |
| 25  | Manufacture of fabricated metal products (except machinery and equipment)                         | 2                 | (1)  | \$  | 505,137.96    |  |
| 26  | Manufacture of computer, electronic and optical products  | 26                | (4)  | \$  | 2,961,859.84  |  |
| 27  | Manufacture of electrical equipment   | 3                 | (1)  | \$  | 352,644.12    |  |
| 31  | Manufacture of furniture  | 1                 | (1)  | \$  | 148,836.85    |  |
| 32  | Other manufacturing   | 42                | (10) | \$  | 8,675,464.32  |  |
| 33  | Repair and installation of machinery and equipment  | 7                 | (3)  | \$  | 535,264.45    |  |
| Division E  | Water supply; sewerage, waste management and remediation activities                               |                   |      |   |               |  |
| Sub-group   |   |                   |      |   |               |  |
| 38  | Waste collection, treatment and disposal activities; materials recovery                           | 3                 | (2)  | \$  | 94,692.15     |  |
| Division F  | Construction  | 404               | (71) | \$  | 14,056,180.34 |  |

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

| Operating results of                                  |  |
|---|--|
| the Protection of Wages on Insolvency Fund in 2013-14 |  |

| Hong Kong<br>Standard<br>Industrial<br>Classification | Industry in which applicants worked  | No. of applicants |      | Amount claimed<br>(including wages,<br>wages in lieu of<br>notice, severance<br>payment, pay for<br>untaken annual leave<br>and/or untaken<br>statutory holidays) |               |
|---|--|-------------------|------|---|---------------|
| Division G  | Import/export, wholesale and retail trades   |                   |      |   |               |
| Sub-group   |  |                   |      |   |               |
| 45  | Import and export trade  | 286               | (82) | \$  | 29,728,786.82 |
| 46  | Wholesale  | 30                | (9)  | \$  | 1,963,070.84  |
| 47  | Retail trade   | 114               | (31) | \$  | 8,070,280.02  |
| Division H  | Transportation, storage, postal and courier services   |                   |      |   |               |
| Sub-group   |  |                   |      |   |               |
| 49  | Land transport   | 186               | (30) | \$  | 16,382,366.26 |
| 50  | Water transport  | 25                | (5)  | \$  | 2,695,458.04  |
| 52  | Warehousing and support activities for transportation  | 28                | (9)  | \$  | 2,932,182.07  |
| 53  | Postal and courier activities  | 22                | (3)  | \$  | 360,313.64    |
| Division I  | Accommodation and food service activities  |                   |      |   |               |
| Sub-group   |  |                   |      |   |               |
| 56  | Food and beverage service activities   | 311               | (54) | \$  | 8,484,438.89  |
| Division J  | Information and communications   |                   |      |   |               |
| Sub-group   |  |                   |      |   |               |
| 58  | Publishing activities  | 41                | (7)  | \$  | 3,242,815.80  |
| 59  | Motion picture, video and television programme production, sound recording and music publishing activities | 20                | (1)  | \$  | 813,607.50    |
| 60  | Programming and broadcasting activities  | 1                 | (1)  | \$  | 24,000.00     |
| 61  | Telecommunications   | 1                 | (1)  | \$  | 17,921.42     |
| 62  | Information technology service activities  | 44                | (8)  | \$  | 6,261,137.71  |
| Division K  | Financial and insurance activities   |                   |      |   |               |
| Sub-group   |  |                   |      |   |               |
| 64  | Financial service activities (except insurance and pension funding)  | 41                | (8)  | \$  | 5,982,273.71  |
| 65  | Insurance  | 1                 | (1)  | \$  | 27,725.31     |
| 66  | Activities auxiliary to financial service and insurance activities   | 2                 | (2)  | \$  | 727,926.22    |

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



| Operating results of                                  |
|---|
| the Protection of Wages on Insolvency Fund in 2013-14 |

| Hong Kong<br>Standard<br>Industrial<br>Classification | Industry in which applicants worked  | No. of applicants |      | Amount claimed<br>(including wages,<br>wages in lieu of<br>notice, severance<br>payment, pay for<br>untaken annual leave<br>and/or untaken<br>statutory holidays) |              |  |
|---|--|-------------------|------|---|--------------|--|
| Division L  | Real estate activities   | 2                 | (2)  | \$  | 170,813.37   |  |
| Division M<br>Sub-group                               | Professional, scientific and technical activities                            |                   |      |   |              |  |
| 70  | Activities of head offices; management and management consultancy activities | 2                 | (2)  | \$  | 2,365,981.05 |  |
| 71  | Architecture and engineering activities, technical testing and analysis      | 36                | (1)  | \$  | 4,995,091.45 |  |
| 72  | Scientific research and development  | 8                 | (2)  | \$  | 922,097.64   |  |
| 73  | Veterinary activities  | 7                 | (1)  | \$  | 380,108.97   |  |
| 74  | Advertising and market research  | 16                | (4)  | \$  | 534,246.38   |  |
| 75  | Other professional, scientific and technical activities                      | 11                | (5)  | \$  | 996,970.40   |  |
| Division N  | Administrative and support service activities                                |                   |      |   |              |  |
| Sub-group   |  |                   |      |   |              |  |
| 77  | Rental and leasing activities  | 1                 | (1)  | \$  | 5,500.00     |  |
| 78  | Employment activities  | 1                 | (1)  | \$  | 6,230.00     |  |
| 79  | Travel agency, reservation service and related activities                    | 176               | (3)  | \$  | 5,841,894.61 |  |
| 80  | Security and investigation activities  | 3                 | (3)  | \$  | 73,750.00    |  |
| 81  | Services to buildings and landscape care activities                          | 15                | (4)  | \$  | 424,393.32   |  |
| 82  | Office administrative, office support and other business support activities  | 1                 | (0)* | \$  | 990.00       |  |
| Division P  | Education  | 20                | (12) | \$  | 383,667.99   |  |
| Division Q  | Human health and social work activities                                      |                   |      |   |              |  |
| Sub-group   |  |                   |      |   |              |  |
| 86  | Human health activities  | 9                 | (4)  | \$  | 852,924.32   |  |
| 87  | Residential care activities  | 2                 | (0)* | \$  | 10,631.00    |  |
| Division R<br>Sub-group                               | Arts, entertainment and recreation   |                   |      |   |              |  |
| 93  | Sports and other entertainment activities                                    | 6                 | (2)  | \$  | 326,385.40   |  |

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<br>Standard<br>Industrial<br>Classification | Industry in which applicants worked  | No. of a | pplicants | Amount claimed<br>(including wages,<br>wages in lieu of<br>notice, severance<br>payment, pay for<br>untaken annual leave<br>and/or untaken<br>statutory holidays) |               |  |
|---|--|----------|-----------|---|---------------|--|
| Division S  | Other service activities   |          |           |   |               |  |
| Sub-group   |  |          |           |   |               |  |
| 95  | Repair of motor vehicles, motorcycles, computers, personal and household goods | 7        | (3)       | \$  | 164,200.00    |  |
| 96  | Other personal service activities  | 169      | (15)      | \$  | 4,824,872.91  |  |
| Division T  | Work activities within domestic households                                     |          |           |   |               |  |
| Sub-group   |  |          |           |   |               |  |
| 97  | Activities of households as employers of domestic personnel                    | 18       | (16)      | \$  | 496,371.44    |  |
| 98  | Goods- and services-producing activities of private households for own use     | 1        | (1)       | \$  | 78,500.00     |  |
|   | Total :  | 2 179    | (440)     | \$ 1  | 41,306,262.32 |  |

## Operating results of the Protection of Wages on Insolvency Fund in 2013-14

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 2013-14 |

| A. By amount<br>(including overtime pay and items that could be deemed to be wages)       |                  |                   |            |
|---|------------------|-------------------|------------|
| Amount  | Ν                | Io. of applicants | Percentage |
| No entitlement/Not claimed  |                  | 235               | 10.78      |
| \$8,000 <sup>*</sup> or less  |                  | 464               | 21.29      |
| \$8,001 - \$18,000  |                  | 619               | 28.41      |
| \$18,001 - \$24,000   |                  | 177               | 8.12       |
| \$24,001 - \$27,000   |                  | 67                | 3.07       |
| \$27,001 - \$30,000   |                  | 61                | 2.80       |
| \$30,001 - \$33,000   |                  | 59                | 2.71       |
| \$33,001 - \$36,000 <sup>#</sup>  |                  | 74                | 3.40       |
| \$36,001 - \$39,000   |                  | 33                | 1.51       |
| More than \$39,000  |                  | 390               | 17.90      |
|   | Total :          | 2 179             | 100.00     |
| B. By period of outstanding wages<br>(excluding overtime pay and items that could be deen | ned to be wages) |                   |            |
| Period  | Ν                | Io. of applicants | Percentage |
| No entitlement/Not claimed  |                  | 480               | 22.03      |
| Half month or less  |                  | 196               | 8.99       |
| More than $1/2$ month to 1 month  |                  | 438               | 20.10      |
| More than 1 month to 2 months   |                  | 632               | 29.00      |
| More than 2 months to 3 months  |                  | 238               | 10.92      |
| More than 3 months to 4 months  |                  | 91                | 4.18       |
| More than 4 months  |                  | 104               | 4.77       |
|   | Total :          | 2 179             | 100.00     |

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

<sup>#</sup> 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 2013-14

| A. By amount                      |         |                   |            |
|-----------------------------------|---------|-------------------|------------|
| Amount                            |         | No. of applicants | Percentage |
| No entitlement/Not claimed        |         | 733               | 33.64      |
| \$2,000 <sup>*</sup> or less      |         | 143               | 6.56       |
| \$2,001 - \$6,000                 |         | 311               | 14.27      |
| \$6,001 - \$10,000                |         | 243               | 11.15      |
| \$10,001 - \$15,000               |         | 328               | 15.05      |
| \$15,001 - \$22,500 <sup>#</sup>  |         | 243               | 11.15      |
| \$22,501 - \$25,000               |         | 27                | 1.24       |
| More than \$25,000                |         | 151               | 6.93       |
|                                   | Total : | 2 179             | 100.00     |
| B. By notice period               |         |                   |            |
| Notice period                     |         | No. of applicants | Percentage |
| No entitlement/Not claimed        |         | 733               | 33.64      |
| 1 day - 7 days                    |         | 410               | 18.82      |
| 8 days - 14 days                  |         | 20                | 0.92       |
| 15 days                           |         | 49                | 2.25       |
| 16 days - less than 1 month       |         | 74                | 3.40       |
| 1 month <sup>*</sup> <sup>#</sup> |         | 829               | 38.04      |
| More than 1 month                 |         | 64                | 2.94       |
|                                   | Total : | 2 179             | 100.00     |

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

<sup>#</sup> 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<sup>#</sup> received in 2013-14

| By amount  |                   | <b>D</b>                                      |
|--|-------------------|---|
| Amount   | No. of applicants | Percentage                                    |
| No entitlement/Not claimed   | 1 576             | 72.3  |
| \$8,000 <sup>*</sup> or less   | 28                | 1.2   |
| \$8,001 - \$36,000   | 201               | 9.2   |
| \$36,001 - \$50,000  | 82                | 3.7   |
| \$50,001 - \$80,000  | 96                | 4.4   |
| \$80,001 - \$110,000   | 69                | 3.1   |
| \$110,001 - \$140,000  | 48                | 2.2   |
| \$140,001 - \$170,000  | 20                | 0.9   |
| \$170,001 - \$200,000  | 15                | 0.6   |
| \$200,001 - \$250,000  | 23                | 1.0   |
| \$250,001 - \$300,000  | 11                | 0.5   |
| \$300,001 - \$350,000  | 7                 | 0.3   |
| \$350,001 - \$370,000  | 0                 | 0.0   |
| \$370,001 - \$390,000  | 2                 | 0.0   |
| More than \$390,000  | 1                 | 0.0   |
|  | Total : 2 179     | 100.0   |
| By length of service   |                   |   |
| Length of service  | No. of applicants | Percentag                                     |
| Not claimed or less than 2 years' service  | 1 577             | 72.3  |
| 2 - 4.99 years   | 247               | 11.3  |
| 5 - 5.99 years   | 61                | 2.8   |
| 6 - 6.99 years   | 50                | 2.2   |
| 7 - 7.99 years   | 28                | 1.2   |
| 8 - 8.99 years   | 33                | 1.5   |
| 9 - 9.99 years   | 31                | 1.4   |
| 10 - 14.99 years   | 70                | 3.2   |
| •  | 53                | 2.4   |
| 15 - 19.99 years   |                   | 0.9   |
| 15 - 19.99 years<br>20 - 24.99 years   | 21                | 0.3   |
| 20 - 24.99 years   | 21<br>4           |   |
| 20 - 24.99 years<br>25 - 29.99 years   | 4                 | 0.1   |
| 20 - 24.99 years<br>25 - 29.99 years<br>30 - 34.99 years   | 4<br>2            | 0.1<br>0.0                                    |
| 20 - 24.99 years<br>25 - 29.99 years<br>30 - 34.99 years<br>35 - 38.99 years                     | 4                 | 0.1<br>0.0<br>0.0                             |
| 20 - 24.99 years<br>25 - 29.99 years<br>30 - 34.99 years<br>35 - 38.99 years<br>39 - 40.99 years | 4<br>2<br>1<br>1  | 0.1<br>0.0<br>0.0<br>0.0                      |
| 20 - 24.99 years<br>25 - 29.99 years<br>30 - 34.99 years<br>35 - 38.99 years                     | 4<br>2            | 0.1<br>0.1<br>0.0<br>0.0<br>0.0<br>0.0<br>0.0 |

<sup>#</sup> The maximum amount of payment out of the Protection of Wages on Insolvency Fund is \$220,000.

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

## Breakdown of applications for ex gratia payment on pay for untaken annual leave and untaken statutory holidays received in 2013-14

| A. By amount                                      |            |                   |            |
|---|------------|-------------------|------------|
| Amount  |            | No. of applicants | Percentage |
| No entitlement/Not claimed                        |            | 970               | 44.52      |
| \$2,000 or less                                   |            | 354               | 16.25      |
| \$2,001 - \$4,000                                 |            | 253               | 11.61      |
| \$4,001 - \$6,000                                 |            | 158               | 7.25       |
| \$6,001 - \$8,000                                 |            | 130               | 5.97       |
| \$8,001 - \$10,500 <sup>#</sup>                   |            | 99                | 4.54       |
| \$10,501 - \$20,000                               |            | 112               | 5.14       |
| More than \$20,000                                |            | 103               | 4.73       |
|   | Total :    | 2 179             | 100.00     |
| 3. By leave year of pay for untaken annual leave  |            |                   |            |
| Leave year  |            | No. of applicants | Percentage |
| No entitlement/Not claimed                        |            | 1 005             | 46.12      |
| 1 year or less                                    |            | 748               | 34.33      |
| More than 1 year to less than 2 years             |            | 273               | 12.53      |
| 2 years or above                                  |            | 153               | 7.02       |
|   | Total :    | 2 179             | 100.00     |
| C. By period claimed of pay for untaken statutory | y holidays |                   |            |
| Period  |            | No. of applicants | Percentage |
| No entitlement/Not claimed                        |            | 1 861             | 85.41      |
| 2 months or less                                  |            | 148               | 6.79       |
| More than 2 months to 4 months                    |            | 33                | 1.51       |
| More than 4 months                                |            | 137               | 6.29       |
|   | Total :    | 2 179             | 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 2013-14 |

| A. Analysis of payment approved for arrears of (including overtime pay and items that could be | -                 |            |
|--|-------------------|------------|
| Amount   | No. of applicants | Percentage |
| Not claimed/Not approved   | 220               | 12.42      |
| \$4,000 or less  | 211               | 11.91      |
| \$4,001 - \$8,000  | 232               | 13.10      |
| \$8,001 - \$10,000   | 138               | 7.79       |
| \$10,001 - \$12,000  | 109               | 6.15       |
| \$12,001 - \$14,000  | 92                | 5.19       |
| \$14,001 - \$16,000  | 88                | 4.97       |
| \$16,001 - \$18,000  | 75                | 4.23       |
| \$18,001 - \$28,000  | 196               | 5 11.07    |
| \$28,001 - \$36,000 <sup>#</sup>   | 410               | 23.15      |
|  | Total : 1771      | 100.00     |
| B. Analysis of payment approved for wages in   | lieu of notice    |            |
| Amount   | No. of applicants | Percentage |
| Not claimed/Not approved   | 552               | 31.17      |
| \$2,000 or less  | 96                | 5.42       |
| \$2,001 - \$3,000  | 81                | 4.57       |
| \$3,001 - \$4,000  | 71                | 4.01       |
| \$4,001 - \$5,000  | 110               | 6.21       |
| \$5,001 - \$6,000  | 51                | 2.88       |
| \$6,001 - \$10,000   | 223               | 12.59      |
| \$10,001 - \$22,500 <sup>+</sup>   | 587               | 33.15      |
|  | Total : 1771      | 100.00     |
| C. Analysis of payment approved for severand   | e payment         |            |
| Amount   | No. of applicants | Percentage |
| Not claimed/Not approved   | 1 416             |            |
| \$8,000 or less  | 187               | 10.56      |
| \$8,001 - \$22,000   | 106               | 5.99       |
| \$22,001 - \$36,000  | 26                | 1.47       |
| \$36,001 - \$50,000  | 17                |            |
| \$50,001 - \$80,000  | 16                |            |
| \$80,001 - \$110,000   | 3                 |            |
| \$110,001 - \$140,000  | (                 |            |
| \$140,001 - \$170,000  | (                 |            |
| \$170,001 - \$200,000  | (                 |            |
| \$200,001 - \$210,000  | (                 |            |
| \$210,001 - \$220,000*   | (                 |            |
|  | Total : 1 771     |            |
| 4  |                   | =          |

<sup>#</sup> The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund (the Fund) on arrears of wages.

<sup>†</sup> The maximum amount of ex gratia payment out of the Fund on wages in lieu of notice.

\* The maximum amount of ex gratia payment out of the Fund on severance payment.

# Analysis of ex gratia payment approved in 2013-14

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

| , , , , , , , ,                 |         |                   | •          |
|---------------------------------|---------|-------------------|------------|
| Amount                          |         | No. of applicants | Percentage |
| Not claimed/Not approved        |         | 951               | 53.70      |
| \$1,000 or less                 |         | 139               | 7.85       |
| \$1,001 - \$3,000               |         | 265               | 14.96      |
| \$3,001 - \$5,000               |         | 157               | 8.87       |
| \$5,001 - \$7,000               |         | 117               | 6.61       |
| \$7,001 - \$10,500 <sup>#</sup> |         | 142               | 8.02       |
|                                 | Total : | 1 771             | 100.00     |

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

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#### Appendix VII

## Analysis of approved ex gratia payment as percentage of applicants' claimed amount in 2013-14

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

| Approved payment as percentage of applicants' claimed amount | Percentage of applicants |
|--|--------------------------|
| 100%   | 83.12                    |
| 90% or above   | 84.95                    |
| 80% or above   | 86.84                    |
| 70% or above   | 88.04                    |
| 60% or above   | 89.80                    |
| 50% or above   | 91.44                    |
| 40% or above   | 93.20                    |
| 30% or above   | 94.21                    |
| 20% or above   | 95.53                    |
| 10% or above   | 97.98                    |
| 5% or above  | 99.62                    |
|  |                          |

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

| Approved payment as percentage of applicants' claimed amount | Percentage of applicants |
|--|--------------------------|
| 100%   | 99.28                    |
| 90% or above   | 99.44                    |
| 80% or above   | 99.68                    |
| 70% or above   | 99.84                    |
| 60% or above   | 99.84                    |
| 50% or above   | 99.84                    |
| 40% or above   | 99.84                    |
| 30% or above   | 99.92                    |
| 20% or above   | 99.92                    |
| 10% 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%   | 46.01                    |
| 90% or above   | 47.87                    |
| 80% or above   | 49.47                    |
| 70% or above   | 52.93                    |
| 60% or above   | 58.78                    |
| 50% or above   | 65.16                    |

## Analysis of approved ex gratia payment as percentage of applicants' claimed amount in 2013-14

#### 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%   | 39.70                    |
| 90% or above   | 50.67                    |
| 80% or above   | 57.35                    |
| 70% or above   | 65.25                    |
| 60% or above   | 70.47                    |
| 50% or above   | 78.74                    |
| 40% or above   | 87.24                    |
| 30% or above   | 93.32                    |
| 20% or above   | 96.84                    |
| 10% or above   | 98.78                    |
| 5% or above  | 99.64                    |

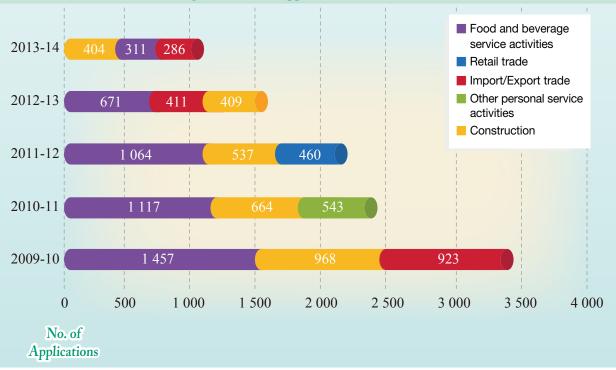
## Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2009-10 to 2013-14

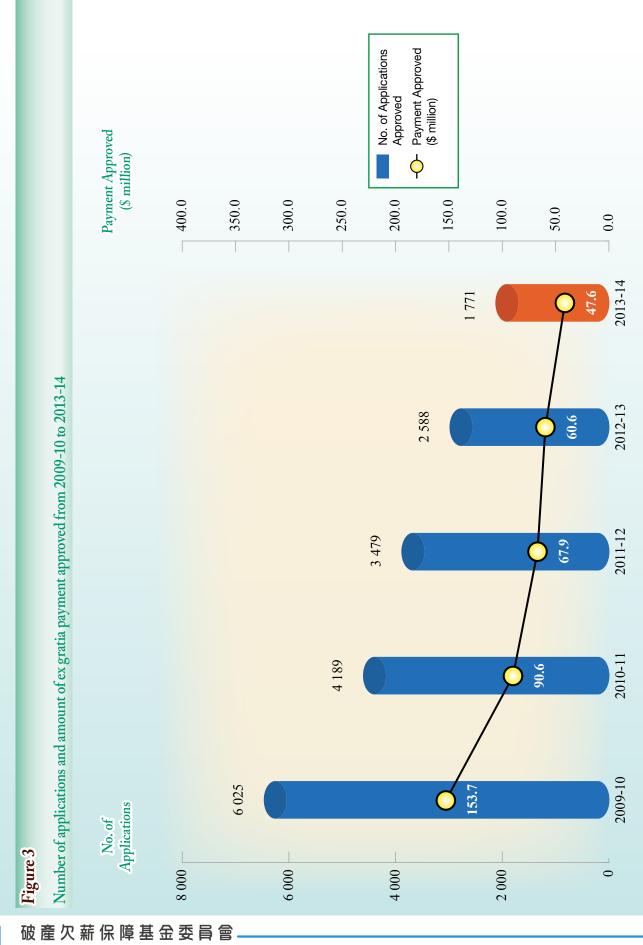
# Figure 1 No. of Applications 8 000 6 4 7 2 6 0 0 0 3 9 1 0 3 814 $4\ 000$ 2 4 3 9 2 1 7 9 2 0 0 0 0 2009-10 2010-11 2011-12 2012-13 2013-14

Number of applications received by the Fund from 2009-10 to 2013-14

Figure 2

First three industries with the largest number of applications received from 2009-10 to 2013-14





Protection of Wages on Insolvency Fund Board



# Figure 5

Breakdown of income and expenditure of the Fund from 2009-10 to 2013-14



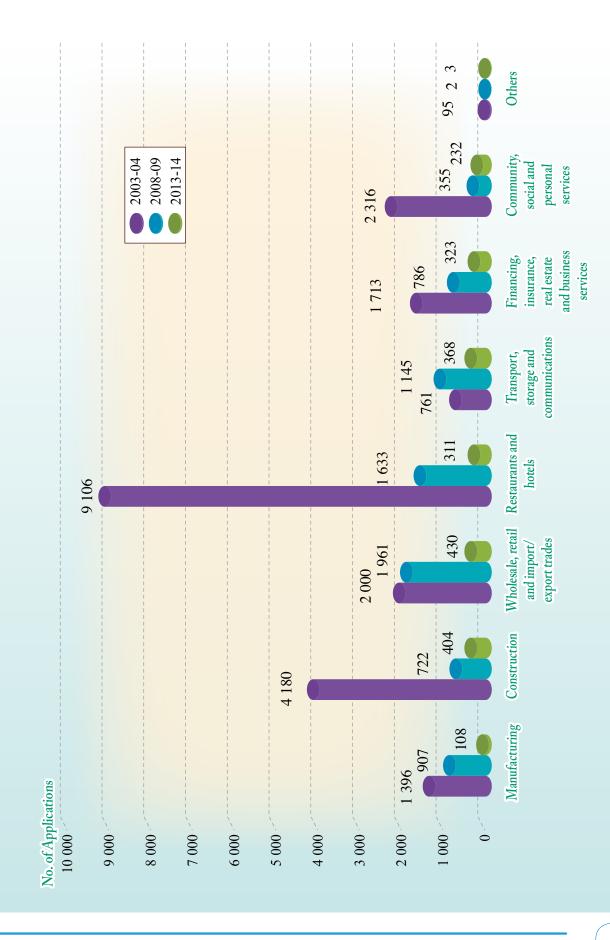
<sup>#</sup> Bank deposit interests and money recovered through subrogation



Protection of Wages on Insolvency Fund Board

Appendix IX

Analysis of applications received by economic sector in 2003-04, 2008-09 and 2013-14







Appendix X Independent Auditors' Report and Audited Financial Statements PROTECTION OF WAGES ON INSOLVENCY FUND 31 March 2014



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# 破產欠薪保障基金委員會\_



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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 2014, 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 2014, 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 2014

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

|                                       | Notes | 2014<br>HK\$ | 2013<br>HK\$ |
|---------------------------------------|-------|--------------|--------------|
| INCOME                                | 3     | 494,841,132  | 618,083,358  |
| EXPENDITURE                           |       |              |              |
| Claims                                | 4     | 47,645,857   | 60,611,258   |
| Supervision fee                       | 5     | 20,297,573   | 20,086,607   |
| Auditors' remuneration                |       | 85,000       | 79,500       |
| Rates and building management charges |       | 298,028      | 270,858      |
| Insurance                             |       | 6,308        | 6,308        |
| Printing and stationery               |       | 53,019       | 38,550       |
| Miscellaneous expenses                |       | 567,339      | 502,908      |
| TOTAL EXPENDITURE                     |       | 68,953,124   | 81,595,989   |
| SURPLUS AND TOTAL COMPREHENSIVE       |       |              |              |
| INCOME FOR THE YEAR                   | 6     | 425,888,008  | 536,487,369  |

# STATEMENT OF FINANCIAL POSITION

31 March 2014

|                                      | Notes | 2014<br>HK\$  | 2013<br>HK\$  |
|--------------------------------------|-------|---------------|---------------|
| NON-CURRENT ASSETS                   |       |               |               |
| Property                             | 9     | _             |               |
| Time deposits                        | 10    | 25,000,000    | -             |
|                                      | 10    |               |               |
| Total non-current assets             |       | 25,000,000    |               |
| CURRENT ASSETS                       |       |               |               |
| Levies receivable                    |       | 34,891,800    | 53,269,850    |
| Interest receivables                 |       | 7,256,483     | 3,621,143     |
| Sundry deposits                      |       | 42,000        | 42,000        |
| Prepayment                           |       | 60,833        | 58,333        |
| Time deposits                        | 10    | 3,670,200,000 | 3,254,400,000 |
| Cash at banks                        | 10    | 174,178       |               |
|                                      | 10    | 1/4,1/0       | 192,781       |
| Total current assets                 |       | 3,712,625,294 | 3,311,584,107 |
| CURRENT LIABILITIES                  |       |               |               |
| Approved claims payable              |       | 3,830,873     | 3,987,094     |
| Accrued operation expenses           |       | 93,000        | 83,600        |
| Accrued supervision fee              | 5     | 20,600,000    | 20,300,000    |
|                                      | 5     |               |               |
| Total current liabilities            |       | 24,523,873    | 24,370,694    |
| NET CURRENT ASSETS                   |       | 3,688,101,421 | 3,287,213,413 |
|                                      |       |               |               |
| Net assets                           |       | 3,713,101,421 | 3,287,213,413 |
|                                      |       |               | }             |
| FINANCED BY:                         |       |               |               |
| Accumulated surplus                  |       | 3,696,562,634 | 3,270,674,626 |
| General reserve                      | 11    | 16,538,787    | 16,538,787    |
|                                      |       |               |               |
| Total accumulated funds and reserves |       | 3,713,101,421 | 3,287,213,413 |
|                                      |       |               |               |

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

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

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Mr. HUNG Hing-chu Board Member

# STATEMENT OF CHANGES IN FUNDS AND RESERVES

Year ended 31 March 2014

|   | Accumulated<br>surplus<br>HK\$ | General<br>reserve<br>HK\$ | Total<br>accumulated<br>funds and<br>reserves<br>HK\$ |
|---|--------------------------------|----------------------------|---|
| At 1 April 2012                                     | 2,734,187,257                  | 16,538,787                 | 2,750,726,044   |
| Surplus and total comprehensive income for the year | 536,487,369                    |                            | 536,487,369   |
| At 31 March 2013 and at 1 April 2013                | 3,270,674,626                  | 16,538,787                 | 3,287,213,413   |
| Surplus and total comprehensive income for the year | 425,888,008                    |                            | 425,888,008   |
| At 31 March 2014                                    | 3,696,562,634                  | 16,538,787                 | 3,713,101,421   |

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# STATEMENT OF CASH FLOWS

# Year ended 31 March 2014

|   | Notes    | 2014<br>HK\$                                     | 2013<br>HK\$                                     |
|---|----------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES<br>Surplus for the year<br>Adjustment for bank interest income   | 3        | 425,888,008<br>( 39,261,453)                     | 536,487,369<br>(37,577,835)                      |
| Decrease/(increase) in levies receivable  |          | 386,626,555<br>18,378,050                        | 498,909,534<br>( 2,503,250)                      |
| Increase in sundry deposits<br>Increase in a prepayment<br>Increase/(decrease) in approved claims payable<br>Increase in accrued operation expenses |          | ( 2,500)<br>( 156,221)<br>9,400                  | ( 7,000)<br>( 17,916)<br>93,929<br>5,740         |
| Increase in accrued supervision fee<br>Net cash flows from operating activities   |          | <u> </u>   | 900,000 497,381,037                              |
| CASH FLOWS FROM INVESTING ACTIVITIES<br>Interest received<br>Increase in time deposits with original maturity                                       |          | 35,626,113                                       | 39,986,854                                       |
| over three months<br>Net cash flows used in investing activities  |          | ( <u>563,100,000</u> )<br>( <u>527,473,887</u> ) | ( <u>449,000,000</u> )<br>( <u>409,013,146</u> ) |
| NET INCREASE/(DECREASE) IN CASH<br>AND CASH EQUIVALENTS   |          | ( 122,318,603)                                   | 88,367,891                                       |
| Cash and cash equivalents at beginning of year<br>CASH AND CASH EQUIVALENTS AT END OF YEAR  |          | 913,374,178                                      | <u>947,324,890</u><br>1,035,692,781              |
| ANALYSIS OF BALANCES OF CASH AND CASH   |          |  |  |
| EQUIVALENTS<br>Bank balances<br>Time deposits with original maturity of three<br>months or less when acquired                                       | 10<br>10 | 174,178<br>913,200,000                           | 192,781<br>1,035,500,000                         |
| months of ress when dequited  | 10       | 913,374,178                                      | 1,035,692,781                                    |

# 破產欠薪保障基金委員會\_

# NOTES TO FINANCIAL STATEMENTS

### 31 March 2014

### 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 2014.

# 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 2014, 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.

#### NOTES TO FINANCIAL STATEMENTS

#### 31 March 2014

#### 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.

# 破產欠薪保障基金委員會。

### NOTES TO FINANCIAL STATEMENTS

#### 31 March 2014

# 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.

# NOTES TO FINANCIAL STATEMENTS

### 31 March 2014

# 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 employeer contributions vest fully with the employees when contributed into the MPF Scheme.

# 3. INCOME

An analysis of income is as follows:

|  | 2014<br>HK\$                           | 2013<br>HK\$                           |
|--|--|--|
| Levies<br>Money recovered by subrogation<br>Bank interest income | 448,909,550<br>6,670,129<br>39,261,453 | 574,884,950<br>5,620,573<br>37,577,835 |
|  | 494,841,132                            | 618,083,358                            |

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 respectively imposed on one-year and three-year business registration certificates issued on or after 14 March 2008. The levies are reduced to HK\$250 and HK\$750 respectively on one-year and three-year business registration certificates issued on or after 19 July 2013 according to the Business Registration Ordinance (Amendment of Schedule 2) Order 2013.

# 破產欠薪保障基金委員會。

### NOTES TO FINANCIAL STATEMENTS

#### 31 March 2014

#### 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

The total amount of pay for untaken annual leave and/or 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.

### NOTES TO FINANCIAL STATEMENTS

31 March 2014

# 6. SURPLUS FOR THE YEAR

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

|   | 2014<br>HK\$ | 2013<br>HK\$ |
|---|--------------|--------------|
| Employee benefit expense:                 |              |              |
| Wages and salaries                        | 235,517      | 175,626      |
| Pension scheme contributions              | 24,791       | 17,664       |
|   | 260,308      | 193,290      |
| Minimum lease payments under an operating |              |              |
| lease of a building                       | 222,000      | 201,000      |

# 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 (2013: Nil).

# 8. INCOME TAX

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

## 9. PROPERTY

|   | Land and<br>building<br>HK\$ |
|---|------------------------------|
| 31 March 2014   |                              |
| At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014: |                              |
| Cost  | 27,474,677                   |
| Accumulated depreciation  | (27,474,677)                 |
| Net carrying amount   |                              |

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

# 破產欠薪保障基金委員會。

### NOTES TO FINANCIAL STATEMENTS

# 31 March 2014

#### 10. CASH AT BANKS AND TIME DEPOSITS

|   | 2014<br>HK\$  | 2013<br>HK\$  |
|---|---------------|---------------|
| Bank balances<br>Time deposits with original maturity of: | 174,178       | 192,781       |
| 3 months or less  | 913,200,000   | 1,035,500,000 |
| More than 3 months to 12 months, inclusive                | 2,757,000,000 | 2,218,900,000 |
| More than 1 year  | 25,000,000    | -             |
|   | 3,695,374,178 | 3,254,592,781 |

#### 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 2014, the Fund had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

|  | 2014<br>HK\$ | 2013<br>HK\$       |
|--|--------------|--------------------|
| Within one year<br>In the second to fifth years, inclusive | 111,000<br>  | 222,000<br>111,000 |
|  | 111,000      | 333,000            |

# 13. CONTINGENT LIABILITIES

At 31 March 2014, contingent liabilities in respect of claims received but not yet approved and provided for in the financial statements amounted to HK\$86,838,285 (2013: HK\$76,017,493).

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.

# NOTES TO FINANCIAL STATEMENTS

#### 31 March 2014

#### 14. FAIR VALUE

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

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation 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 2014 and 31 March 2013.

# 16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 2 September 2014.

# 破產欠薪保障基金委員會-