

Protection of Wages on Insolvency Fund Board

2014-15

Annual Report
2014-15

CONTENTS

	Page
Chairman's Foreword	4-5
Membership List of the Protection of Wages on Insolvency Fund Board 2014-15	6-7
Introduction	8
Protection of Wages on Insolvency Fund Board	8
Protection of Wages on Insolvency Fund	8-11
Maximum amount of ex gratia payment payable by the Fund	9
Prerequisites for making ex gratia payment from the Fund	10
Subrogation rights of the Fund	10-11
Application of the Fund's reserve	11
Annual Review of Applications Received and Processed	11-12
Applications received	11-12
Applications processed	12
Meetings of the Protection of Wages on Insolvency Fund Board	13
Financial Position of the Protection of Wages on Insolvency Fund	13
Activities Highlight	14-15
Publicity and promotion for the Fund	14
Achievements of the inter-departmental Task Force	15

CONTENTS

	<i>Page</i>
Appendix I - Operating results of the Protection of Wages on Insolvency Fund in 2014-15	18-22
Appendix II - Breakdown of applications for ex gratia payment on arrears of wages received in 2014-15	23
Appendix III - Breakdown of applications for ex gratia payment on wages in lieu of notice received in 2014-15	24
Appendix IV - Breakdown of applications for ex gratia payment on severance payment received in 2014-15	25
Appendix V - Breakdown of applications for ex gratia payment on pay for untaken annual leave and untaken statutory holidays received in 2014-15	26
Appendix VI - Analysis of ex gratia payment approved in 2014-15	27-28
Appendix VII - Analysis of approved ex gratia payment as percentage of applicants' claimed amount in 2014-15	29-30
Appendix VIII - Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2010-11 to 2014-15	31-34
Appendix IX - Analysis of applications received by economic sector in 2004-05, 2009-10 and 2014-15	35
Appendix X - Independent Auditors' Report and Audited Financial Statements for the year ended 31 March 2015	36

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 2014 to 31 March 2015.

This year, amidst the slow pace of recovery of the global economy and unstable external environment, the local economy recorded only a modest growth. The Protection of Wages on Insolvency Fund (the Fund) recorded a rise in the number of employees who were owed wages and other statutory compensation due to business cessation and who sought relief from the Fund. In 2014-15, the Fund received a total of 2 477 applications, an increase of 14% over the figure of 2 179 in the previous year. This year, the Fund approved 2 215 applications with a total payout of \$58.8 million of ex gratia payment, an increase of 25% and 24% respectively over the figures in the preceding year. During the period, the Board and colleagues of the Wage Security Division of the Labour Department (LD) have, through our unfailing efforts and dedication, provided timely assistance to employees aggrieved by their genuinely insolvent employers through duly discharging the functions of the Fund as a safety net.

All along, the Board has enhanced the scope of protection of the Fund progressively having regard to the financial position of the Fund and the needs of the society. This year, the Board continued its work of conducting a comprehensive review of the coverage of the Fund, including the coverage of pay for untaken annual leave and untaken statutory holidays which were added under the Protection of Wages on Insolvency (Amendment) Ordinance 2012, as well as all other payment items under the Fund, namely, wages, wages in lieu of notice and severance payment.

The Board has the statutory functions of administering the Fund and making recommendations to the Chief Executive with respect to the rate of levy on Business Registration Certificates (BRC) financing the Fund. In this respect, the Board has been monitoring closely the financial position of the Fund. The Fund had a surplus of \$340.1 million in the financial year of 2014-15 and an



accumulative surplus of \$4,053.2 million by the end of March 2015. Though the levy on BRC had just been reduced from \$450 to \$250 per annum in July 2013 as recommended by the Board, the Board, having regard of the healthy financial position of the Fund, initiated a review of the rate of levy in the year.

Regarding the prevention of abuse of the Fund, the inter-departmental Task Force (the Task Force) comprising representatives of LD, the Commercial Crime Bureau of the Police, the Official Receiver's Office (ORO) and the 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. In August 2014, it came to the knowledge of the Task Force that a director of a yoga company had been successfully prosecuted and convicted of fraud under the Theft Ordinance. The company director was sentenced to five months' imprisonment. In October 2014, a dispensary manager was also convicted of fraud and was sentenced to six months' imprisonment, suspended for 18 months. The conviction cases delivered a strong message to the community that any irregularity of abuse of the Fund would incur criminal liability, and the consequence would be serious.

In the year, the Board embarked on an arduous task of reviewing both the coverage of the Fund and the rate of levy. I am glad that all members have participated actively in the review, offered valuable inputs while striving to seek common ground. I would like to express my most sincere thanks to them. I am confident that with the concerted efforts of all members, the Board will come up with constructive proposals in the review of the scope of the Fund and the rate of levy. Last but not least, on behalf of the Board, I would also like to extend our heartfelt appreciation to all our working partners, including LD, LAD, ORO, the Police and the Inland Revenue Department, for their continued support to the Board in keeping the Fund in 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 2015

MEMBERSHIP LIST OF THE PROTECTION OF WAGES ON INSOLVENCY FUND BOARD 2014-15

Chairman

Dr. David WONG Yau-kar, BBS, JP

Members

Representing employees

Mr. HUNG Hing-chu

Hon. POON Siu-ping, BBS, MH

Ms. LEUNG Fong-yuen

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 2014-15



Rear row from left:

Mr. Ben LI Chi-keung

Assistant Principal Legal Aid Counsel,
Legal Aid Department

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

Miss Anita TONG Wing-sze

Assistant Principal Solicitor,
Official Receiver's Office

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. LEUNG Fong-yuen

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 2015.

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 on Business Registration Certificates; 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, paternity leave pay¹ and sickness allowance);
- (b) wages in lieu of notice up to one month's wages or \$22,500, whichever is less;
- (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 under the Employment Ordinance earned in the employee's last full leave year and not yet taken and, where the employee has at least three but less than 12 months' service in the last leave year, pro rata annual leave pay to which the employee is entitled upon termination of employment contract and (ii) pay for statutory holidays to which the employee is entitled but not yet taken within four months before his last day of service. Neither (i) nor (ii), nor the total amount of them, may exceed \$10,500.

¹ The Employment (Amendment) Ordinance 2014 on statutory paternity leave has come into operation on 27 February 2015. Upon the commencement of the said Amendment Ordinance, the coverage of wages in arrears under the Protection of Wages on Insolvency Fund also includes paternity leave pay.

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 2014-15, 2 477 applications involving claims for ex gratia payment of \$199.3 million were received from employees. A total of 476 suspected insolvency cases were recorded. Detailed breakdown of the applications is at **Appendix I**.

Of the 476 suspected insolvency cases, 454 involved less than 20 employees per case, 18 involved 20 to 49 employees per case and four involved 50 to 99 employees per case.

During the year, the food and beverage service activities recorded the largest number of applications, with 623 applications involving a total claim of \$20.5 million. This was followed by the import and export trade industry with 376 applications and a total claim of \$44.6 million, and construction industry with 331 applications and a total claim of \$10 million. These three trades accounted for 53.7% of all applications and 37.7% of the total amount claimed.

Out of the total 2 477 applicants in the year, 2 187 applied for ex gratia payment on arrears of wages, 1 704 applied for payment on wages in lieu of notice, 781 applied for payment on severance payment and 1 343 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 2 215 applications were approved during the year, resulting in payment amounting to \$58.8 million. Out of these, a total payment of \$20.9 million was made to 767 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 82.3% of applicants for arrears of wages, 99.7% of applicants for wages in lieu of notice, 37.2% of applicants for severance payment, and 41.4% of applicants for pay for untaken annual leave and untaken statutory holidays.

The Commissioner for Labour rejected 44 applications involving claims totalling \$8 million, mostly for reasons such as claims without legal backing, insufficient evidence, or the applicants being registered company directors. At the same time, 314 applications involving claims amounting to \$18.6 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, replacement of the computer system of the Fund, review of the coverage of the existing items under the Fund and the rate of levy on business registration certificates. In addition, the Board reviewed one appeal case 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 \$352.6 million and the total income was \$421.5 million. The total expenditure was \$81.4 million, of which a total of \$58.8 million was paid out as ex gratia payment. The Fund registered a surplus of \$340.1 million as compared with a surplus of \$425.9 million in the previous financial year. As at 31 March 2015, the Fund's accumulated surplus stood at \$4,053.2 million.

A copy of the independent auditors' report and the audited financial statements for the year ended 31 March 2015 is at **Appendix X**.

ACTIVITIES HIGHLIGHT

Publicity and promotion for the Fund

During the year, the Labour Department continued to publicise the Fund and the provisions of the Ordinance through various activities. Among others, six exhibitions were staged in different districts covering a number of themes, including an introduction to the Fund and matters concerning employees' applications for ex gratia payment from the Fund.



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 2014-15, it came to the knowledge of the Task Force that a director of a yoga company had been successfully prosecuted and convicted of fraud under the Theft Ordinance. The company director was sentenced to five months' imprisonment. In the year, a dispensary manager was also convicted of fraud and was sentenced to six months' imprisonment, suspended for 18 months. Besides, the court disqualified a total of ten company responsible persons involving abuse of the Fund from being directors or taking part in the promotion, formation or management of a company, with the disqualification period ranging from one to four years. Apart from the above, the Labour Department adopted a multi-pronged enforcement strategy to guard against the possibility of cases of non-payment of wages evolving into applications for the Fund. In the same period, there were 248 convicted summonses in respect of wage offences. Of these, 36 convictions were against company directors and responsible persons.

APPENDICES



Operating results of the Protection of Wages on Insolvency Fund in 2014-15

I. Breakdown of applications by result					
(1) No. of cases received					476
(2) No. of applications					
(i) b/f last period					1 105
received this period					2 477
reconsidered this period					3
					3 585
(ii) processed					2 573
<i>approved</i>					2 215
<i>refused</i>					44
<i>withdrawn</i>					314
outstanding					991
put aside *					21
					3 585
(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 holidays	HK\$'000
(i) b/f last period					86,838
received this period	88,488 +	31,814 +	66,606 +	12,397 =	199,305
reconsidered this period	108 +	22 +	126 +	1 =	257
					286,400
	Arrears of wages	Wages in lieu of notice	Severance payment	Pay for untaken annual leave and/or untaken statutory holidays	HK\$'000
(ii) approved	35,244 +	15,753 +	3,219 +	4,587 =	58,803
screened					128,250
refused					8,036
withdrawn					18,649
outstanding					
put aside * }					72,662
					286,400
(4) No. of applications seeking review by the Fund Board					1
II. Presentation of petition in relation to applications approved					
(1) No. of applications where a winding-up petition has been made					1 403
(2) No. of applications where a bankruptcy petition has been made					45
(3) No. of applications dealt with under S.18(1) of the Protection of Wages on Insolvency Ordinance					750
(4) No. of applications dealt with under S.16(1)(a)(ii) of the Protection of Wages on Insolvency Ordinance					17
					2 215

* Cases pending private settlement or withdrawal.

Operating results of the Protection of Wages on Insolvency Fund in 2014-15

III. Breakdown of cases by employment size

(1) Less than 20 employees	454
(2) 20 ~ 49 employees	18
(3) 50 ~ 99 employees	4
(4) 100 or more employees	0
	476

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 A</i>	<i>Agriculture, forestry and fishing</i>	1	(1)	\$ 14,948.80
<i>Division C</i>	<i>Manufacturing</i>			
Sub-group				
10	Manufacture of food products	1	(1)	\$ 18,698.23
13	Manufacture of textiles	4	(3)	\$ 788,755.95
14	Manufacture of wearing apparel	51	(3)	\$ 11,162,691.02
15	Manufacture of leather and related products	21	(2)	\$ 3,192,552.91
17	Manufacture of paper and paper products	4	(1)	\$ 438,648.18
18	Printing and reproduction of recorded media	1	(1)	\$ 17,749.08
20	Manufacture of chemicals and chemical products	1	(1)	\$ 80,453.12
21	Manufacture of pharmaceuticals, medicinal chemical and botanical products	4	(3)	\$ 512,557.40
22	Manufacture of rubber and plastics products (except furniture, toys, sports goods and stationery)	1	(1)	\$ 217,969.73
23	Manufacture of other non-metallic mineral products	1	(1)	\$ 173,800.00
24	Manufacture of basic metals	3	(2)	\$ 304,200.81
25	Manufacture of fabricated metal products (except machinery and equipment)	27	(3)	\$ 4,391,824.50
26	Manufacture of computer, electronic and optical products	1	(1)	\$ 21,806.45
27	Manufacture of electrical equipment	13	(2)	\$ 2,488,896.57
29	Body assembly of motor vehicles	1	(1)	\$ 49,818.78
30	Manufacture of other transport equipment	1	(1)	\$ 12,993.54
31	Manufacture of furniture	1	(1)	\$ 52,899.00
32	Other manufacturing	54	(6)	\$ 10,909,141.17
33	Repair and installation of machinery and equipment	11	(9)	\$ 440,019.62

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 2014-15**

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 E</i>	<i>Water supply; sewerage, waste management and remediation activities</i>			
Sub-group				
38	Waste collection, treatment and disposal activities; materials recovery	2	(1)	\$ 46,354.62
<i>Division F</i>	<i>Construction</i>	331	(81)	\$ 9,978,582.09
<i>Division G</i>	<i>Import/export, wholesale and retail trades</i>			
Sub-group				
45	Import and export trade	376	(97)	\$ 44,644,246.35
46	Wholesale	9	(5)	\$ 851,904.42
47	Retail trade	125	(22)	\$ 6,594,066.52
<i>Division H</i>	<i>Transportation, storage, postal and courier services</i>			
Sub-group				
49	Land transport	39	(12)	\$ 2,802,190.23
50	Water transport	18	(6)	\$ 2,537,321.94
51	Air transport	1	(1)	\$ 459,063.69
52	Warehousing and support activities for transportation	73	(11)	\$ 3,973,352.03
53	Postal and courier activities	10	(4)	\$ 356,140.95
<i>Division I</i>	<i>Accommodation and food service activities</i>			
Sub-group				
55	Short term accommodation activities	1	(1)	\$ 18,184.87
56	Food and beverage service activities	623	(61)	\$ 20,497,357.90

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 2014-15**

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 J</i>	<i>Information and communications</i>			
Sub-group				
58	Publishing activities	82	(2)	\$ 2,391,425.14
59	Motion picture, video and television programme production, sound recording and music publishing activities	1	(1)	\$ 36,380.75
61	Telecommunications	1	(1)	\$ 42,000.00
62	Information technology service activities	75	(11)	\$ 9,553,381.95
63	Information service activities	1	(1)	\$ 28,824.74
<i>Division K</i>	<i>Financial and insurance activities</i>			
Sub-group				
64	Financial service activities (except insurance and pension funding)	88	(14)	\$ 29,712,569.54
65	Insurance	1	(1)	\$ 64,772.82
66	Activities auxiliary to financial service and insurance activities	11	(4)	\$ 9,365,000.81
<i>Division L</i>	<i>Real estate activities</i>	18	(4)	\$ 3,286,792.48
<i>Division M</i>	<i>Professional, scientific and technical activities</i>			
Sub-group				
69	Legal and accounting activities	9	(2)	\$ 1,935,228.73
70	Activities of head offices; management and management consultancy activities	3	(1)	\$ 166,900.59
71	Architecture and engineering activities, technical testing and analysis	23	(5)	\$ 2,511,668.90
72	Scientific research and development	2	(1)	\$ 106,346.14
73	Veterinary activities	1	(1)	\$ 6,183.55
74	Advertising and market research	3	(1)	\$ 63,622.10
75	Other professional, scientific and technical activities	6	(2)	\$ 373,188.74

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 2014-15**

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 N</i>	<i>Administrative and support service activities</i>			
Sub-group				
78	Employment activities	1	(1)	\$ 9,465.00
79	Travel agency, reservation service and related activities	56	(6)	\$ 2,049,957.54
80	Security and investigation activities	7	(0) [#]	\$ 145,714.76
81	Services to buildings and landscape care activities	4	(2)	\$ 64,455.91
82	Office administrative, office support and other business support activities	6	(4)	\$ 306,306.93
<i>Division O</i>	<i>Public administration</i>	1	(1)	\$ 193,715.15
<i>Division P</i>	<i>Education</i>	89	(14)	\$ 5,659,932.22
<i>Division Q</i>	<i>Human health and social work activities</i>			
Sub-group				
86	Human health activities	12	(5)	\$ 551,186.75
88	Social work activities without accommodation	3	(1)	\$ 332,586.68
<i>Division R</i>	<i>Arts, entertainment and recreation</i>			
Sub-group				
90	Creative and performing arts activities	87	(4)	\$ 445,571.95
93	Sports and other entertainment activities	30	(6)	\$ 554,795.32
<i>Division S</i>	<i>Other service activities</i>			
Sub-group				
96	Other personal service activities	25	(15)	\$ 507,742.34
<i>Division T</i>	<i>Work activities within domestic households</i>			
Sub-group				
97	Activities of households as employers of domestic personnel	20	(18)	\$ 776,861.80
<i>Division U</i>	<i>Activities of extraterritorial organisations and bodies</i>	1	(1)	\$ 13,723.90
Total :		2 477	(476)	\$ 199,305,493.70

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.

Breakdown of applications for ex gratia payment on arrears of wages received in 2014-15

A. By amount

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

Amount	No. of applicants	Percentage
No entitlement/Not claimed	290	11.71
\$8,000 [^] or less	598	24.14
\$8,001 - \$18,000	608	24.55
\$18,001 - \$24,000	220	8.88
\$24,001 - \$27,000	80	3.23
\$27,001 - \$30,000	81	3.27
\$30,001 - \$33,000	48	1.94
\$33,001 - \$36,000 ⁺	52	2.10
\$36,001 - \$39,000	33	1.33
More than \$39,000	467	18.85
Total :	2 477	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	419	16.92
Half month or less	459	18.53
More than 1/2 month to 1 month	549	22.16
More than 1 month to 2 months	543	21.92
More than 2 months to 3 months	201	8.11
More than 3 months to 4 months ⁺	121	4.88
More than 4 months	185	7.47
Total :	2 477	100.00

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

⁺ Maximum amount of ex gratia payment on arrears of wages under the Protection of Wages on Insolvency Ordinance, i.e. not exceeding \$36,000 or four months' wages, whichever is less.

Breakdown of applications for ex gratia payment on wages in lieu of notice received in 2014-15

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	773	31.21
\$2,000 [※] or less	174	7.02
\$2,001 - \$6,000	445	17.97
\$6,001 - \$10,000	239	9.65
\$10,001 - \$15,000	308	12.43
\$15,001 - \$22,500 [※]	238	9.61
\$22,501 - \$25,000	41	1.66
More than \$25,000	259	10.46
Total :	2 477	100.00

B. By notice period

Notice period	No. of applicants	Percentage
No entitlement/Not claimed	773	31.21
1 day - 7 days	565	22.81
8 days - 14 days	43	1.74
15 days	4	0.16
16 days - less than 1 month	92	3.71
1 month [※]	932	37.63
More than 1 month	68	2.75
Total :	2 477	100.00

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

※ Maximum 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 less.

Breakdown of applications for ex gratia payment on severance payment[Ⓡ] received in 2014-15

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	1 696	68.47
\$8,000 [⋄] or less	15	0.61
\$8,001 - \$36,000	221	8.92
\$36,001 - \$50,000	96	3.88
\$50,001 - \$80,000	146	5.89
\$80,001 - \$110,000	102	4.12
\$110,001 - \$140,000	74	2.99
\$140,001 - \$170,000	35	1.41
\$170,001 - \$200,000	23	0.93
\$200,001 - \$250,000	26	1.05
\$250,001 - \$300,000	20	0.81
\$300,001 - \$350,000	7	0.28
\$350,001 - \$370,000	3	0.12
\$370,001 - \$390,000	12	0.48
More than \$390,000	1	0.04
Total :	2 477	100.00

B. By length of service

Length of service	No. of applicants	Percentage
Not claimed or less than 2 years' service	1 702	68.71
2 - 4.99 years	305	12.31
5 - 5.99 years	54	2.18
6 - 6.99 years	58	2.34
7 - 7.99 years	33	1.33
8 - 8.99 years	39	1.57
9 - 9.99 years	38	1.53
10 - 14.99 years	123	4.97
15 - 19.99 years	62	2.50
20 - 24.99 years	37	1.49
25 - 29.99 years	15	0.61
30 - 34.99 years	9	0.36
35 - 38.99 years	2	0.08
39 - 40.99 years	0	0.00
41 - 42.99 years	0	0.00
43 years' service and over	0	0.00
Total :	2 477	100.00

[Ⓡ] The maximum amount of ex gratia payment out of the Protection of Wages on Insolvency Fund on severance payment 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 2014-15

A. By amount

Amount	No. of applicants	Percentage
No entitlement/Not claimed	1 134	45.78
\$2,000 or less	305	12.31
\$2,001 - \$4,000	291	11.75
\$4,001 - \$6,000	196	7.91
\$6,001 - \$8,000 [⌘]	131	5.29
\$8,001 - \$10,500 [⌘]	107	4.32
\$10,501 - \$20,000	181	7.31
More than \$20,000	132	5.33
Total :	2 477	100.00

B. By leave year of pay for untaken annual leave

Leave year	No. of applicants	Percentage
No entitlement/Not claimed	1 159	46.79
1 year or less	809	32.66
More than 1 year to less than 2 years [⌘]	322	13.00
2 years or above	187	7.55
Total :	2 477	100.00

C. By period claimed of pay for untaken statutory holidays

Period	No. of applicants	Percentage
No entitlement/Not claimed	2 135	86.19
2 months or less	132	5.33
More than 2 months to 4 months [⌘]	49	1.98
More than 4 months	161	6.50
Total :	2 477	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, i.e. not exceeding the last two leave years' pay for untaken annual leave and/or four months' pay for untaken statutory holidays, with total maximum amount at \$10,500.

Analysis of ex gratia payment approved in 2014-15

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	228	10.29
\$4,000 or less	282	12.73
\$4,001 - \$8,000	297	13.41
\$8,001 - \$10,000	146	6.59
\$10,001 - \$12,000	119	5.37
\$12,001 - \$14,000	133	6.00
\$14,001 - \$16,000	101	4.56
\$16,001 - \$18,000	90	4.06
\$18,001 - \$28,000 [‡]	267	12.05
\$28,001 - \$36,000 [‡]	552	24.92
Total :	2 215	100.00

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

Amount	No. of applicants	Percentage
Not claimed/Not approved	735	33.18
\$2,000 or less	147	6.64
\$2,001 - \$3,000	125	5.64
\$3,001 - \$4,000	119	5.37
\$4,001 - \$5,000	88	3.97
\$5,001 - \$6,000	56	2.53
\$6,001 - \$10,000	229	10.34
\$10,001 - \$22,500 [†]	716	32.33
Total :	2 215	100.00

C. Analysis of payment approved for severance payment

Amount	No. of applicants	Percentage
Not claimed/Not approved	1 898	85.69
\$8,000 or less	190	8.58
\$8,001 - \$22,000	97	4.38
\$22,001 - \$36,000	13	0.59
\$36,001 - \$50,000	7	0.32
\$50,001 - \$80,000	7	0.32
\$80,001 - \$110,000	2	0.09
\$110,001 - \$140,000	1	0.05
\$140,001 - \$170,000	0	0.00
\$170,001 - \$200,000	0	0.00
\$200,001 - \$210,000 [★]	0	0.00
\$210,001 - \$220,000	0	0.00
Total :	2 215	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.

Analysis of ex gratia payment approved in 2014-15

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

Amount	No. of applicants	Percentage
Not claimed/Not approved	1 083	48.89
\$1,000 or less	156	7.04
\$1,001 - \$3,000	391	17.65
\$3,001 - \$5,000	243	10.97
\$5,001 - \$7,000	138	6.23
\$7,001 - \$10,500 [†]	204	9.21
Total :	<u>2 215</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.

**Analysis of approved ex gratia payment
as percentage of applicants' claimed amount in 2014-15**

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

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	82.28
90% or above	83.98
80% or above	85.64
70% or above	87.19
60% or above	89.09
50% or above	90.84
40% or above	93.09
30% or above	95.05
20% or above	96.65
10% or above	98.10
5% or above	99.70

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

Approved payment as percentage of applicants' claimed amount	Percentage of applicants
100%	99.66
90% or above	99.66
80% or above	99.66
70% or above	99.73
60% or above	99.87
50% or above	99.87
40% or above	99.93
30% or above	99.93
20% or above	99.93
10% or above	99.93

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%	37.15
90% or above	41.18
80% or above	44.89
70% or above	47.99
60% or above	55.11
50% or above	59.75

**Analysis of approved ex gratia payment
as percentage of applicants' claimed amount in 2014-15**

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%	41.36
90% or above	48.15
80% or above	54.67
70% or above	64.11
60% or above	72.75
50% or above	82.19
40% or above	88.54
30% or above	93.56
20% or above	97.00
10% or above	99.56
5% or above	99.82

Comparative figures on the performance of the Protection of Wages on Insolvency Fund from 2010-11 to 2014-15

Figure 1

Number of applications received by the Fund from 2010-11 to 2014-15

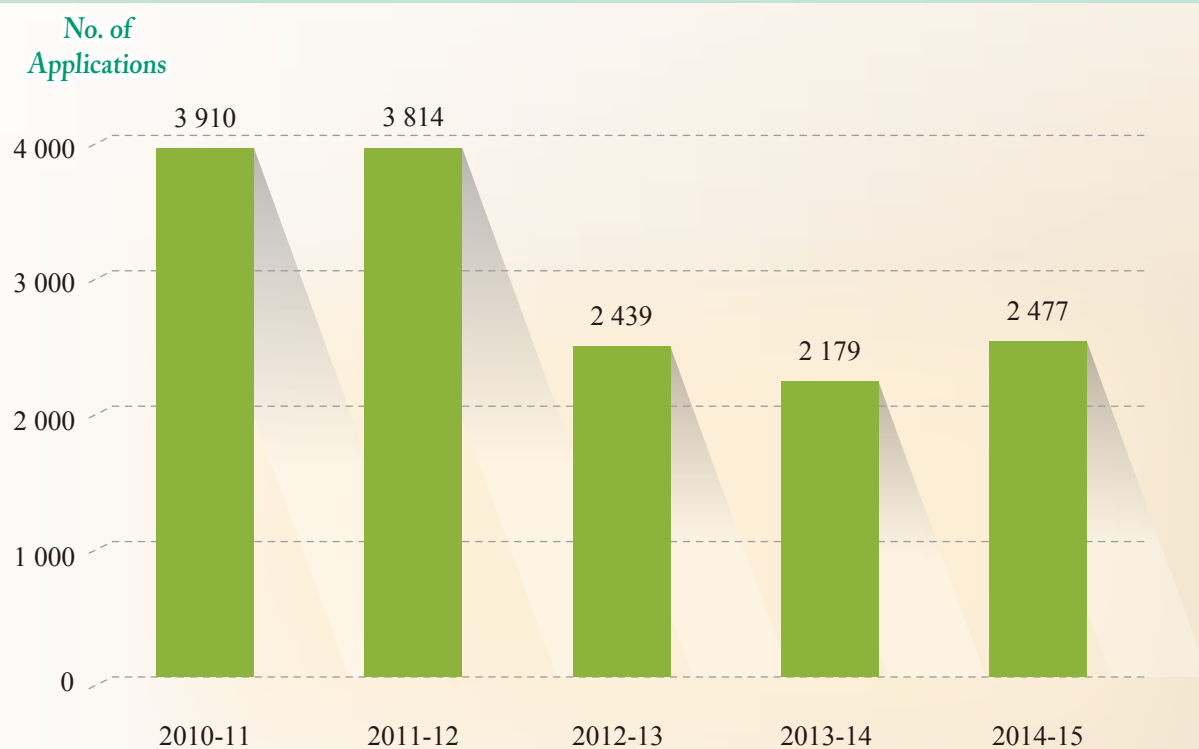


Figure 2

First three industries with the largest number of applications received from 2010-11 to 2014-15

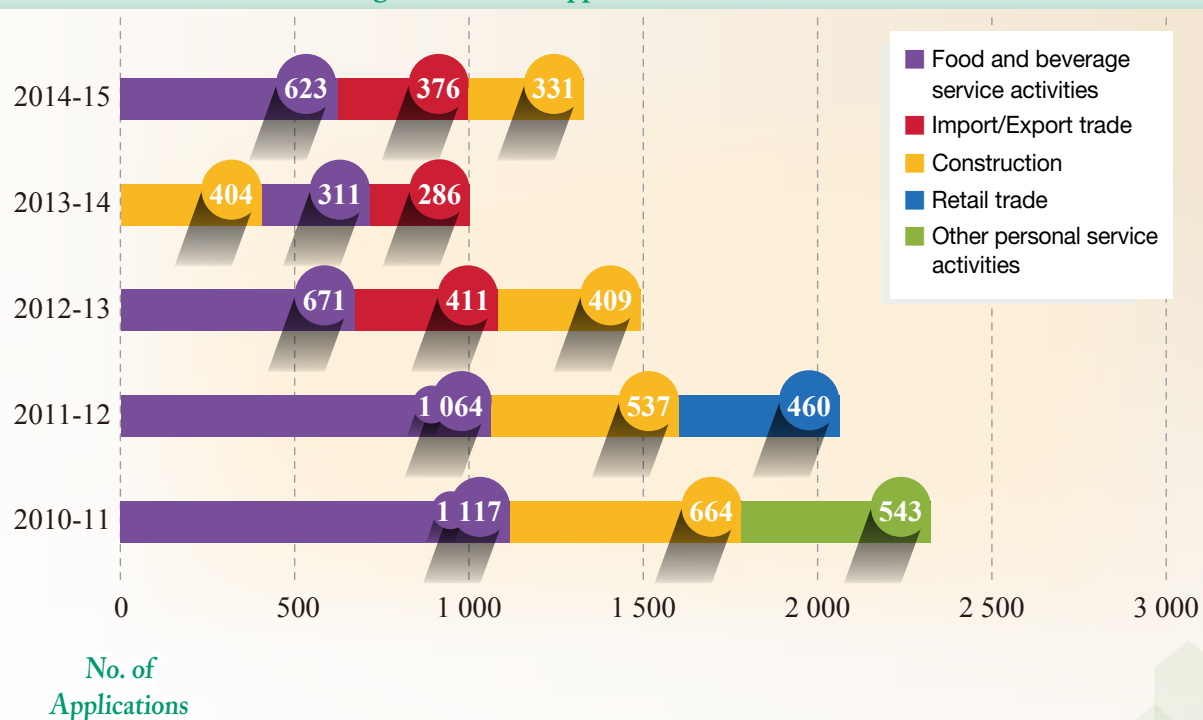


Figure 3

Number of applications and amount of ex gratia payment approved from 2010-11 to 2014-15

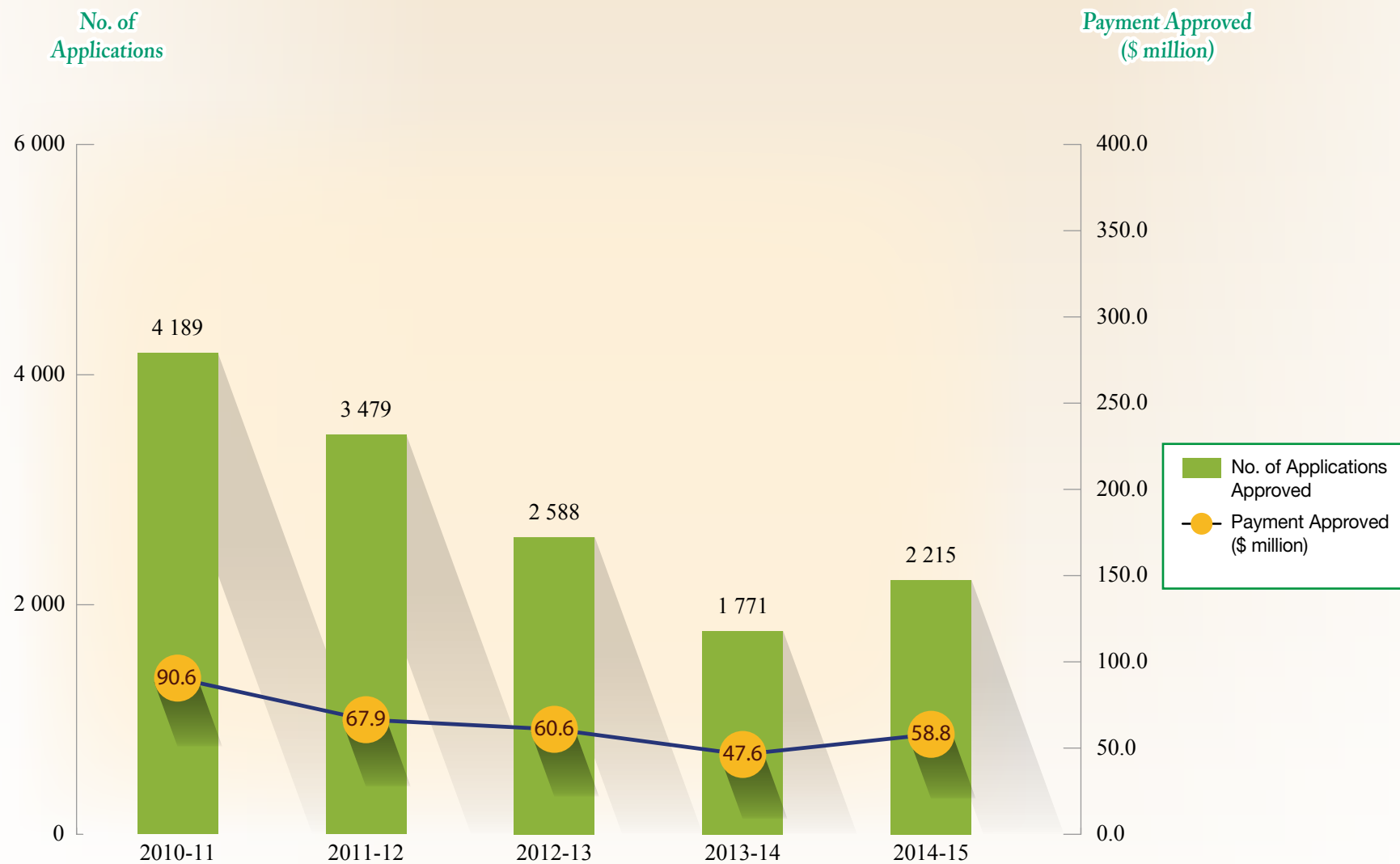
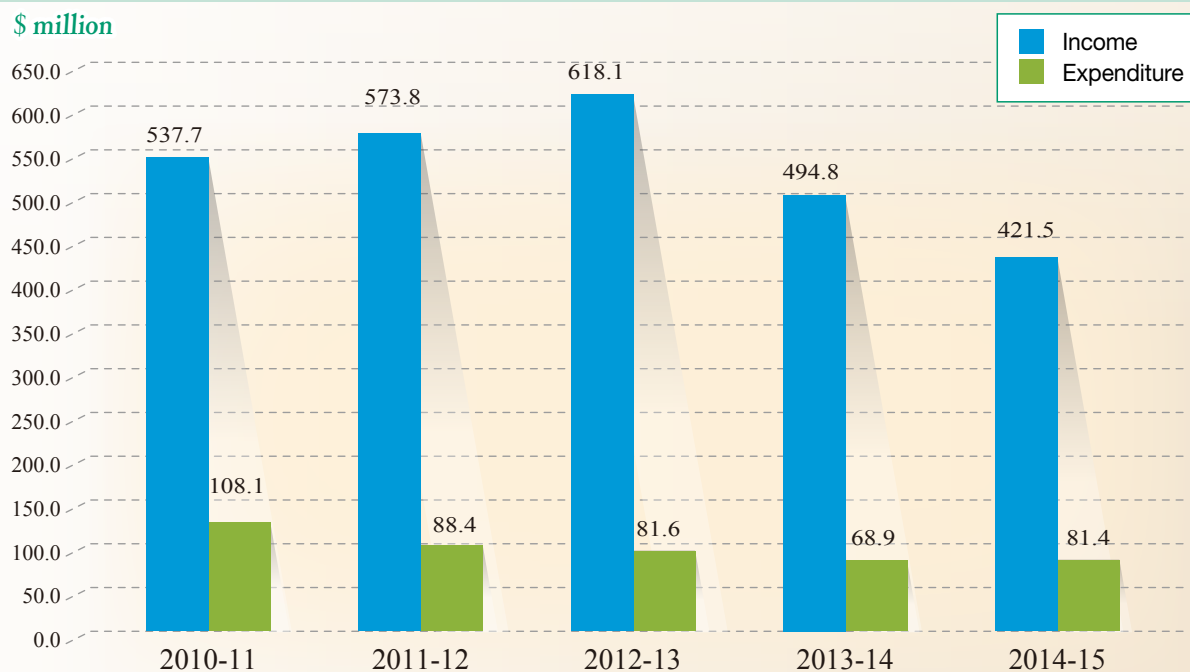
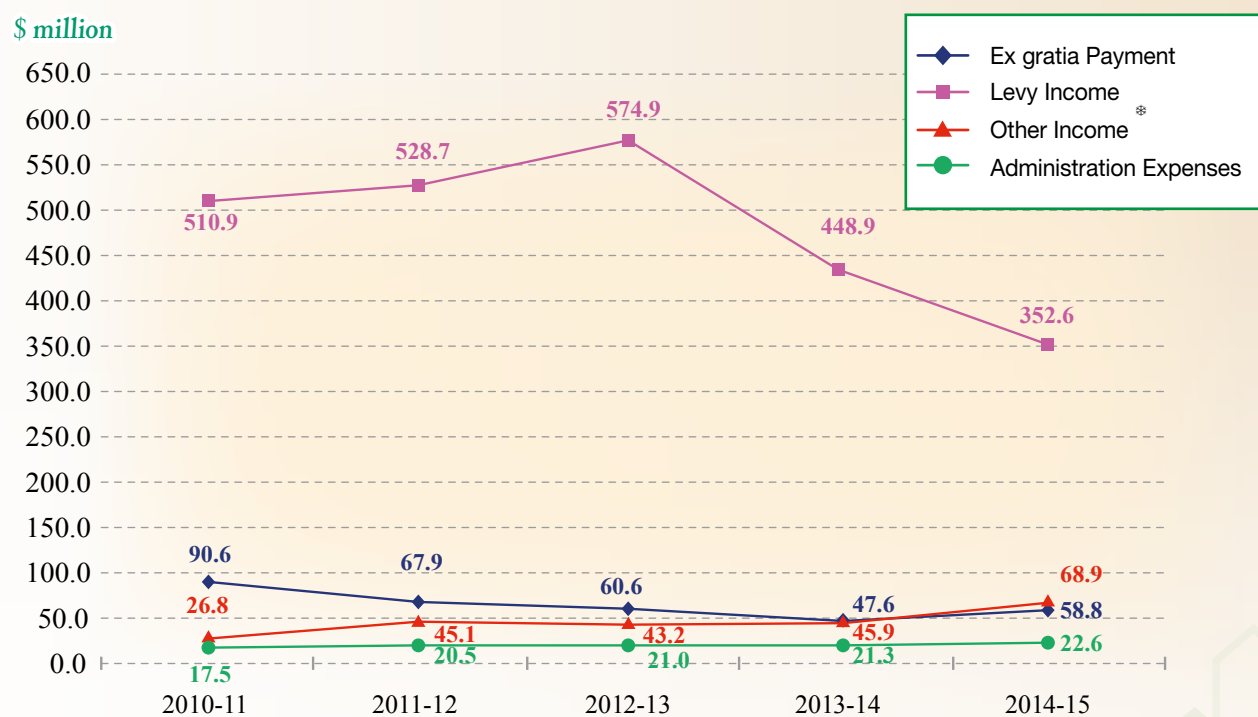


Figure 4

Total income and expenditure of the Fund from 2010-11 to 2014-15

**Figure 5**

Breakdown of income and expenditure of the Fund from 2010-11 to 2014-15

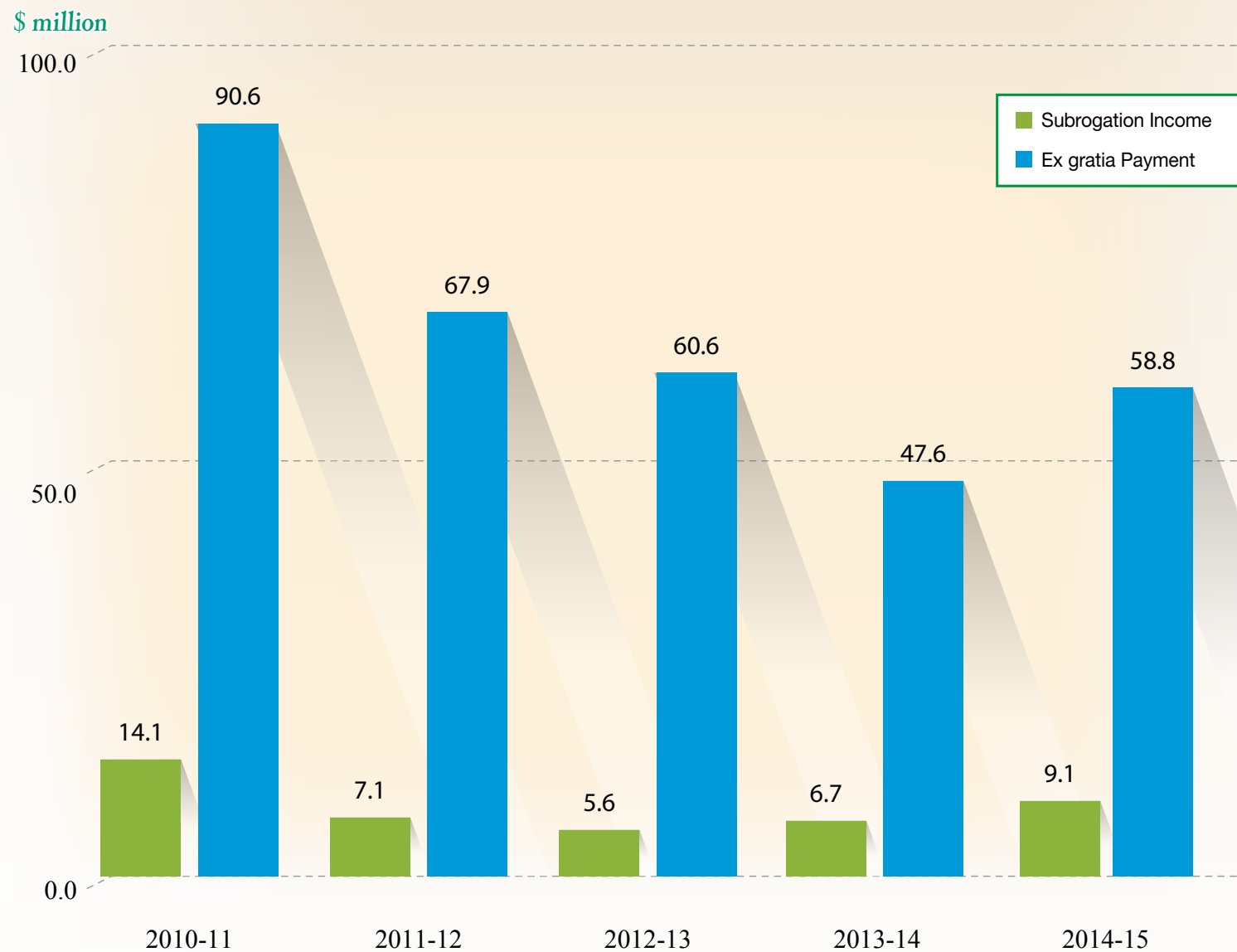


⊛

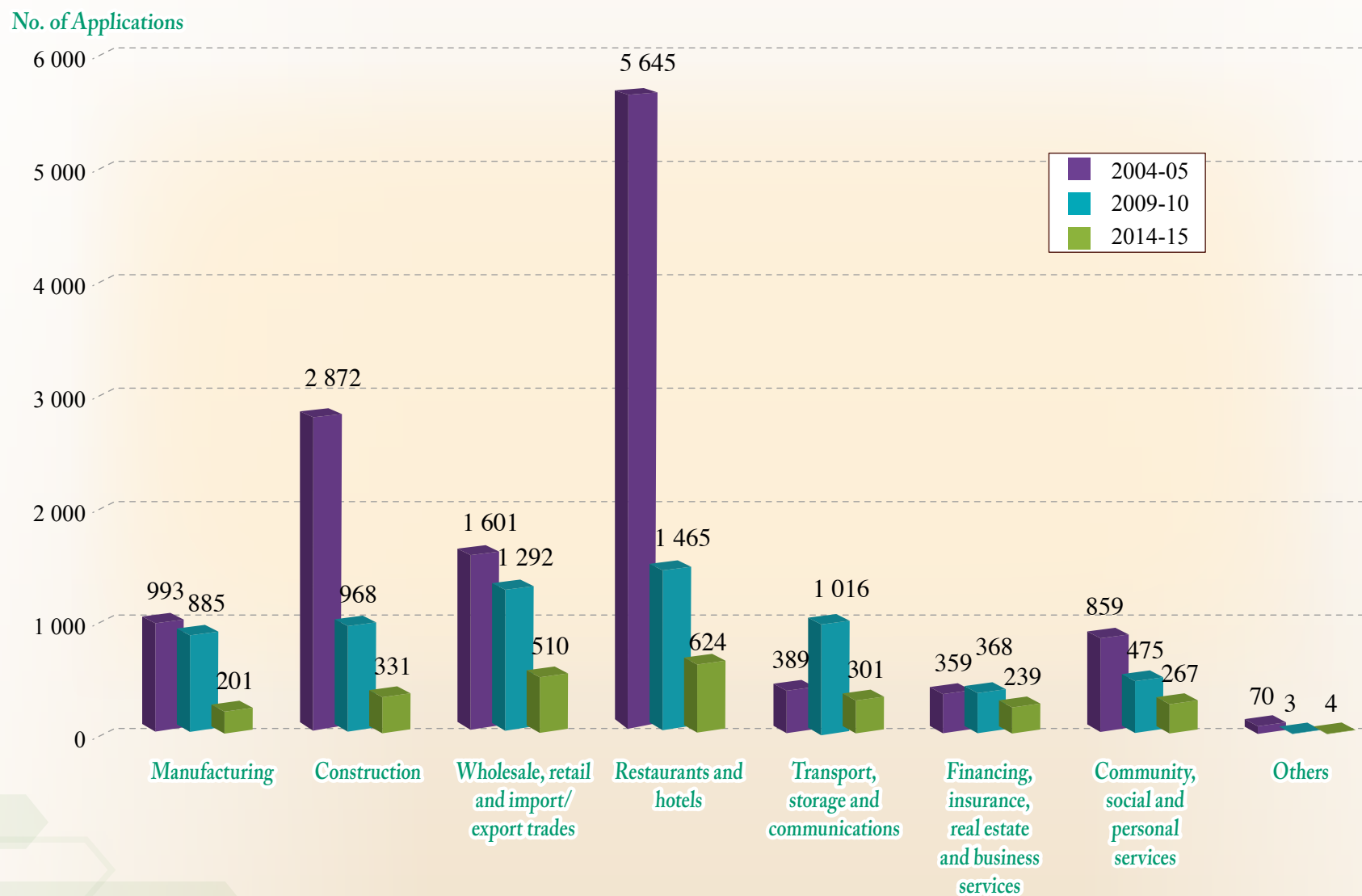
Bank deposit interests and money recovered through subrogation

Figure 6

Subrogation income and ex gratia payment of the Fund from 2010-11 to 2014-15



Analysis of applications received by economic sector in 2004-05, 2009-10 and 2014-15



Appendix X

Independent Auditors' Report and Audited Financial Statements

PROTECTION OF WAGES ON INSOLVENCY FUND

31 March 2015



Building a better
working world



破產欠薪保障基金委員會

Protection of Wages on Insolvency Fund Board

PROTECTION OF WAGES ON INSOLVENCY FUND

CONTENTS

	Pages
INDEPENDENT AUDITORS' REPORT	1 - 2
AUDITED FINANCIAL STATEMENTS	
Statement of profit or loss and other comprehensive income	3
Statement of financial position	4
Statement of changes in funds and reserves	5
Statement of cash flows	6
Notes to financial statements	7 - 15



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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

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 15, which comprise the statement of financial position as at 31 March 2015, and the statement of profit or loss and other comprehensive income, the statement of changes in funds and reserves, and the statement of cash flows for the year then ended, and 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 2015, 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
7 September 2015

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2015

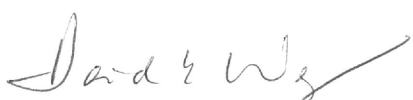
	Notes	2015 HK\$	2014 HK\$
INCOME	3	<u>421,477,651</u>	<u>494,841,132</u>
EXPENDITURE			
Claims	4	58,802,894	47,645,857
Supervision fee	5	21,466,503	20,297,573
Auditors' remuneration		88,500	85,000
Rates and building management charges		305,768	298,028
Insurance		6,407	6,308
Printing and stationery		36,400	53,019
Miscellaneous expenses		<u>683,089</u>	<u>567,339</u>
TOTAL EXPENDITURE		<u>81,389,561</u>	<u>68,953,124</u>
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6	<u><u>340,088,090</u></u>	<u><u>425,888,008</u></u>

PROTECTION OF WAGES ON INSOLVENCY FUND

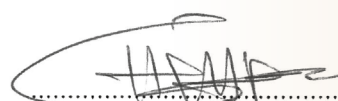
STATEMENT OF FINANCIAL POSITION

31 March 2015

	Notes	2015 HK\$	2014 HK\$
NON-CURRENT ASSETS			
Property	9	-	-
Time deposits	10	-	25,000,000
Total non-current assets		-	25,000,000
CURRENT ASSETS			
Levies receivable		37,350,100	34,891,800
Interest receivables		12,601,007	7,256,483
Sundry deposits		49,000	42,000
Prepayment		63,333	60,833
Time deposits	10	4,029,131,161	3,670,200,000
Cash at banks	10	368,241	174,178
Total current assets		4,079,562,842	3,712,625,294
CURRENT LIABILITIES			
Approved claims payable		4,777,631	3,830,873
Accrued operation expenses		95,700	93,000
Accrued supervision fee	5	21,500,000	20,600,000
Total current liabilities		26,373,331	24,523,873
NET CURRENT ASSETS		4,053,189,511	3,688,101,421
Net assets		4,053,189,511	3,713,101,421
FINANCED BY:			
Accumulated surplus		4,036,650,724	3,696,562,634
General reserve	11	16,538,787	16,538,787
Total accumulated funds and reserves		4,053,189,511	3,713,101,421



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



Mr. HUNG Hing-chu
Board Member

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CHANGES IN FUNDS AND RESERVES

Year ended 31 March 2015

	Accumulated surplus HK\$	General reserve HK\$	Total accumulated funds and reserves HK\$
At 1 April 2013	3,270,674,626	16,538,787	3,287,213,413
Surplus and total comprehensive income for the year	<u>425,888,008</u>	<u>-</u>	<u>425,888,008</u>
At 31 March 2014 and at 1 April 2014	3,696,562,634	16,538,787	3,713,101,421
Surplus and total comprehensive income for the year	<u>340,088,090</u>	<u>-</u>	<u>340,088,090</u>
At 31 March 2015	<u><u>4,036,650,724</u></u>	<u><u>16,538,787</u></u>	<u><u>4,053,189,511</u></u>

PROTECTION OF WAGES ON INSOLVENCY FUND

STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	Notes	2015 HK\$	2014 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		340,088,090	425,888,008
Adjustment for bank interest income	3	(59,773,861)	(39,261,453)
		280,314,229	386,626,555
Decrease/(increase) in levies receivable	(2,458,300)		18,378,050
Increase in sundry deposits	(7,000)		-
Increase in a prepayment	(2,500)		(2,500)
Increase/(decrease) in approved claims payable	946,758		(156,221)
Increase in accrued operation expenses	2,700		9,400
Increase in an accrued supervision fee	900,000		300,000
		<u>279,695,887</u>	<u>405,155,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		54,429,337	35,626,113
Decrease/(increase) in time deposits with original maturity over three months		<u>447,007,941</u>	(563,100,000)
		<u>501,437,278</u>	(527,473,887)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		781,133,165	(122,318,603)
Cash and cash equivalents at beginning of year		<u>913,374,178</u>	<u>1,035,692,781</u>
		<u>1,694,507,343</u>	<u>913,374,178</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	10	368,241	174,178
Time deposits with original maturity of three months or less when acquired	10	<u>1,694,139,102</u>	<u>913,200,000</u>
		<u>1,694,507,343</u>	<u>913,374,178</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2015

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”) and 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 2015.

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED

The Fund has not early applied any new and revised HKFRSs, that have been issued but are not yet effective, 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.

31 March 2015

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 2015

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 2015

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 of its employees. 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:

	2015 HK\$	2014 HK\$
Levies	352,647,100	448,909,550
Money recovered by subrogation	9,056,690	6,670,129
Bank interest income	59,773,861	39,261,453
	<u>421,477,651</u>	<u>494,841,132</u>

In accordance with the provisions of Sections 7 and 21 of the Business Registration Ordinance and Section 6 in Part 3 of the Protection of Wages on Insolvency Ordinance, levies of HK\$450 and HK\$1,350 were respectively imposed on one-year and three-year business registration certificates issued between 14 March 2008 and 18 July 2013. The levies were 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.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2015

4. CLAIMS

In accordance with the provisions of Sections 16(1) and (2) and Section 18(1) in Part 5 of the Protection of Wages on Insolvency Ordinance, the Commissioner for Labour may make ex-gratia payments to applicants out of the Fund of the following amounts:

(a) Wages

Not exceeding HK\$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 but untaken and pro rata annual leave pay for the last leave year where the applicant has at least 3 but less than 12 months' service, payable to the applicant upon termination of employment contract under the Employment Ordinance, and (ii) pay for untaken statutory holidays which fell within 4 months before his last day of service which would have been payable to the applicant had the applicant taken the holidays.

5. SUPERVISION FEE

In accordance with the provisions of Section 14 in Part 4 of the Protection of Wages on Insolvency Ordinance, the Financial Secretary may determine a supervision fee, which shall be charged against the income of the Fund, at any time determined by him. An agreement has been reached between the Protection of Wages on Insolvency Fund Board (the "Board") and the Government of the Hong Kong Special Administrative Region that the fee will be two-thirds of the Government's cost of administration in respect of the Fund. The Board however reserves its right of re-negotiation.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2015

6. SURPLUS FOR THE YEAR

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

	2015 HK\$	2014 HK\$
Auditors' remuneration	88,500	85,000
Employee benefit expense:		
Wages and salaries	209,830	235,517
Pension scheme contributions	20,733	24,791
	<u>230,563</u>	<u>260,308</u>
Minimum lease payments under an operating lease of a building	<u>243,713</u>	<u>222,000</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 (2014: 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 2015

At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015:

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 2015

10. CASH AT BANKS AND TIME DEPOSITS

	2015 HK\$	2014 HK\$
Bank balances	368,241	174,178
Time deposits with original maturity of:		
3 months or less	1,694,139,102	913,200,000
More than 3 months to 12 months, inclusive	2,334,992,059	2,757,000,000
More than 1 year	-	25,000,000
	<u>4,029,499,402</u>	<u>3,695,374,178</u>

At the end of the reporting period, the cash at banks and time deposits of the Fund denominated in Renminbi ("RMB") amounted to HK\$374,961,989 (2014: Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Fund is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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 2015, the Fund had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2015 HK\$	2014 HK\$
Within one year	264,000	111,000
In the second to fifth years, inclusive	<u>132,000</u>	<u>-</u>
	<u>396,000</u>	<u>111,000</u>

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2015

13. CONTINGENT LIABILITIES

At 31 March 2015, contingent liabilities in respect of claims received but not yet approved and provided for in the financial statements amounted to HK\$72,662,503 (2014: HK\$86,838,285).

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.

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, interest rate risk and foreign currency 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.

PROTECTION OF WAGES ON INSOLVENCY FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2015

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The risk that the value of a foreign currency denominated financial instrument fluctuates because of a change in the corresponding foreign exchange rate. The Fund does not have any policy for hedging or entering into any forward currency contracts to eliminate the currency exposure on any individual transaction.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi (“RMB”) exchange rate, with all other variables held constant, of the Fund’s surplus (due to changes in the fair value of monetary assets and liabilities).

	Change in the rate %	Increase/ (decrease) in surplus HK\$
<u>2015</u>		
If HK\$ weakens against RMB	1	3,749,620
If HK\$ strengthens against RMB	<u>(1)</u>	<u>(3,749,620)</u>
<u>2014</u>		
If HK\$ weakens against RMB	1	-
If HK\$ strengthens against RMB	<u>(1)</u>	<u>-</u>

Capital management

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

The Fund manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2015 and 31 March 2014.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 7 September 2015.