



**Report of the Director of Audit
on the Accounts of the Government of
the Hong Kong Special Administrative Region
for the year ended 31 March 2008**

October 2008

REPORT
OF
THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF THE GOVERNMENT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
FOR THE YEAR ENDED
31 MARCH 2008

Audit Commission,
Immigration Tower,
Hong Kong.

29 October 2008

The President of the Legislative Council,
Legislative Council Building,
Hong Kong.

Sir,

In accordance with section 12(1) of the Audit Ordinance I have the honour to submit the Report on my examination and audit of the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2008, and on matters relating to the performance of my duties and the exercise of my powers under the Ordinance, together with a copy of the following statements duly certified by me:

- the Statement of Assets and Liabilities of the Government and the Statement of Receipts and Payments by the Government; and
- the Statement of Assets and Liabilities of each fund, and the Statement of Receipts and Payments by each fund, other than the Lotteries Fund, established in accordance with section 29 of the Public Finance Ordinance.

Yours faithfully,

Benjamin Tang
Director of Audit

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Report of the Director of Audit



Audit Commission
The Government of the Hong Kong Special Administrative Region

General Revenue Account

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the General Revenue Account set out on pages 9 to 20, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the General Revenue Account as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments with the Exchange Fund	3	255,527,390	157,331,343
Deposits with banks	4	456,223	366,029
Cash and bank balances	5	4,658,772	3,090,671
Advances	6	2,086,076	2,069,304
Suspense Accounts	7	39,869	47,046
		262,768,330	162,904,393
Liabilities			
Deposits	8	(16,527,360)	(15,355,861)
Suspense Accounts	7	(109,997)	(111,888)
	9	(16,637,357)	(15,467,749)
		<u>246,130,973</u>	<u>147,436,644</u>
Representing:			
General Revenue Balance			
Balance at 1 April 2007		147,436,644	114,091,382
Surplus for the year		98,694,329	33,345,262
Balance at 31 March 2008	10	<u>246,130,973</u>	<u>147,436,644</u>

The accompanying Notes 1 to 13 form part of these accounts.

Mrs. Lucia LI
 Director of Accounting Services
 15 August 2008



General Revenue Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		3,090,671	2,555,565
Revenue	11	306,480,475	228,924,964
Expenditure	12	(207,786,146)	(195,579,702)
Surplus for the year		98,694,329	33,345,262
Other cash movements	13	(97,126,228)	(32,810,156)
Cash and bank balances at 31 March 2008		4,658,772	3,090,671

The accompanying Notes 1 to 13 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



General Revenue Account

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

- (i) The Public Finance Ordinance (Cap. 2) provides for the control and management of the public finances of Hong Kong and for incidental and connected purposes. The General Revenue Account records moneys raised or received for the purposes of the Government (except where provided otherwise in other Ordinances) and appropriations of expenditure in accordance with the Appropriation Ordinance and the Supplementary Appropriation Ordinance.
- (ii) The Statement of Assets and Liabilities and the Statement of Receipts and Payments of the General Revenue Account constitute the statement of the assets and liabilities and the annual statement of the receipts and payments of the Government as specified in section 11(1)(a) and (b) of the Audit Ordinance (Cap. 122). These Statements exclude the assets and liabilities and the receipts and payments of the Funds established under section 29 of the Public Finance Ordinance, viz Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund, for which separate statements of accounts are prepared.

2. Accounting Policies

- (i) The General Revenue Account is kept on a cash basis. Transactions are recorded when moneys are received or paid, whether they relate to recurrent or capital transactions. The Statement of Assets and Liabilities does not include fixed assets, loans, investments other than those made under section 26 of the Public Finance Ordinance, and debtors and creditors other than those covered by sections 20, 21, 22, 23, 24, 27 and 30 of the Public Finance Ordinance.
- (ii) For the purposes of these accounts, a contingent liability is defined as:
 - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
 - (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.
- (iii) Currency balances other than Hong Kong dollar are stated at weighted average cost.

3. Investments with the Exchange Fund

- (i) These are investments and deposits held under section 26 of the Public Finance Ordinance:

	2008	2007
	\$'000	\$'000
Investments (see (ii) and (iii) below)	255,223,782	157,142,574
Deposits	303,608	188,769
	<u>255,527,390</u>	<u>157,331,343</u>

- (ii) The investments represent the cost of investments together with interest of \$11.72 billion received in the year ended 31 March 2008.
- (iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

General Revenue Account

4. Deposits with Banks

These are Hong Kong dollar and foreign currency deposits placed with licensed banks in Hong Kong for investment under section 26 of the Public Finance Ordinance:

	2008	2007
	\$'000	\$'000
Hong Kong dollar	249,501	164,418
Foreign currency	206,722	201,611
	<u>456,223</u>	<u>366,029</u>

5. Cash and Bank Balances

These balances cover cash in hand, in transit, with banks and agents, and with public officers for operating standing or special imprest accounts as provided under section 22 of the Public Finance Ordinance.

6. Advances

Advances are paid under the authority of warrants issued under section 20 of the Public Finance Ordinance for a variety of reasons and are either recoverable or chargeable to expenditure upon authority being given:

	2008	2007
	\$'000	\$'000
Expenditure on Vietnamese migrants (see (i) below)	1,161,991	1,161,991
Advances to Government officers	479,708	464,817
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	316,364	286,622
Others	128,013	155,874
	<u>2,086,076</u>	<u>2,069,304</u>

- (i) The sum of \$1,161.991 million is the outstanding balance of expenditure on Vietnamese migrants recoverable from the United Nations High Commissioner for Refugees (UNHCR). The last repayment, amounting to \$3.865 million, was received in February 1998. In January 1998, the High Commissioner for Refugees informed the Government of the Hong Kong Special Administrative Region (HKSAR) that in the absence of further funding prospects, the repayment in February 1998 was the last reimbursement that the UNHCR could realistically foresee. If the UNHCR defaults on repayment of the outstanding advances, the Government of the HKSAR will not be able to enforce repayment through legal means as the UNHCR is immune from suit under the International Organisations and Diplomatic Privileges Ordinance (Cap. 190). Consequently, the full recovery of the amount due is doubtful.

During the financial year 2007-08, the Government of the HKSAR continued to pursue the repayment of the outstanding advances from the UNHCR and to urge it to make renewed efforts to look for donations with a view to settling the amount. So far, the Government of the HKSAR has not received any further repayments.

Efforts to press the UNHCR for early settlement of the outstanding advances will continue.

General Revenue Account

7. Suspense Accounts

These Suspense Accounts are established under Resolutions passed by the Legislative Council under section 30 of the Public Finance Ordinance:

	2008	2007
	\$'000	\$'000
Assets:		
Correctional Services Industries	33,836	38,509
Government Logistics Department — Unallocated Stores	6,033	8,537
	39,869	47,046
Liabilities:		
The Special Coin	(108,176)	(109,416)
The Financial Secretary Incorporated	(1,821)	(2,472)
	(109,997)	(111,888)
Net balance	(70,128)	(64,842)

The balances on the Correctional Services Industries Suspense Account and the Government Logistics Department— Unallocated Stores Suspense Account represent the cost of stocks in hand.

The balance on The Special Coin Suspense Account represents the unutilised balance of net proceeds arising from issuing and dealing with special and commemorative coins.

The balance on The Financial Secretary Incorporated Suspense Account represents the net amount arising from dealing with the regrant or renewal of Government Leases and managing the properties comprised therein.

8. Deposits

These are moneys received from time to time from individuals or organisations under sections 23 and 24 of the Public Finance Ordinance for a variety of reasons and are in due course either repayable or transferable to General Revenue:

	2008	2007
	\$'000	\$'000
Tax reserve certificates	11,913,067	10,906,181
Water deposits	1,372,171	1,324,057
Tenancy deposits	842,079	805,846
Legal aid deposits	428,815	370,336
Tax overpayments	318,295	335,247
Private works	131,955	162,916
Receipts on behalf of non-departmental public bodies and trading funds	150	137
Others	1,520,828	1,451,141
	16,527,360	15,355,861

General Revenue Account

9. Liabilities

The following outstanding liabilities under the Loans Ordinance (Cap. 61) are not included in the Statement of Assets and Liabilities:

	2008	2007
	\$'000	\$'000
Outstanding Toll Revenue Bond (see (i) below)	<u>2,637,620</u>	<u>4,200,117</u>

- (i) Following a resolution passed under section 3(1) of the Loans Ordinance (Cap. 61), the Government issued in May 2004 a \$6 billion Toll Revenue Bond to Hong Kong Link 2004 Limited to be repaid by the net toll revenue receivable of the specified Government-owned tunnels and bridges. The net proceeds were credited to the Capital Works Reserve Fund. The outstanding Toll Revenue Bond will mature by May 2016 but may be fully repaid before then. During the financial year, repayments of \$1.56 billion principal and payments of \$0.17 billion interest were made.

10. Contingent Liabilities

There are contingent liabilities as listed below, with the maximum amount of each liability as at 31 March 2008 indicated in brackets:

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (\$12,787 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (\$4,055 million); and
- (iii) Litigation (\$42 million).

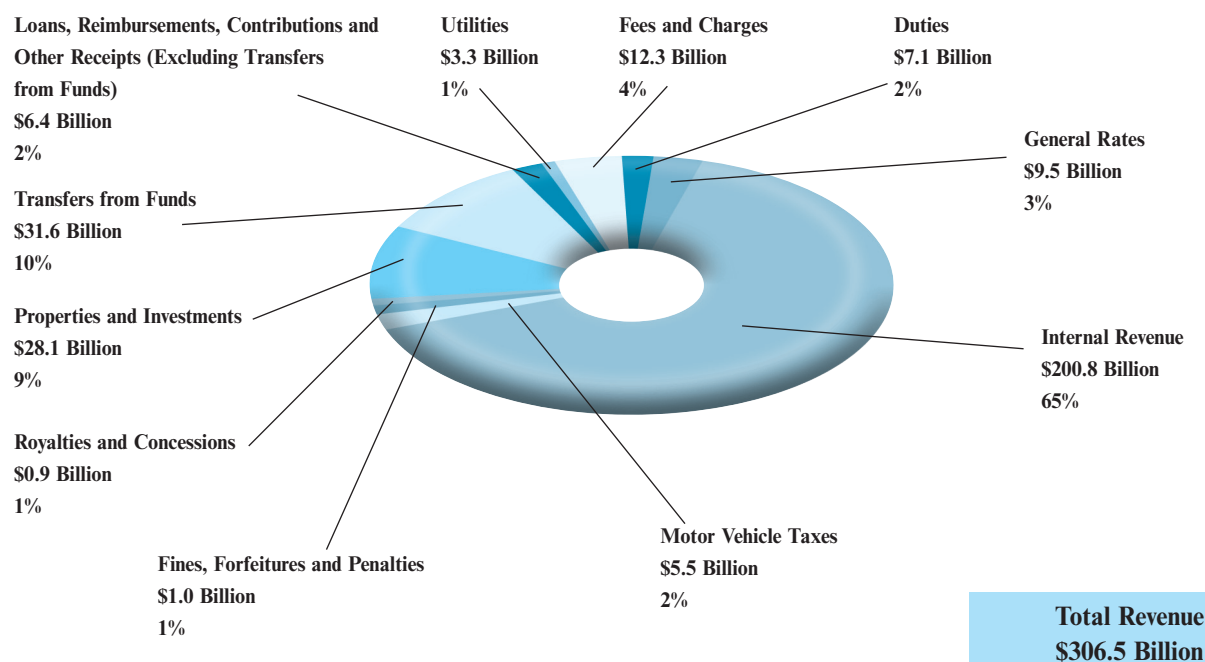
11. Revenue

Analysis of total revenue by Head:

Head	2008				2007
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
1 Duties	6,288,796	7,059,525	770,729	12.3	7,022,969
2 General Rates	11,552,000	9,494,544	(2,057,456)	(17.8)	15,467,273
3 Internal Revenue	149,072,610	200,801,441	51,728,831	34.7	155,134,636
4 Motor Vehicle Taxes	4,464,610	5,552,874	1,088,264	24.4	4,334,659
5 Fines, Forfeitures and Penalties	993,053	996,968	3,915	0.4	1,008,698
6 Royalties and Concessions	781,331	863,270	81,939	10.5	609,964
7 Properties and Investments	20,759,466	28,078,385	7,318,919	35.3	21,916,293
9 Loans, Reimbursements, Contributions and Other Receipts	36,354,064	37,993,181	1,639,117	4.5	8,422,178
10 Utilities	3,451,134	3,343,639	(107,495)	(3.1)	3,335,675
11 Fees and Charges	11,983,878	12,296,648	312,770	2.6	11,672,619
Total	<u>245,700,942</u>	<u>306,480,475</u>	<u>60,779,533</u>	24.7	<u>228,924,964</u>

General Revenue Account

Analysis of Revenue for the year ended 31 March 2008



12. Expenditure

Analysis of total expenditure by Head:

Head	2008				2007
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
21 Chief Executive's Office	74,629	77,429	2,800	3.8	69,841
22 Agriculture, Fisheries and Conservation Department	1,439,358	1,458,086	18,728	1.3	996,218
25 Architectural Services Department	1,361,087	1,391,110	30,023	2.2	1,358,840
24 Audit Commission	113,092	114,522	1,430	1.3	111,351
23 Auxiliary Medical Service	59,227	59,738	511	0.9	57,999
82 Buildings Department	775,737	783,243	7,506	1.0	762,494
26 Census and Statistics Department	475,211	455,302	(19,909)	(4.2)	494,716
27 Civil Aid Service	73,739	72,324	(1,415)	(1.9)	71,725
28 Civil Aviation Department	626,432	605,238	(21,194)	(3.4)	580,632
33 Civil Engineering and Development Department	1,306,412	1,302,260	(4,152)	(0.3)	1,043,919
30 Correctional Services Department	2,415,644	2,484,866	69,222	2.9	2,357,031
31 Customs and Excise Department	2,127,362	2,052,986	(74,376)	(3.5)	1,853,004
37 Department of Health	3,077,573	3,075,435	(2,138)	(0.1)	2,962,855
92 Department of Justice	906,630	855,181	(51,449)	(5.7)	823,085
39 Drainage Services Department	1,585,648	1,601,314	15,666	1.0	1,553,467

General Revenue Account

12. Expenditure (Continued)

Head	2008				2007
	Original	Actual	Over/(Under) the Estimate	Variance	Actual
	Estimate				
	\$'000	\$'000	\$'000	%	\$'000
42 Electrical and Mechanical Services Department	287,276	302,889	15,613	5.4	293,754
44 Environmental Protection Department	2,757,857	3,254,009	496,152	18.0	2,008,544
45 Fire Services Department	3,118,259	3,123,397	5,138	0.2	2,957,450
49 Food and Environmental Hygiene Department	4,077,004	3,863,520	(213,484)	(5.2)	3,721,697
46 General Expenses of the Civil Service	3,690,660	3,282,475	(408,185)	(11.1)	3,620,782
166 Government Flying Service	235,108	213,090	(22,018)	(9.4)	205,471
48 Government Laboratory	286,282	278,693	(7,589)	(2.7)	234,676
59 Government Logistics Department	419,644	422,942	3,298	0.8	384,952
51 Government Property Agency	1,795,517	1,622,697	(172,820)	(9.6)	1,602,635
35 Government Secretariat: Beijing Office	53,029	52,823	(206)	(0.4)	41,826
143 Government Secretariat: Civil Service Bureau	396,685	405,983	9,298	2.3	373,104
* 152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	523,923	962,679	438,756	83.7	472,791
* 55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	63,594	64,346	752	1.2	120,806
* 144 Government Secretariat: Constitutional and Mainland Affairs Bureau	123,349	218,182	94,833	76.9	113,470
* 138 Government Secretariat: Development Bureau (Planning and Lands Branch)	85,417	84,086	(1,331)	(1.6)	81,854
* 159 Government Secretariat: Development Bureau (Works Branch)	190,984	181,876	(9,108)	(4.8)	176,263
145 Government Secretariat: Economic Development and Labour Bureau (Economic Development Branch) (disestablished on 1.7.2007)	729,662	199,002	(530,660)	(72.7)	848,571
* 156 Government Secretariat: Education Bureau	35,799,128	34,587,017	(1,212,111)	(3.4)	32,624,936

General Revenue Account

12. Expenditure (Continued)

Head	2008				2007
	Original Estimate	Actual	Over/(Under) the Estimate	Variance	Actual
	\$'000	\$'000	\$'000	%	\$'000
137 Government Secretariat: Environment Bureau	-	28,452	28,452	-	-
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	123,757	103,796	(19,961)	(16.1)	102,858
147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)	184,560	170,869	(13,691)	(7.4)	167,865
* 139 Government Secretariat: Food and Health Bureau (Food Branch)	89,934	37,599	(52,335)	(58.2)	-
* 140 Government Secretariat: Food and Health Bureau (Health Branch)	29,124,646	30,020,597	895,951	3.1	-
53 Government Secretariat: Home Affairs Bureau	1,057,019	982,921	(74,098)	(7.0)	852,152
155 Government Secretariat: Innovation and Technology Commission	464,046	470,120	6,074	1.3	446,567
141 Government Secretariat: Labour and Welfare Bureau	-	842,952	842,952	-	-
47 Government Secretariat: Office of the Government Chief Information Officer	564,033	541,628	(22,405)	(4.0)	523,870
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	595,274	512,948	(82,326)	(13.8)	536,894
96 Government Secretariat: Overseas Economic and Trade Offices	302,090	274,394	(27,696)	(9.2)	227,211
151 Government Secretariat: Security Bureau	131,732	124,585	(7,147)	(5.4)	118,080
* 158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	71,832	106,649	34,817	48.5	74,392
60 Highways Department	2,007,163	1,997,255	(9,908)	(0.5)	1,890,819
63 Home Affairs Department	1,355,286	1,268,951	(86,335)	(6.4)	1,203,360
168 Hong Kong Observatory	195,204	196,560	1,356	0.7	192,452
122 Hong Kong Police Force	11,353,238	11,515,456	162,218	1.4	10,871,968
62 Housing Department	116,736	116,736	-	-	92,527
70 Immigration Department	2,601,182	2,627,279	26,097	1.0	2,251,506
72 Independent Commission Against Corruption	701,247	696,940	(4,307)	(0.6)	661,782

General Revenue Account

12. Expenditure (Continued)

Head	2008				2007
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
121 Independent Police Complaints Council	13,557	15,206	1,649	12.2	15,188
74 Information Services Department	347,918	339,807	(8,111)	(2.3)	316,993
76 Inland Revenue Department	1,179,031	1,140,579	(38,452)	(3.3)	1,053,536
78 Intellectual Property Department	86,951	82,823	(4,128)	(4.7)	79,584
79 Invest Hong Kong	107,151	107,685	534	0.5	105,989
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	13,446	13,911	465	3.5	8,612
80 Judiciary	995,591	910,459	(85,132)	(8.6)	878,524
90 Labour Department	972,442	1,046,994	74,552	7.7	911,651
91 Lands Department	1,635,797	1,572,718	(63,079)	(3.9)	1,482,722
94 Legal Aid Department	722,540	646,780	(75,760)	(10.5)	628,845
112 Legislative Council Commission	351,893	358,389	6,496	1.8	342,067
95 Leisure and Cultural Services Department	4,914,196	4,961,859	47,663	1.0	4,915,052
100 Marine Department	896,832	879,430	(17,402)	(1.9)	852,080
106 Miscellaneous Services	9,625,442	81,541	(9,543,901)	(99.2)	116,156
114 Office of the Ombudsman	81,612	81,612	-	-	81,252
116 Official Receiver's Office	132,287	110,070	(22,217)	(16.8)	107,352
120 Pensions	15,040,411	14,736,368	(304,043)	(2.0)	13,654,294
118 Planning Department	436,336	435,600	(736)	(0.2)	399,948
136 Public Service Commission	15,216	15,597	381	2.5	14,873
160 Radio Television Hong Kong	456,081	432,145	(23,936)	(5.2)	414,660
162 Rating and Valuation Department	361,433	358,607	(2,826)	(0.8)	347,429
163 Registration and Electoral Office	230,058	229,203	(855)	(0.4)	135,446
169 Secretariat, Commissioner on Interception of Communications and Surveillance	11,092	8,653	(2,439)	(22.0)	4,660
170 Social Welfare Department	34,089,366	33,958,580	(130,786)	(0.4)	32,453,338
173 Student Financial Assistance Agency	3,758,681	3,258,269	(500,412)	(13.3)	3,587,538
180 Television and Entertainment Licensing Authority	95,428	105,128	9,700	10.2	91,661
181 Trade and Industry Department	490,627	435,954	(54,673)	(11.1)	440,651
186 Transport Department	947,050	916,735	(30,315)	(3.2)	862,999

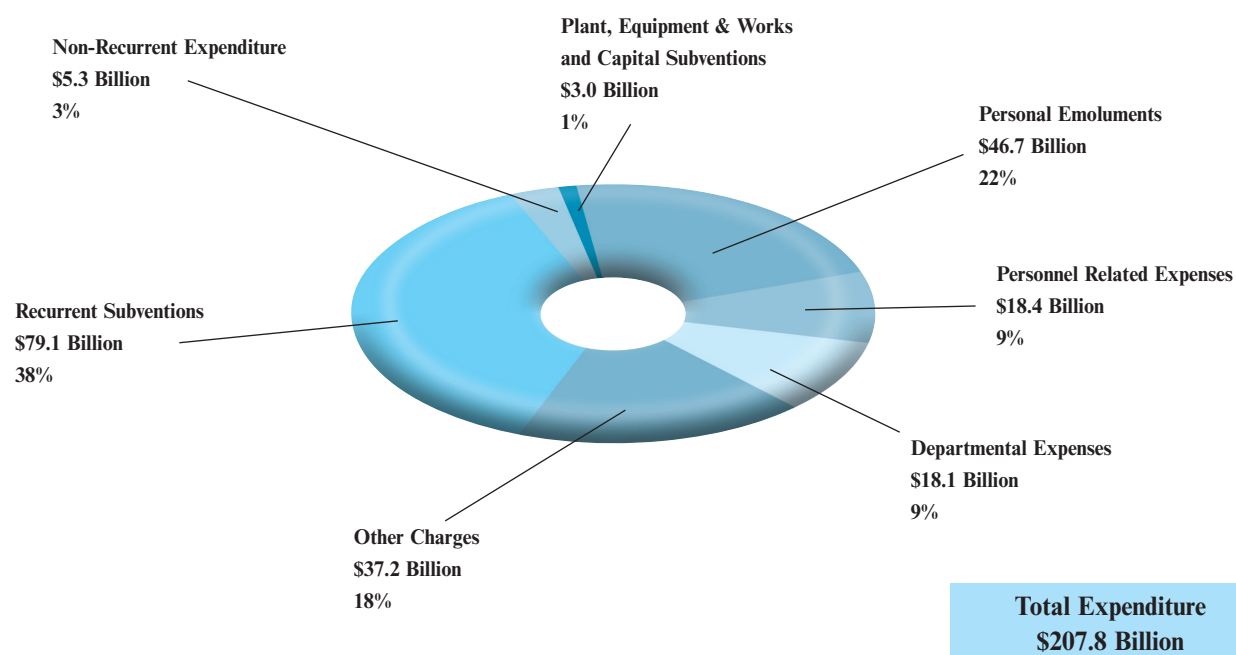
General Revenue Account

12. Expenditure (Continued)

Head	2008				2007
	Original Estimate \$'000	Actual \$'000	Over/(Under) the Estimate \$'000	Variance %	Actual \$'000
188 Treasury	322,808	298,598	(24,210)	(7.5)	305,093
190 University Grants Committee	11,170,250	12,188,484	1,018,234	9.1	12,189,275
194 Water Supplies Department	5,079,074	5,146,135	67,061	1.3	5,067,416
149 Government Secretariat: Health, Welfare and Food Bureau	-	-	-	-	28,453,356
	<u>216,670,735</u>	<u>207,019,346</u>	<u>(9,651,389)</u>	(4.5)	<u>195,513,302</u>
184 Transfers to Funds	1,616,800	766,800	(850,000)	(52.6)	66,400
Total	<u>218,287,535</u>	<u>207,786,146</u>	<u>(10,501,389)</u>	(4.8)	<u>195,579,702</u>

*Head 152, 55, 144, 138, 159, 156, 139, 140 and 158— these are revised titles which took effect on 1.7.2007.

Analysis of Expenditure for the year ended 31 March 2008



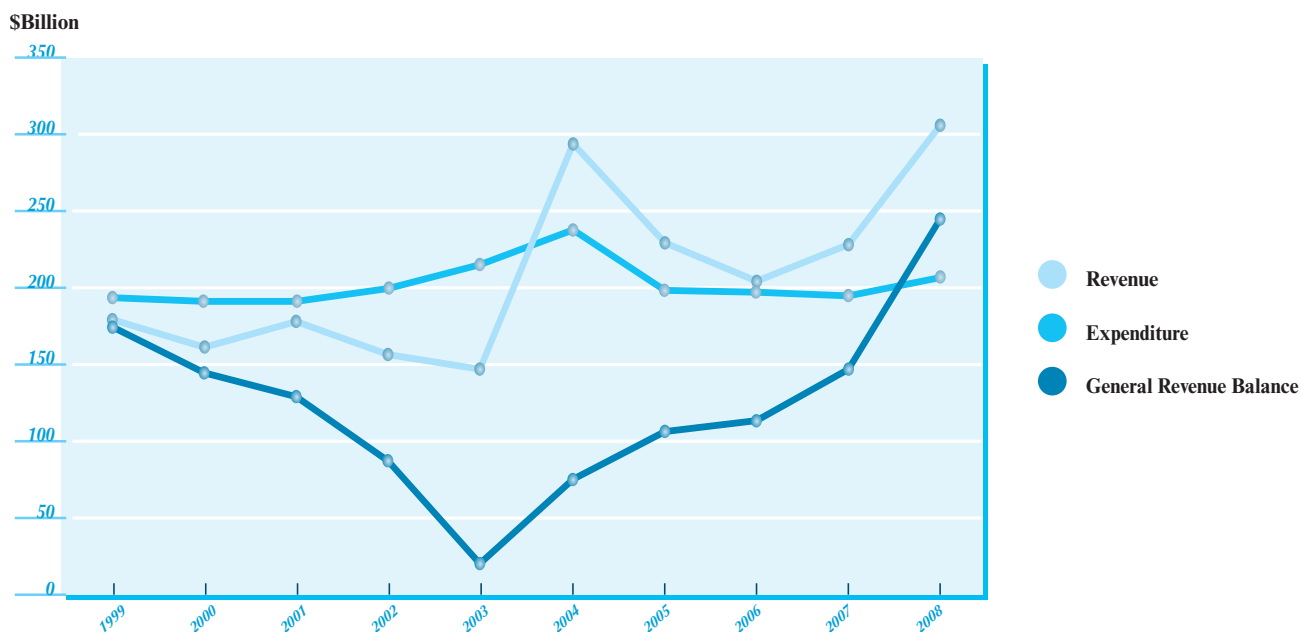
General Revenue Account

13. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(98,196,047)	(35,351,235)
Deposits with banks	(90,194)	319,025
Advances	(16,772)	78,598
Suspense Accounts	7,177	5,607
	(98,295,836)	(34,948,005)
Increase/(Reduction) in Liabilities:		
Deposits	1,171,499	2,160,267
Suspense Accounts	(1,891)	(22,418)
	1,169,608	2,137,849
	(97,126,228)	(32,810,156)

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 1999 to 2008



Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Capital Works Reserve Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Capital Works Reserve Fund set out on pages 23 to 30, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the Capital Works Reserve Fund as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Capital Works Reserve Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments with the Exchange Fund	3	65,944,129	52,670,940
Deposits with banks	4	59	1,611
Cash and bank balances		6,850	31,266
Advances	5	95,589	102,105
		66,046,627	52,805,922
Liabilities			
Deposits	6	(931,400)	(1,002,189)
		<u>65,115,227</u>	<u>51,803,733</u>
Representing:			
Fund Balance			
Balance at 1 April 2007		51,803,733	37,044,458
Surplus for the year		13,311,494	14,759,275
Balance at 31 March 2008		<u>65,115,227</u>	<u>51,803,733</u>

The accompanying Notes 1 to 10 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Capital Works Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		31,266	28,804
Revenue	8	66,376,086	41,483,860
Expenditure	9	(53,064,592)	(26,724,585)
Surplus for the year		13,311,494	14,759,275
Other cash movements	10	(13,335,910)	(14,756,813)
Cash and bank balances at 31 March 2008		6,850	31,266

The accompanying Notes 1 to 10 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Capital Works Reserve Fund

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

The Capital Works Reserve Fund was set up to finance public works programmes, acquisitions of land, capital subventions and major systems and equipment items. It was initially established on 1 April 1982 by a Resolution of the Legislative Council on 20 January 1982 and has been reconstituted since 1 January 1998 under another Resolution passed on 17 December 1997 (hereinafter referred to as the Resolution).

2. Accounting Policies

(i) The accounts of the Capital Works Reserve Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid, whether they relate to recurrent or capital transactions. The Statement of Assets and Liabilities of the Fund excludes fixed assets, loans, investments other than those made under paragraph (d)(iii) of the Resolution, and debtors and creditors other than those advances and deposits referred to in the Notes below.

(ii) Currency balances other than Hong Kong dollar are stated at weighted average cost.

3. Investments with the Exchange Fund

(i) These are investments and deposits held under paragraph (d)(iii) of the Resolution:

	2008	2007
	\$'000	\$'000
Investments (see (ii) and (iii) below)	65,817,184	52,432,373
Deposits	126,945	238,567
	<u>65,944,129</u>	<u>52,670,940</u>

(ii) The investments represent the cost of investments together with interest of \$3.99 billion received in the year ended 31 March 2008.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

4. Deposits with Banks

These are foreign currency deposits placed with licensed banks in Hong Kong:

	2008	2007
	\$'000	\$'000
Foreign currency	59	1,611

Capital Works Reserve Fund

5. Advances

Advances are paid under the authority of warrants issued under section 20 of the Public Finance Ordinance for a variety of reasons and are either recoverable or chargeable to expenditure upon authority being given:

	2008	2007
	\$'000	\$'000
Advances for Tsing Ma Control Area non-scheduled maintenance works	18,227	24,743
Advances in respect of other capital works projects	77,362	77,362
	<u>95,589</u>	<u>102,105</u>

The advance account for the non-scheduled maintenance works of Tsing Ma Control Area (TMCA) was opened in July 2004 following the securitization of revenue receivable from the tolls on Government-owned tunnels and bridges. The balance on the advance account will be offset in each financial year by \$20 million collected upfront from the Lantau Link toll revenue and, starting from 2005-06, by another amount of up to \$10 million receivable from Hong Kong Link 2004 Limited pursuant to the arrangement set out in the prospectus for issuance of bonds relating to the securitization.

6. Deposits

These are moneys received from time to time from individuals or organisations for a variety of reasons and are in due course either repayable or transferable to revenue:

	2008	2007
	\$'000	\$'000
Contract retentions	525,497	647,245
Others	405,903	354,944
	<u>931,400</u>	<u>1,002,189</u>

7. Liabilities

The following outstanding liabilities under the Loans Ordinance (Cap. 61) are not included in the Statement of Assets and Liabilities:

	2008	2007
	\$'000	\$'000
Outstanding government bonds and notes	<u>17,426,750</u>	<u>17,467,188</u>

Following a resolution passed under section 3(1) of the Loans Ordinance (Cap. 61), the Government issued in July 2004 bonds and notes totalling \$20 billion to retail and institutional investors. These include institutional notes of US\$1.25 billion denominated in United States dollar. Of the outstanding amount, the retail bonds of \$2.70 billion matured in July 2008 and the institutional notes totalling \$14.73 billion will mature within the period July 2009 to July 2019. During the financial year, interest payments of \$0.80 billion were made.

The institutional notes denominated in United States dollar are translated into Hong Kong dollar at the rate of exchange ruling on the last working day of the year.

Capital Works Reserve Fund

8. Revenue

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Land premium:			
Sales by public auction and tender	-	33,373,780	7,200,500
Private treaty grants	-	10,804,691	23,188,328
Modification of existing leases, exchanges and extensions	-	17,741,737	6,324,827
Fees received in respect of short term waivers	-	397,672	286,758
	38,500,000	62,317,880	37,000,413
Investment income	4,024,740	4,003,170	4,358,479
Other revenue:			
Recovery from MTR Corporation Ltd.	131,000	-	-
Donations and contributions	18,170	6,262	13,462
Others	2,700	48,774	111,506
	151,870	55,036	124,968
	42,676,610	66,376,086	41,483,860
	42,676,610	66,376,086	41,483,860

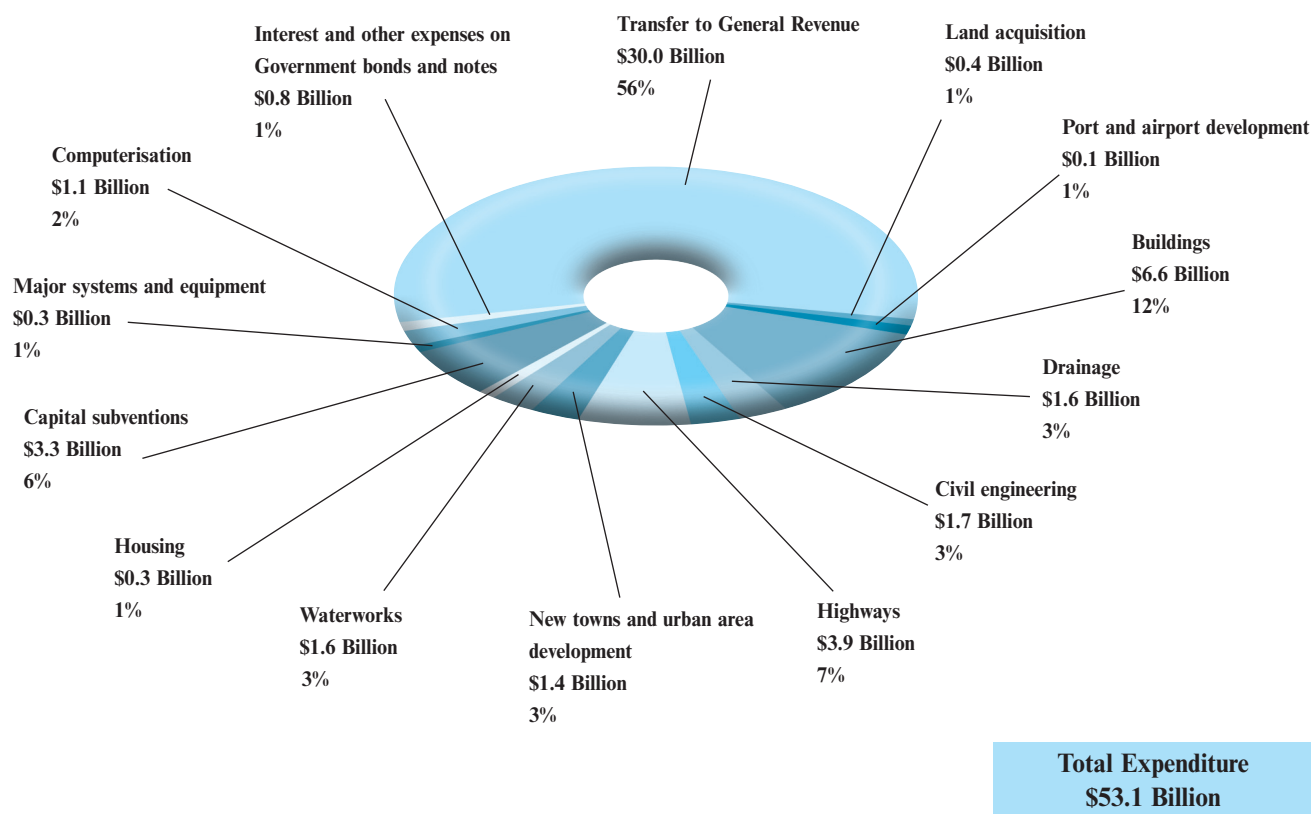
Capital Works Reserve Fund

9. Expenditure

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Land acquisition	1,895,610	371,978	226,517
Public Works Programme:			
Port and airport development	7,569	3,791	129,416
Buildings	6,519,718	6,593,077	5,929,672
Drainage	1,416,262	1,643,648	1,449,583
Civil engineering	1,824,217	1,724,937	2,211,724
Highways	3,414,593	3,918,447	5,235,185
New towns and urban area development	1,699,019	1,388,467	1,773,008
Waterworks	1,494,619	1,588,235	1,098,355
Housing	361,521	330,326	669,122
	16,737,518	17,190,928	18,496,065
Capital subventions and major systems and equipment:			
Capital subventions	3,678,004	3,334,326	3,188,357
Major systems and equipment	700,388	275,741	478,761
	4,378,392	3,610,067	3,667,118
Computerisation	1,966,935	1,085,673	945,082
Government bonds and notes:			
Repayment	-	-	2,550,000
Interest and other expenses	799,115	799,913	825,916
	799,115	799,913	3,375,916
Transfer to General Revenue	30,000,000	30,000,000	-
Other payments:			
Refund of overpayment of land premium	-	6,033	13,887
	<u>55,777,570</u>	<u>53,064,592</u>	<u>26,724,585</u>

Capital Works Reserve Fund

Analysis of Expenditure for the year ended 31 March 2008



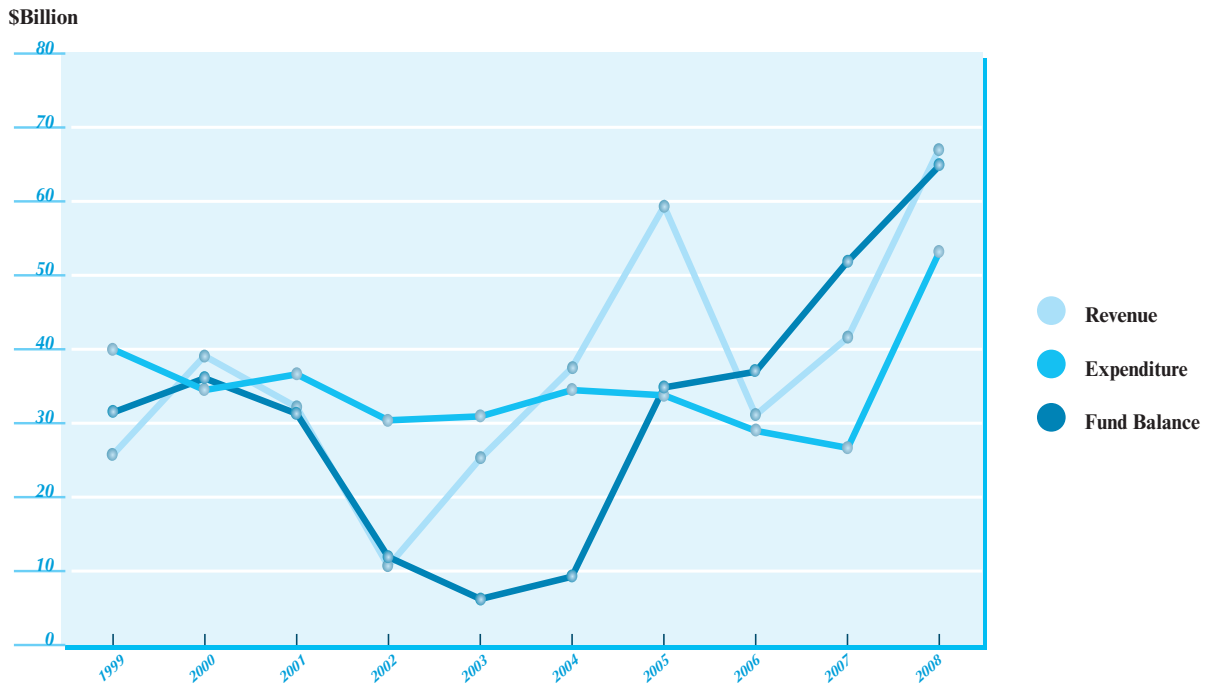
10. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(13,273,189)	(14,559,294)
Deposits with banks	1,552	331
Advances	6,516	(11,895)
	(13,265,121)	(14,570,858)
Increase/(Reduction) in Liabilities:		
Deposits	(70,789)	(185,955)
	<u>(13,335,910)</u>	<u>(14,756,813)</u>

Capital Works Reserve Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 1999 to 2008



Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Capital Investment Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Capital Investment Fund set out on pages 33 to 38, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the Capital Investment Fund as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Capital Investment Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments	3		
Equity Holdings		112,964,815	111,939,698
Other Investments		390,370,946	386,213,924
		<u>503,335,761</u>	<u>498,153,622</u>
Loans	4	7,090,880	7,836,843
		510,426,641	505,990,465
Current Assets			
Investments with the Exchange Fund	5	562,305	55,570
Cash and bank balances		2	1
		<u>562,307</u>	<u>55,571</u>
		<u><u>510,988,948</u></u>	<u><u>506,046,036</u></u>
Representing:			
Total Fund Balance			
Applied Fund	6	510,426,641	505,990,465
Available Fund	7		
Balance at 1 April 2007		55,571	2,972,788
Surplus/(Deficit) for the year		506,736	(2,917,217)
Balance at 31 March 2008		<u>562,307</u>	<u>55,571</u>
	8	<u><u>510,988,948</u></u>	<u><u>506,046,036</u></u>

The accompanying Notes 1 to 11 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Capital Investment Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		1	-
Revenue	9	2,206,776	2,307,080
Expenditure	10	(1,700,040)	(5,224,297)
Surplus/(Deficit) for the year		506,736	(2,917,217)
Other cash movements	11	(506,735)	2,917,218
Cash and bank balances at 31 March 2008		2	1

The accompanying Notes 1 to 11 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Capital Investment Fund

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

The Capital Investment Fund finances investments in and loans to public sector bodies which are not part of the Government structure and such other bodies as the Finance Committee may specify. It was established with effect from 1 April 1990 by a Resolution passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on 14 March 1990. Amendments to this Resolution were passed by the Legislative Council on 6 November 1991. (The Resolution as amended is hereinafter referred to as the Resolution.)

2. Accounting Policies

- (i) Subject to (ii) below, the accounts of the Capital Investment Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid, whether they relate to recurrent or capital transactions.
- (ii) The Statement of Assets and Liabilities is structured to include investments acquired and loans made by way of cash, waived land premium, donated works or other similar transactions.
- (iii) For the purposes of these accounts, a contingent liability is defined as:
 - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
 - (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

3. Investments (at cost/original valuation)

	2008			2007		
	Equity	Other	Total	Equity	Other	Total
	Holdings	Investments		Holdings	Investments	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 April 2007	111,939,698	386,213,924	498,153,622	109,825,368	383,515,215	493,340,583
Additions:						
Cash acquisitions	-	-	-	1,124,297	2,000,000	3,124,297
Non-cash acquisitions	1,025,117	4,157,022	5,182,139	990,033	698,709	1,688,742
	1,025,117	4,157,022	5,182,139	2,114,330	2,698,709	4,813,039
Balance at 31 March 2008	112,964,815	390,370,946	503,335,761	111,939,698	386,213,924	498,153,622

Capital Investment Fund

4. Loans Outstanding

	2008 \$'000	2007 \$'000
Balance at 1 April 2007	7,836,843	8,931,696
Additions:		
Loan payments	100,040	-
Capitalized interest	368,979	83,934
	469,019	83,934
Deductions:		
Loan repayments	(1,214,982)	(1,178,787)
Balance at 31 March 2008	<u><u>7,090,880</u></u>	<u><u>7,836,843</u></u>

5. Investments with the Exchange Fund

(i) These are investments and deposits held under paragraph 7 of the Resolution:

	2008 \$'000	2007 \$'000
Investments (see (ii) and (iii) below)	562,304	-
Deposits	1	55,570
	<u><u>562,305</u></u>	<u><u>55,570</u></u>

(ii) The investments represent the cost of investments together with interest of \$23 million received in the year ended 31 March 2008.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

6. Applied Fund

This represents the sum of investments acquired and loans made for the purposes of the Fund under paragraph 5 of the Resolution.

7. Available Fund

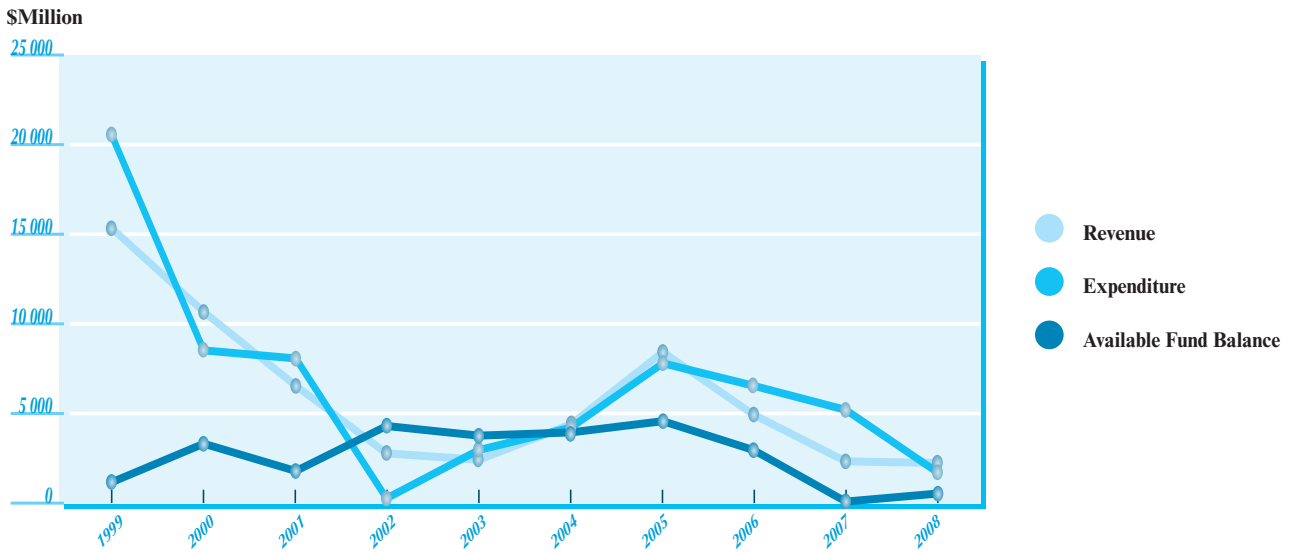
This represents funds available for acquiring investments or making loans for the purposes of the Fund under paragraph 5 of the Resolution.

8. Contingent Liabilities

As at 31 March 2008, the amount of possible capital subscriptions to the Asian Development Bank was \$2,295 million.

Capital Investment Fund

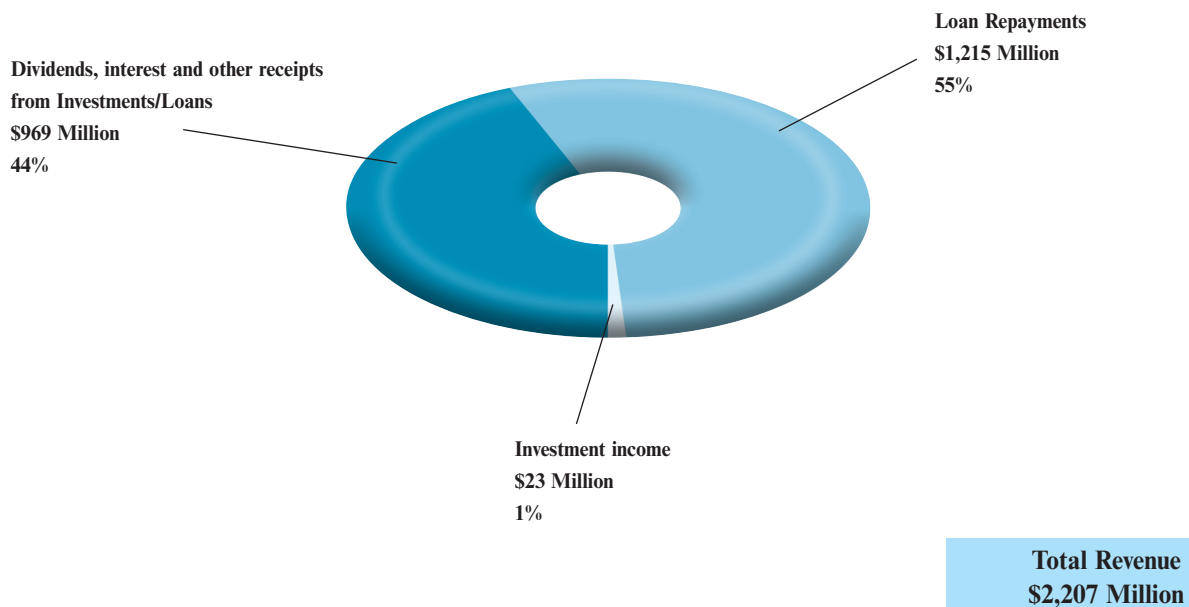
Revenue, Expenditure and Available Fund Balance for the years ended 31 March 1999 to 2008



9. Revenue

	2008		2007
	Original Estimate	Actual	Actual
	\$'000	\$'000	\$'000
Dividends, interest and other receipts from investments/loans	903,023	969,218	1,090,579
Loan repayments	1,206,922	1,214,982	1,178,787
Investment income	48,432	22,576	37,714
	<u>2,158,377</u>	<u>2,206,776</u>	<u>2,307,080</u>

Analysis of Revenue for the year ended 31 March 2008



Capital Investment Fund

10. Expenditure

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Acquisition of investments:			
Equity holdings	-	-	1,124,297
Other investments	-	-	2,000,000
	-	-	3,124,297
Loan payments	-	100,040	-
Transfer to General Revenue	1,800,000	1,600,000	2,100,000
	<u>1,800,000</u>	<u>1,700,040</u>	<u>5,224,297</u>

11. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
(Increase)/Reduction in Assets:		
Investments with the Exchange Fund	<u>(506,735)</u>	<u>2,917,218</u>

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Loan Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Loan Fund set out on pages 41 to 47, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the Loan Fund as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Loan Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Loans Outstanding	3		
Housing Loans		3,214,559	3,279,161
Education Loans		10,677,657	10,040,967
Other Loans		3,850,095	3,063,977
		17,742,311	16,384,105
Net Current Assets			
Current Assets			
Investments with the Exchange Fund	4	1,650,028	2,118,090
Cash and bank balances		38,695	24,316
		1,688,723	2,142,406
Current Liabilities			
Deposits	5	(4,132)	(3,596)
		1,684,591	2,138,810
		19,426,902	18,522,915
Representing:			
Total Fund Balance			
Applied Fund	6	17,742,311	16,384,105
Available Fund	7		
Balance at 1 April 2007		2,138,810	2,829,842
Deficit for the year		(454,219)	(691,032)
Balance at 31 March 2008		1,684,591	2,138,810
	8	19,426,902	18,522,915

The accompanying Notes 1 to 11 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Loan Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		24,316	18,505
Revenue	9	2,598,299	2,059,011
Expenditure	10	(3,052,518)	(2,750,043)
Deficit for the year		(454,219)	(691,032)
Other cash movements	11	468,598	696,843
Cash and bank balances at 31 March 2008		38,695	24,316

The accompanying Notes 1 to 11 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Loan Fund

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

The Loan Fund finances loans and advances for schemes of developments in Hong Kong and loans to students under schemes approved by the Finance Committee. It was established with effect from 1 April 1990 by a Resolution (hereinafter referred to as the Resolution) passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on 14 March 1990.

2. Accounting Policies

- (i) Subject to (ii) below, the accounts of the Loan Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid, whether they relate to recurrent or capital transactions.
- (ii) The Statement of Assets and Liabilities is structured to show the overall financial position of the Fund including the total outstanding loans.
- (iii) For the purposes of these accounts, a contingent liability is defined as:
 - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
 - (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

3. Loans Outstanding

	2008			2007		
	Housing Loans \$'000	Education Loans \$'000	Other Loans \$'000	Housing Loans \$'000	Education Loans \$'000	Other Loans \$'000
Balance at 1 April 2007	3,279,161	10,040,967	3,063,977	3,381,490	9,125,256	2,807,514
Additions:						
Loan payments	89,612	1,917,459	1,045,447	90,603	2,109,889	549,534
Capitalized interest	1,365	-	27,864	1,073	-	231
	90,977	1,917,459	1,073,311	91,676	2,109,889	549,765
Deductions:						
Loan repayments	(90,907)	(1,280,126)	(269,411)	(86,731)	(1,192,821)	(243,376)
Loans written off	(1,380)	(643)	(17,782)	(58)	(1,357)	(49,926)
Proceeds from sale of loans	(63,292)	-	-	(107,216)	-	-
	(155,579)	(1,280,769)	(287,193)	(194,005)	(1,194,178)	(293,302)
Balance at 31 March 2008	3,214,559	10,677,657	3,850,095	3,279,161	10,040,967	3,063,977

Loan Fund

4. Investments with the Exchange Fund

(i) These are investments and deposits held under paragraph 8 of the Resolution:

	2008	2007
	\$'000	\$'000
Investments (see (ii) and (iii) below)	1,631,020	-
Deposits	19,008	2,118,090
	<u>1,650,028</u>	<u>2,118,090</u>

(ii) The investments represent the cost of investments together with interest of \$102 million received in the year ended 31 March 2008.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

5. Deposits

These are moneys received from time to time from individuals or organisations for a variety of reasons and are in due course either repayable or transferable to revenue:

	2008	2007
	\$'000	\$'000
Students	4,042	3,531
Others	90	65
	<u>4,132</u>	<u>3,596</u>

6. Applied Fund

This represents the outstanding loans made from the Fund under paragraph 6 of the Resolution.

7. Available Fund

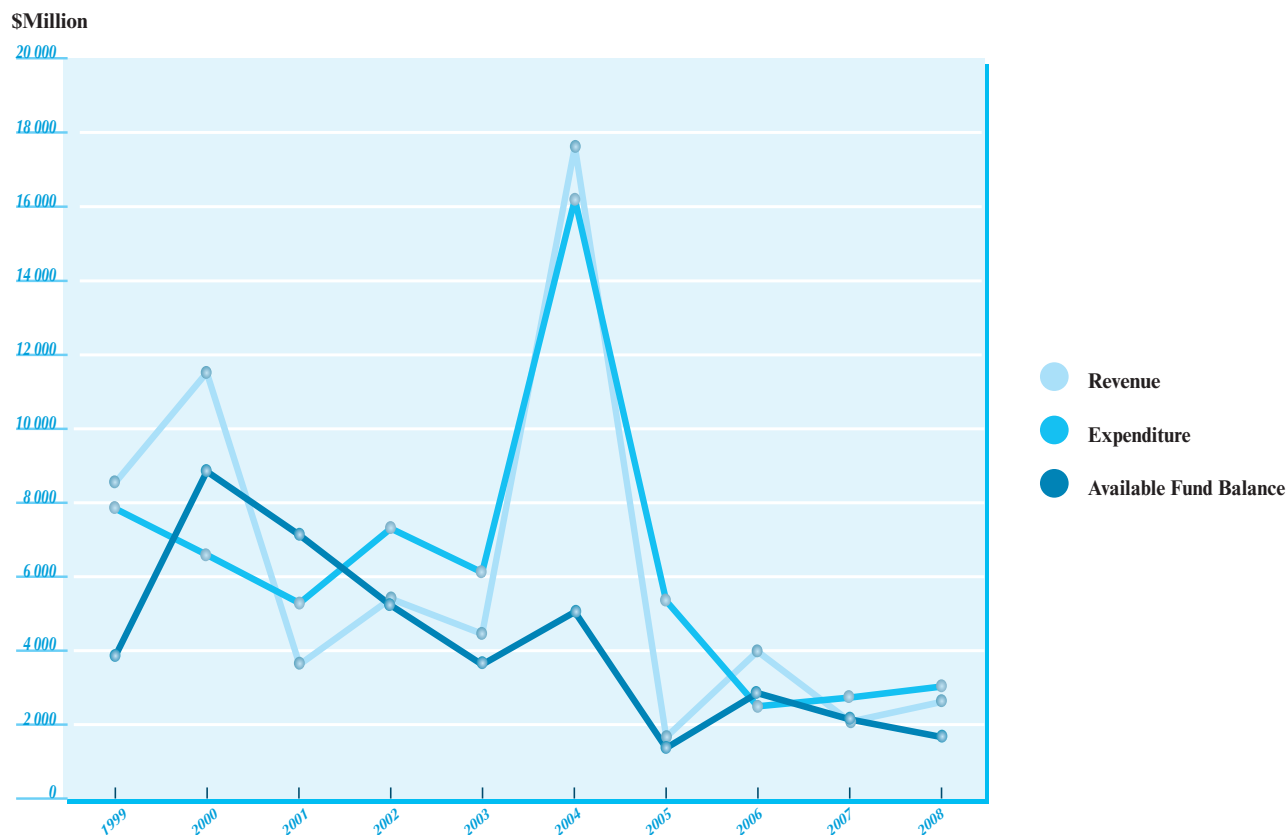
This represents funds available for making loans under paragraph 6 of the Resolution.

8. Contingent Liabilities

As at 31 March 2008, the amount of guarantees provided under a special finance scheme for small and medium enterprises was \$34 million.

Loan Fund

Revenue, Expenditure and Available Fund Balance for the years ended 31 March 1999 to 2008

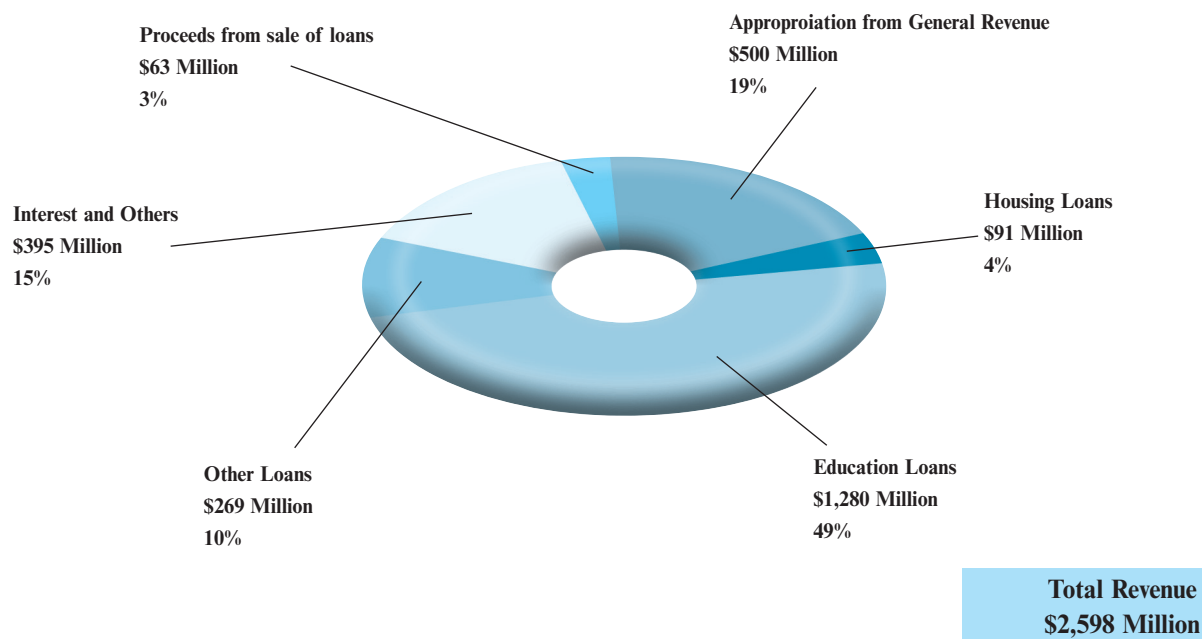


9. Revenue

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Loan repayments:			
Housing loans	61,030	90,907	86,731
Education loans	1,378,490	1,280,126	1,192,821
Other loans	299,607	269,411	243,376
	1,739,127	1,640,444	1,522,928
Interest on loans	341,968	288,924	267,878
Investment income	141,173	103,195	108,609
Surcharges on overdue loan repayments	2,200	2,372	2,346
Proceeds from sale of loans	165,329	63,292	107,216
Repayments waived now recovered	-	61	3
Others	-	11	31
Appropriation from General Revenue	1,600,000	500,000	50,000
	<u>3,989,797</u>	<u>2,598,299</u>	<u>2,059,011</u>

Loan Fund

Analysis of Revenue for the year ended 31 March 2008

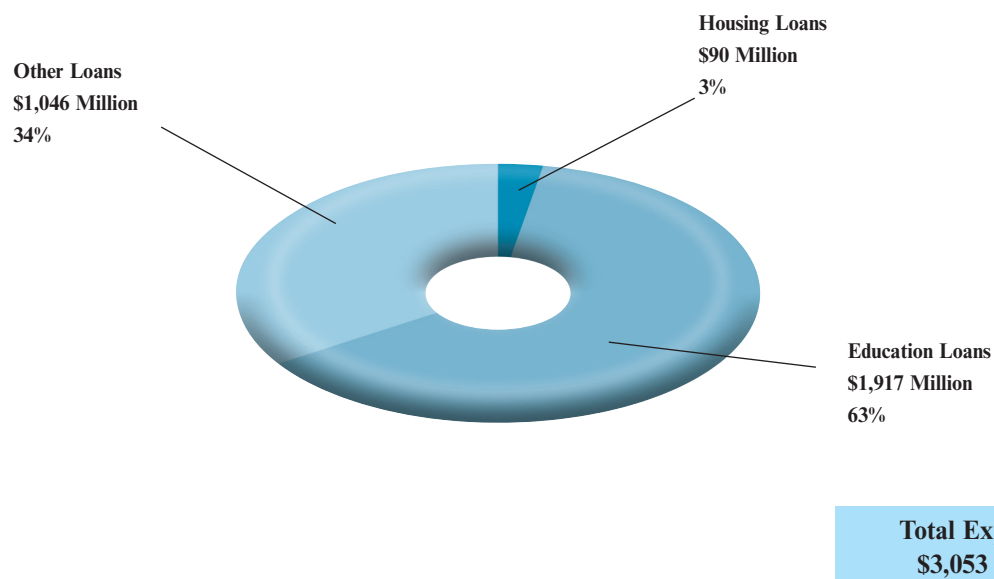


10. Expenditure

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Loan payments:			
Housing loans	248,000	89,612	90,603
Education loans	2,653,742	1,917,459	2,109,889
Other loans	1,230,084	1,045,447	549,534
	4,131,826	3,052,518	2,750,026
Others	-	-	17
	4,131,826	3,052,518	2,750,043

Loan Fund

Analysis of Expenditure for the year ended 31 March 2008



11. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
Reduction in Assets:		
Investments with the Exchange Fund	468,062	697,529
Increase/(Reduction) in Liabilities:		
Deposits	536	(686)
	<u>468,598</u>	<u>696,843</u>

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Civil Service Pension Reserve Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Civil Service Pension Reserve Fund set out on pages 51 to 53, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the Civil Service Pension Reserve Fund as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Civil Service Pension Reserve Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments with the Exchange Fund	3	<u>18,508,928</u>	<u>17,294,055</u>
Representing:			
Fund Balance			
Balance at 1 April 2007		17,294,055	15,814,090
Surplus for the year		<u>1,214,873</u>	<u>1,479,965</u>
Balance at 31 March 2008		<u>18,508,928</u>	<u>17,294,055</u>

The accompanying Notes 1 to 5 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Civil Service Pension Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		-	-
Revenue	4	1,214,873	1,479,965
Expenditure		-	-
Surplus for the year		1,214,873	1,479,965
Other cash movements	5	(1,214,873)	(1,479,965)
Cash and bank balances at 31 March 2008		-	-

The accompanying Notes 1 to 5 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Civil Service Pension Reserve Fund

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

The Civil Service Pension Reserve Fund is intended to meet payment of civil service pensions in the most unlikely event that the Government cannot meet such liabilities from the General Revenue. It was established with effect from 27 January 1995 by a Resolution (hereinafter referred to as the Resolution) passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on 25 January 1995.

2. Accounting Policy

The accounts of the Civil Service Pension Reserve Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

- (i) These are investments made under paragraph (f) of the Resolution. They represent the cost of investments together with interest of \$1.21 billion received in the year ended 31 March 2008.
- (ii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

4. Revenue

	<u>2008</u>		<u>2007</u>
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Investment income	<u>1,210,554</u>	<u>1,214,873</u>	<u>1,479,965</u>

5. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
Increase in Assets:		
Investments with the Exchange Fund	<u>1,214,873</u>	<u>1,479,965</u>

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Disaster Relief Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Disaster Relief Fund set out on pages 57 to 60, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the Disaster Relief Fund as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Disaster Relief Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments with the Exchange Fund	3	<u>28,034</u>	<u>30,535</u>
Representing:			
Fund Balance			
Balance at 1 April 2007		30,535	30,218
(Deficit)/Surplus for the year		<u>(2,501)</u>	<u>317</u>
Balance at 31 March 2008		<u>28,034</u>	<u>30,535</u>

The accompanying Notes 1 to 6 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Disaster Relief Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		-	-
Revenue	4	269,617	19,706
Expenditure	5	(272,118)	(19,389)
(Deficit)/Surplus for the year		(2,501)	317
Other cash movements	6	2,501	(317)
Cash and bank balances at 31 March 2008		-	-

The accompanying Notes 1 to 6 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Disaster Relief Fund

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

The Disaster Relief Fund provides a ready mechanism for Hong Kong to respond swiftly to international appeals for humanitarian aid in relief of disasters that occur outside Hong Kong. It was established with effect from 1 December 1993 by a Resolution (hereinafter referred to as the Resolution) passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on the same date.

2. Accounting Policy

The accounts of the Disaster Relief Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

- (i) These are investments made under paragraph (i) of the Resolution. They represent the cost of investments together with interest of \$1.80 million received in the year ended 31 March 2008.
- (ii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

4. Revenue

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Investment income	2,732	1,798	2,882
Appropriations from General Revenue	16,800	266,800	16,400
Refund of grants	-	519	424
Donations	-	500	-
	19,532	269,617	19,706

Disaster Relief Fund

5. Expenditure

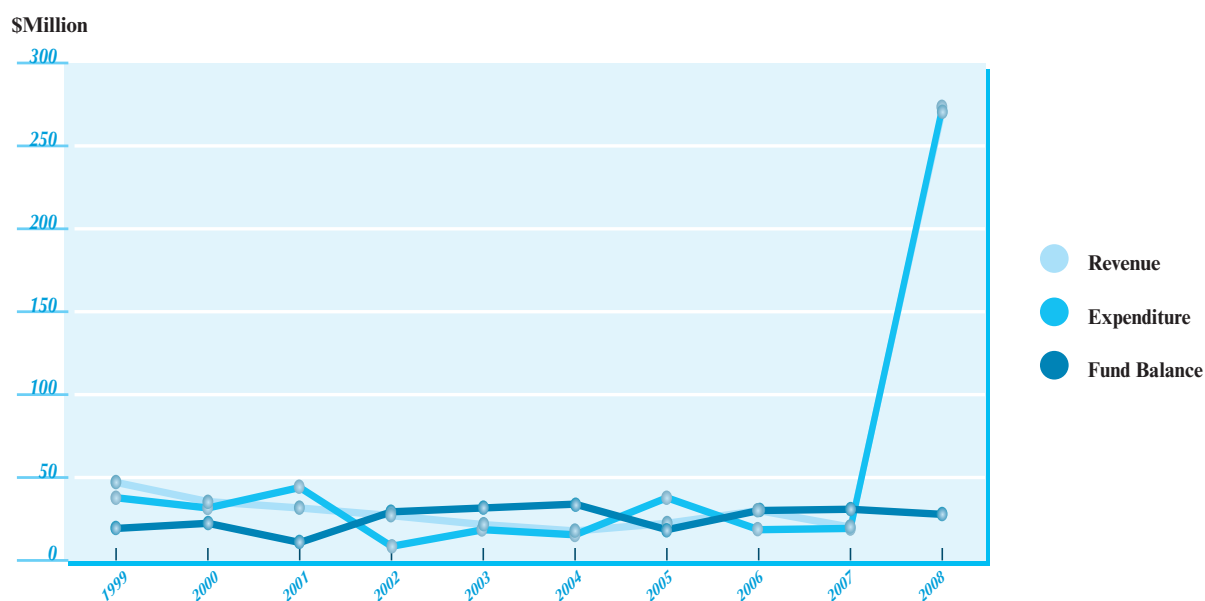
	2008 Actual \$'000	2007 Actual \$'000
Relief programmes for:		
snowstorms victims in the Mainland	237,430	-
flood victims in the Mainland	18,620	5,000
flood victims in South Asia	6,040	-
earthquake victims in the Mainland	4,000	-
cyclone victims in Bangladesh	3,648	-
earthquake victims in Peru	1,500	-
cyclone and flood victims in Pakistan	880	-
earthquake victims in Indonesia	-	10,389
typhoon victims in the Philippines	-	2,500
drought victims in the Mainland	-	1,500
	272,118	19,389

6. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	2,501	(317)

Revenue, Expenditure and Fund Balance for the years ended 31 March 1999 to 2008



Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Land Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Land Fund set out on pages 63 to 65, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the Land Fund as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Land Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments with the Exchange Fund	3	<u>150,467,409</u>	<u>140,591,160</u>
Representing:			
Fund Balance			
Balance at 1 April 2007		140,591,160	128,559,859
Surplus for the year		<u>9,876,249</u>	<u>12,031,301</u>
Balance at 31 March 2008		<u>150,467,409</u>	<u>140,591,160</u>

The accompanying Notes 1 to 5 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Land Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		-	-
Revenue	4	9,876,249	12,031,301
Expenditure		-	-
Surplus for the year		9,876,249	12,031,301
Other cash movements	5	(9,876,249)	(12,031,301)
Cash and bank balances at 31 March 2008		-	-

The accompanying Notes 1 to 5 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Land Fund

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

The Land Fund was set up with effect from 1 July 1997 by a Resolution (hereinafter referred to as the Resolution) passed by the then Provisional Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) in July 1997. The Hong Kong Monetary Authority has been directed by the Financial Secretary to manage the investment of the Fund's assets. From 1 July 1997 to 31 October 1998, the assets of the Fund were managed as a separate portfolio. With effect from 1 November 1998, the assets of the Fund have been merged into the Exchange Fund and invested in the same way as the other fiscal reserves placed with the Exchange Fund.

2. Accounting Policy

The accounts of the Land Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

- (i) These are investments made under paragraph 7 of the Resolution. They represent the cost of investments together with interest of \$9.88 billion received in the year ended 31 March 2008.
- (ii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

4. Revenue

	<u>2008</u>		<u>2007</u>
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Investment income	<u>9,841,136</u>	<u>9,876,249</u>	<u>12,031,301</u>

5. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
Increase in Assets:		
Investments with the Exchange Fund	<u>9,876,249</u>	<u>12,031,301</u>

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Innovation and Technology Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Innovation and Technology Fund set out on pages 69 to 72, which comprise the statement of assets and liabilities as at 31 March 2008, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and proper presentation of the financial statements 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 by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements properly present the assets and liabilities of the Innovation and Technology Fund as at 31 March 2008 and the receipts and payments for the year then ended in accordance with the cash basis of accounting as described in Note 2 to the financial statements and have been properly prepared in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

(Benjamin Tang)
Director of Audit

23 October 2008

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Innovation and Technology Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments with the Exchange Fund	3	4,317,443	4,466,468
Cash and bank balances		1	2,883
		<u>4,317,444</u>	<u>4,469,351</u>
Representing:			
Fund Balance			
Balance at 1 April 2007		4,469,351	4,433,320
(Deficit)/Surplus for the year		(151,907)	36,031
Balance at 31 March 2008	4	<u>4,317,444</u>	<u>4,469,351</u>

The accompanying Notes 1 to 7 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Innovation and Technology Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		2,883	-
Revenue	5	331,416	422,508
Expenditure	6	(483,323)	(386,477)
(Deficit)/Surplus for the year		(151,907)	36,031
Other cash movements	7	149,025	(33,148)
Cash and bank balances at 31 March 2008		1	2,883

The accompanying Notes 1 to 7 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Innovation and Technology Fund

NOTES ON THE ACCOUNTS

1. Purpose and Legislation

The Innovation and Technology Fund finances projects that contribute to innovation and technology upgrading in the manufacturing and service industries, as well as those that contribute to the upgrading and development of the manufacturing and service industries. It was established with effect from 30 June 1999 by a Resolution (hereinafter referred to as the Resolution) passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on the same date.

2. Accounting Policy

The accounts of the Innovation and Technology Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

(i) These are investments and deposits held under paragraph 6 of the Resolution:

	2008	2007
	\$'000	\$'000
Investments (see (ii) and (iii) below)	4,317,442	4,341,661
Deposits	1	124,807
	4,317,443	4,466,468

(ii) The investments represent the cost of investments together with interest of \$305 million received in the year ended 31 March 2008.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

4. Commitments

The approved grants that were unpaid as at 31 March 2008 amounted to \$561 million.

5. Revenue

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Investment income	284,925	309,860	400,353
Net income from projects	-	455	2,882
Refund of grants	-	21,101	19,273
	284,925	331,416	422,508

Innovation and Technology Fund

6. Expenditure

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Grants	900,608	483,323	386,477

7. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities.

	2008 \$'000	2007 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	149,025	(33,148)

Revenue, Expenditure and Fund Balance for the years ended 31 March 2000 to 2008

