

EMPLOYEES COMPENSATION INSURER
INSOLVENCY BUREAU
(A company limited by guarantee)

Report and Financial Statements
For the period from 18 February, 2003
(date of incorporation) to 31 December, 2003

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM 18 FEBRUARY, 2003 (DATE OF INCORPORATION)
TO 31 DECEMBER 2003

<u>CONTENTS</u>	<u>PAGE(S)</u>
REPORT OF THE COUNCIL MEMBERS	1 & 2
AUDITORS' REPORT	3
INCOME AND EXPENDITURE ACCOUNT	4
BALANCE SHEET	5
STATEMENT OF CHANGES IN EQUITY	6
CASH FLOW STATEMENT	7
NOTES TO THE FINANCIAL STATEMENTS	8 & 9

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

(A company limited by guarantee)

REPORT OF THE COUNCIL MEMBERS

The Council Members submit their first report together with the audited financial statements for the period from 18 February, 2003 (date of incorporation) to 31 December, 2003.

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 1 April, 2004.

RESULTS

The results of the Bureau for the period from 18 February, 2003 (date of incorporation) to 31 December, 2003 are set out in the income and expenditure account on page 4.

COUNCIL MEMBERS

The Council Members during the period and up to the date of this report were:

Mr Chan Kin Por	(appointed on 21 February, 2003)
Mr Ross Edward Matthews	(appointed on 21 February, 2003)
Mr Wong Kok Ho	(appointed on 21 February, 2003)
Ms Cheung Man Lo	(appointed on 21 February, 2003)
Ms Choi Heung Kwan Agnes	(appointed on 21 February, 2003)
Mr Peter Erich Schelling	(appointed on 21 February, 2003)
Mr Keith Bernard Land	(appointed on 21 February, 2003)
Mr Cheng Kwok Ping	(appointed on 21 February, 2003)

In accordance with Article 35(3) of the Bureau's Articles of Association, all Council Members shall retire at the forthcoming first annual general meeting and, being eligible, offer themselves for re-election if they so wish.

COUNCIL MEMBERS' INTERESTS

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 period or at any time during the period.

At no time during the period 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.

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU
(A company limited by guarantee)

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Bureau will be proposed at the forthcoming annual general meeting.

By order of the Council

CHAN KIN POR
CHAIRMAN

26 March, 2004

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

Tel : (852) 2852 1600
Fax : (852) 2541 1911
mail@deloitte.com.hk
www.deloitte.com

電話 : (852) 2852 1600
傳真 : (852) 2541 1911
mail@deloitte.com.hk
www.deloitte.com

**Deloitte
Touche
Tohmatsu**

AUDITORS' REPORT

TO THE MEMBERS OF EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU (THE "BUREAU")

We have audited the financial statements on pages 4 to 9 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the Council Members and Auditors

The Companies Ordinance requires the Council Members to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with section 141 of the 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.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Bureau as at 31 December, 2003 and of its surplus and cash flows of the Bureau for the period from 18 February, 2003 (date of incorporation) to 31 December 2003.

DELOITTE TOUCHE TOHMATSU

26 March, 2004

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

(A company limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT

FOR THE PERIOD FROM 18 FEBRUARY, 2003 (DATE OF INCORPORATION)

TO 31 DECEMBER, 2003

	<u>NOTE</u>	18.2.2003 to <u>31.12.2003</u> HK\$
Income		
Members' contributions	2	39,684,275
Interest income	2	18,958
		<u>39,703,233</u>
Expenditure		
Accountancy, taxation and secretarial fees		506,800
Audit fees		25,000
General expenses		35,292
Insurance		61,870
Pre-incorporation and formation expenses		627,156
Professional fees		118,000
		<u>1,374,118</u>
Surplus for the period		<u><u>38,329,115</u></u>

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU
(A company limited by guarantee)

BALANCE SHEET
AT 31 DECEMBER, 2003

	HK\$
Current assets	
Fixed deposits and cash at bank	25,313,509
Contribution receivable and prepayment	13,298,523
	<u>38,612,032</u>
Current liabilities	
Accrued expenses	282,917
Net current assets	<u>38,329,115</u>
Represented by:	
Surplus	<u>38,329,115</u>

The financial statements on pages 4 to 9 were approved and authorised for issue by Council Members of the Bureau on 26 March, 2004 and were signed on its behalf by:

CHAN KIN POR
COUNCIL MEMBER

CHEUNG MAN LO
COUNCIL MEMBER

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

(A company limited by guarantee)

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 18 FEBRUARY, 2003 (DATE OF INCORPORATION)

TO 31 DECEMBER, 2003

	<u>Surplus</u> HK\$
At 18 February, 2003 (date of incorporation)	-
Surplus for the period	<u>38,329,115</u>
At 31 December, 2003	<u><u>38,329,115</u></u>

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

(A company limited by guarantee)

CASH FLOW STATEMENT

FOR THE PERIOD FROM 18 FEBRUARY, 2003 (DATE OF INCORPORATION)

TO 31 DECEMBER, 2003

	HK\$
OPERATING ACTIVITIES	
Surplus for the period	38,329,115
Adjustments for:	
Interest income	(18,958)
Operating cash flows before movements in working capital	38,310,157
Increase in contribution receivable and prepayment	(13,298,523)
Increase in accrued expenses	282,917
NET CASH USED IN OPERATING ACTIVITIES	25,294,551
INVESTING ACTIVITIES	
Interest received	18,958
NET CASH INFLOW FROM INVESTING ACTIVITIES	18,958
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,313,509
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD REPRESENTING FIXED DEPOSITS AND CASH AT BANKS	25,313,509

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 18 FEBRUARY, 2003 (DATE OF INCORPORATION)

TO 31 DECEMBER, 2003

1. LEGAL STATUS

The Bureau is a company limited by guarantee which was incorporated under the Hong Kong Companies Ordinance on 18 February, 2003.

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 \$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 in or from Hong Kong direct employees' compensation insurance business must become members of the Bureau.

The Bureau was set up by the insurance industry to give effect to an agreement entered into on 21 February, 2003 between the Government of the Hong Kong Special Administrative Region 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. The liabilities in question are currently covered by the Employees Compensation Assistance Scheme ("ECAS") established under the Employees Compensation Assistance Ordinance (Cap. 365 of the laws of Hong Kong) and will be excised from the scope of ECAS from 1 April, 2004 pursuant to the provisions of the Employees Compensation Assistance (Amendment) Ordinance 2002, enacted by the Legislative Council in June 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Revenue recognition

(i) Members' contributions

Members' contributions received and receivable are recognised quarterly based on gross insurance premiums paid and payable to members during the period in respect of employees' compensation policies written on or after 1 April, 2003 at the rate of 2%.

(ii) Interest income

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

EMPLOYEES COMPENSATION INSURER INSOLVENCY BUREAU

(A company limited by guarantee)

3. REMUNERATION OF COUNCIL MEMBERS

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 period.

4. TAXATION

No provision for Hong Kong profits tax has been made as the Bureau has no estimated assessable profits for the period.

The Bureau is in the process of applying for an exemption under Section 87 of the Hong Kong Inland Revenue Ordinance from the payment of any tax chargeable under the Ordinance.
