

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU
(Limited by guarantee)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER 2011

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

REPORT OF THE COUNCIL MEMBERS

The Council Members have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December 2011.

Principal activities

The Bureau administers a fund, namely the Employees Compensation Insurer Insolvency Scheme to assume responsibility for the liabilities of insurers engaging in employees' compensation business that become insolvent on or after 1st April 2004.

Financial statements

The results of the Bureau for the year ended 31st December 2011 and the state of affairs of the Bureau as at that date are set out in the financial statements on pages 5 to 16.

Retained surplus

Movements in retained surplus during the year are set out in the statement of changes in equity on page 7.

Council Members

The Council Members during the financial year and up to the date of this report are:

Mr Allan Kin Nam Yu	
Mr Andrew Chow Yiu Ming	
Mr Andrew Wong K.C.	
Mr Chan Pui Leung	(appointed on 28 September 2011)
Mr Christopher John Colahan	(appointed on 17 May 2011)
Mr James Chan Chi Yin	(appointed on 17 May 2011)
Mr Kok Ho Wong	
Mr Kwok Ping Cheng	(resigned on 1 September 2011)
Mr Michael Richard Raines	(resigned on 1 April 2012)
Mr Nicholas John Helms	(appointed on 17 May 2011)
Mr Raymond Wong Tuen	(resigned on 17 May 2011)
Mr Ronnie Ng Wing Fat	
Ms Agnes Choi Heung Kwan	

Mr Chan Pui Leung having been appointed to fill a casual vacancy during the year, retires at the forthcoming annual general meeting in accordance with article 35(2) of the Bureau's Articles of Association and, being eligible, offers himself for re-election.

Messrs. Allan Kin Nam Yu, Agnes Choi Heung Kwan and James Chan Chi Yin are to retire at the forthcoming annual general meeting in accordance with article 35(3) of the Bureau's Articles of Association and, being eligible, offer themselves for re-election.

All other remaining Council Members continue in office.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

REPORT OF THE COUNCIL MEMBERS

Council Member's interests in contracts

No contract of significance to which the Bureau was a party and in which a Council Member of the Bureau had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Bureau a party to any arrangements to enable the Council Members of the Bureau to acquire benefits by means of the acquisition of shares in or debentures of any body corporate.

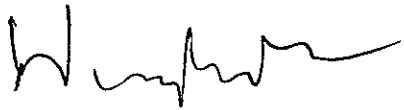
Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Bureau were entered into or existed during the year.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire, and being eligible, offer themselves for re-appointment.

By order of the Council



Chairman

Hong Kong, 17 April 2012

**AUDITORS' REPORT TO THE MEMBERS OF
EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU**
(Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of Employees Compensation Insurer Insolvency Bureau ("the Bureau") set out on pages 5 to 16, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council members' responsibility for the financial statements

The Council members of the Bureau are 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of 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 Council members, 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.

**AUDITORS' REPORT TO THE MEMBERS OF
EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU (CONTINUED)**
(Incorporated in Hong Kong and limited by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Bureau as at 31 December 2011 and of the Bureau's 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 Hong Kong Companies Ordinance.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 April 2012

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011**

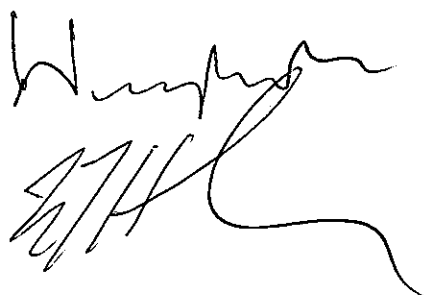
	Note	2011 HK\$	2010 HK\$
Revenue			
Members' contributions		87,227,395	79,435,189
		<u>87,227,395</u>	<u>79,435,189</u>
Other income			
Net realised and unrealised gains on financial assets		9,920,093	47,956,360
Dividends and other investment income		1,913,209	1,594,777
Deposit interest income		61	51
		<u>11,833,363</u>	<u>49,551,188</u>
Total revenue and other income		<u>99,060,758</u>	<u>128,986,377</u>
Less: Incurred claims			
Claims paid	9	-	45,760
Movement in provision for outstanding claims		(20,000)	(15,000)
		<u>(20,000)</u>	<u>30,760</u>
Less: Expenses			
Excess of loss reinsurance		-	25,180
Other expenses:			
Investment management fees		1,264,940	1,058,918
Investment custody fees		388,979	320,172
Accountancy, taxation and secretarial fees		655,700	624,000
Legal and professional fees		160,000	160,000
Insurance		144,200	144,200
Audit fees		97,000	92,400
Others		30,916	35,884
		<u>2,741,735</u>	<u>2,435,574</u>
Total expenses		<u>2,721,735</u>	<u>2,491,514</u>
Surplus for the year		96,339,023	126,494,863
Other comprehensive surplus		-	-
Total comprehensive surplus for the year		<u>96,339,023</u>	<u>126,494,863</u>

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011**

	Note	2011 HK\$	2010 HK\$
ASSETS			
Current assets			
Financial assets at fair value through profit or loss	6	645,742,717	575,913,609
Contributions and other receivables	7	20,212,681	15,158,785
Bank balances and cash	8	21,824,485	389,727
Total assets		<u>687,779,883</u>	<u>591,462,121</u>
EQUITY			
Retained surplus		<u>687,378,954</u>	<u>591,039,931</u>
LIABILITIES			
Current liabilities			
Accrued expenses		370,929	372,190
Provision for outstanding claims	9	30,000	50,000
Total liabilities		<u>400,929</u>	<u>422,190</u>
Total equity and liabilities		<u>687,779,883</u>	<u>591,462,121</u>

Approved and authorised for issue by the Council Members on 17 April 2012.



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Council Members

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2011**

Total retained surplus:	HK\$
Balance at 1st January 2010	464,545,068
Total comprehensive surplus for the year	126,494,863
Balance at 31st December 2010 and 1st January 2011	<u>591,039,931</u>
Total comprehensive surplus for the year	96,339,023
Balance at 31st December 2011	<u><u>687,378,954</u></u>

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2011**

	Note	2011 HK\$	2010 HK\$
Operating activities			
Surplus for the year		96,339,023	126,494,863
Adjustments for:			
- Investment expenses		1,653,919	1,379,090
- Interest income on deposits		(61)	(51)
- Dividend and other investment income		(1,913,209)	(1,594,777)
- Net realised and unrealised gains on financial assets		(9,920,093)	(47,956,360)
Operating surplus before changes in working capital		86,159,579	78,322,765
Increase in contributions and other receivables		(5,053,896)	(2,246,442)
Decrease in accrued expenses		(1,261)	(29,280)
Decrease in provision for outstanding claims		(20,000)	(15,000)
Net cash inflow from operating activities		81,084,422	76,032,043
Investing activities			
Purchases of financial assets (net)		(49,317,235)	(79,227,451)
Dividend and other investment income received		1,913,209	1,594,777
Interest received on deposits		61	51
Net cash outflow from investing activities		(47,403,965)	(77,632,623)
Net increase /(decrease) in cash and cash equivalents		33,680,457	(1,600,580)
Cash and cash equivalents at 1st January		31,226,397	32,826,977
Cash and cash equivalents at 31st December	8	64,906,854	31,226,397

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

1 Legal status

Employees Compensation Insurer Insolvency Bureau (the "Bureau") is a company limited by guarantee and was incorporated under the Hong Kong Companies Ordinance on 18th February 2003. The address of its registered office is Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.

Under the provision of the Bureau's Memorandum of Association, every member shall, in the event of the Bureau being wound up, contribute such amount as may be required to meet the liabilities of the Bureau but not exceeding HK\$100 per member. The assets of the Bureau shall be applied solely towards the promotion of the objects of the Bureau as set out in the Bureau's Memorandum of Association and no part thereof shall be distributed to the members of the Bureau. All insurers authorised by law to carry on employees' compensation insurance business in Hong Kong are required to become members of the Bureau.

The Bureau was set up by the insurance industry to give effect to an agreement entered into on 21st February 2003 between the Government of the Hong Kong Special Administrative Region (the "Government") and the Bureau (the "Insolvency Fund Agreement").

In accordance with the Insolvency Fund Agreement, the Government and the Bureau have agreed to establish the Employees Compensation Insurer Insolvency Scheme to assume responsibility for the liabilities of insurers engaging in employees' compensation business that become insolvent on or after 1 April 2004.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard (HKFRS). They have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bureau's accounting policies.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Bureau.

HKAS 1 (Amendment), "Presentation of Financial Statements" (effect from 1 January 2011). The amended standard clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The adoption of the amended standard does not have any significant impact on the Bureau's financial statements.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Bureau (continued)

HKAS 24 (Revised), "Related Party Disclosures" (effective from 1st January 2011). The revised standard clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of this revised standard does not have an impact on the financial position or the results of the Bureau.

HKFRS 7 (Amendment) "Financial Instruments: Disclosures" (effective from 1st January 2011). The amended standard emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The adoption of the amended standard does not have any significant impact on the Bureau's financial statements.

(b) Amended standards and interpretations effective in 2011 but not relevant for the Bureau's operations or do not have a significant impact to the Bureau.

The following amended standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2011 but are not relevant to the Bureau's operations or do not have a significant impact to the Bureau:

HK(IFRIC) Int – 13 – 'Customer loyalty programmes'
HK(IFRIC) Int – 14 – 'Prepayments of a minimum funding requirement'
HKFRS 1 – 'First time Adoption of Hong Kong Financial Reporting Standards'
HKFRS 3 – 'Business combinations'
HKAS 27 (Amendment) – 'Consolidated and Separate Financial Statements'
HKAS 34 – 'Interim financial reporting'

(c) New and amended standards and interpretations that are not yet effective and have not been early adopted by the Bureau.

The following standards and amendments to existing standards have been published and are mandatory for the Bureau's accounting periods beginning on or after 1 July 2011 or later periods, but the Bureau has not early adopted them:

HKAS 1 (Amendment) "Presentation of Financial Statements" (effective from 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. The impact of adoption of the amendments is under assessment by management.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

- (c) New and amended standards and interpretations that are not yet effective and have not been early adopted by the Bureau (continued).

HKFRS 7 (Amendment) "Financial Instruments: Disclosures" (effective from 1st July 2011). This amendment promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The impact of adoption of the amendment is under assessment by management.

HKFRS 9 "Financial Instruments" (effective from 1st January 2013, tentatively decided to delay to 1st January 2015). This standard is the first step in the process to replace HKAS 39 "Financial Instruments: Recognition and Measurement". HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of financial assets. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. For financial liabilities, the recognition and measurement guidance is unchanged from HKAS 39. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. The impact of adoption of this standard is likely to affect the Bureau's accounting for its financial assets.

HKFRS 13 "Fair Value Measurement" (effective from 1st January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS or US GAAP. The impact of adoption of this standard is likely to affect the Bureau's accounting for its financial assets.

(b) Revenue recognition

- (i) Members' contributions

Members' contributions received and receivable are recognised based on gross employees' compensation insurance premiums received and receivable by members from their policyholders.

- (ii) Dividends and interest income

Interest income from bank deposits and debt securities is accrued on a time-apportioned basis on the principal outstanding and at the rates applicable. Dividend income is recognised when the right to receive payment is established.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(c) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Bureau defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. The Bureau believes that the facilities described in note 1 above meet the definition of insurance contracts.

Claims are charged to income as incurred based on the estimated liability for compensation owed to policyholders. They include claims settlement costs arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Bureau. The Bureau does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Bureau and statistical analyses for the claims incurred but not reported.

(d) Financial assets

Investments at fair value through profit or loss are classified in this category if they are acquired principally for trading. Assets in this category are classified as current assets.

Regular purchases and sales of investments are recognized on trade-date – the date on which the Bureau commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the right to receive cash flows from the investments have expired or have been transferred and the Bureau has transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Bureau's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

(e) Translation of foreign currencies

The financial statements are presented in HK dollars, which is the Bureau's functional currency and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(f) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

3 Management of insurance and financial risk

3.1.1 Financial risk factors

The Bureau is exposed to financial risk through its financial assets. In particular, the key financial risk is from unanticipated volatility of return and other financial market driven events that can change the risk profile of the funds. The most important components of this financial risk are interest rate risk, credit risk, currency risk and price risk.

(a) Interest rate risk

The investment portfolio of the Bureau as at 31 December 2011 comprises listed bond funds of approximately HK\$486 million (2010: HK\$409 million). Interest rate movements can have a material impact on the carrying values of these bond funds.

The Bureau manages its interest rate risk by allowing the investment managers to use certain derivative transactions to hedge the interest rate risk.

(b) Credit risk

The Bureau has exposures to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The key areas where the Bureau is exposed to credit risk are (i) counterparty risk with respect to investments in bond funds of HK\$486 million (2010: HK\$409 million), and (ii) receivables from reinsurer (HK\$ nil at 31 December 2010 and 2011).

The Bureau manages the level of credit risk it accepts by implementing a set of investment guidelines summarised as follows:

No more than 5% of the investment portfolio is held in any one security or with one single issuer, other than a fund or a security representing a collective investment of other securities. No more than 10% of the investment portfolio is invested in the obligations of a single issuer except for sovereign or supranational borrowers with an AAA rating by Standard & Poor's or equivalent. There are no restrictions on investing in government bonds issued by the United States, Japan, the Republic of Germany, the United Kingdom, Canada, the Republic of France, the Republic of Italy, the Kingdom of Spain and the Netherlands.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

3 Management of insurance and financial risk

3.1.1 Financial risk factors (continued)

(b) Credit risk (continued)

Investments in bond securities have a minimum rating of BBB- as measured by Standard & Poor's or equivalent. The total allocation to BB rated bonds as measured by Standard & Poor's or equivalent of the Portfolio cannot exceed two times the benchmark weighting. Short term investments are maintained at a rating of A1 or above as measured by Standard & Poor's or P1 as measured by Moody's. The overall credit rating for the bond fund portfolios are maintained at A+ or above as measured by Standard & Pools or equivalent at all times.

As of 31 December 2011, credit risks of the Bureau's investment portfolios were diversified across various countries and sectors with higher exposure to higher graded European countries such as Germany and France, and less than 1% exposure in Italy, Spain, Greece and Portugal.

The Bureau has no significant concentrations of credit risk.

(c) Price risk

The Bureau is exposed to equity securities price risk. The Bureau manages its price risk by limiting its exposure to equity securities to 20% of the investment portfolio. A 10% increase in the market values of the equity securities would result in a gain of approximately HK\$12 million in 2011 (2010: HK\$14 million).

(d) Currency risk

The Bureau's exposures to foreign exchange risk arise primarily from purchased financial assets that are denominated in currencies other than Hong Kong dollars. As at 31st December 2011, the Bureau did not have significant exposures to foreign exchange risk, as all the financial assets held by the Bureau were either denominated in Hong Kong dollars or US dollars (against which Hong Kong dollars are pegged).

3.1.2 Fair value estimation

HKFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and unit trusts.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

3 Management of insurance and financial risk (continued)

3.1.2 Fair value estimation (continued)

The following tables present the Bureau's assets that are measured at fair value.

As at 31 December 2011:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
Financial assets				
- Unit trusts	645,742,717	-	-	645,742,717
Total assets	<u>645,742,717</u>	<u>-</u>	<u>-</u>	<u>645,742,717</u>

As at 31 December 2010:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total balance HK\$
Financial assets				
- Unit trusts	575,913,609	-	-	575,913,609
Total assets	<u>575,913,609</u>	<u>-</u>	<u>-</u>	<u>575,913,609</u>

3.2 Insurance risk and capital risk management

Capital comprises all components of equity as shown in the balance sheet. The principal insurance and capital risk that the Bureau faces is that the assets of the Bureau are not adequate to discharge its obligations under the terms of the fund agreement. This may arise if the actual claims exceed the carrying amount of the assets available.

The Bureau manages the above risks by (i) reviewing the percentage rate of the contributions not less than annually and (ii) entering into reinsurance agreements, where appropriate.

4 Remuneration of Council Members of the Bureau

In accordance with the Bureau's Memorandum and Articles of Association, the Council Members of the Bureau are not entitled to any remuneration or compensation for services rendered to the Bureau. Accordingly, none of the Council Members of the Bureau received or was due any remuneration during the year.

5 Taxation

The Bureau is exempt under Section 87 of the Hong Kong Inland Revenue Ordinance from payment of any tax chargeable under the Ordinance.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

NOTES TO THE FINANCIAL STATEMENTS

6 Financial assets at fair value through profit or loss

	2011 HK\$	2010 HK\$
Mutual funds registered in Hong Kong		
- Listed bonds	146,355,882	127,162,210
- Listed equities	116,106,962	135,678,847
- Cash deposits with maturity less than three months (Note 8)	43,082,369	30,836,670
Bond funds registered outside Hong Kong		
- Listed bonds	340,197,504	282,235,882
	<u>645,742,717</u>	<u>575,913,609</u>

7 Contributions and other receivables

The fair values of the receivables are estimated to be approximately equal to the carrying amounts of these balances.

There is no concentration of credit risk with respect to these receivables.

8 Cash and cash equivalents

	2011 HK\$	2010 HK\$
Bank balances and cash	21,824,485	389,727
Cash deposits with maturity less than three months (Note 6)	43,082,369	30,836,670
Cash and cash equivalents	<u>64,906,854</u>	<u>31,226,397</u>

9 Provision for outstanding claims

Under the Insolvency Fund Agreement, the Bureau is liable for the settlement of certain judgements that remained unsettled as a result of the insolvency of Anglo Starlite Insurance Company Limited ("Anglo Starlite") in 2009. The Bureau paid claims of HK\$Nil (2010: HK\$45,760) during the year and also recognised a claims liability of HK\$30,000 (2010: HK\$50,000) for Anglo Starlite claims incurred but not reported to the Bureau.

10 Approval of financial statements

The financial statements were approved by the Council on 17 April 2012.