



**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 2011**

October 2011

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 2011

Audit Commission,
Immigration Tower,
Hong Kong.

28 October 2011

The President of the Legislative Council,
Legislative Council Complex,
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 2011, 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

CONTENTS

ACCOUNTS OF THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION FOR THE YEAR ENDED 31 MARCH 2011

	Page
General Revenue Account	
— Report of the Director of Audit	7
— Statement of Assets and Liabilities as at 31 March 2011	9
— Statement of Receipts and Payments for the year ended 31 March 2011	10
Capital Works Reserve Fund	
— Report of the Director of Audit	21
— Statement of Assets and Liabilities as at 31 March 2011	23
— Statement of Receipts and Payments for the year ended 31 March 2011	24
Capital Investment Fund	
— Report of the Director of Audit	31
— Statement of Assets and Liabilities as at 31 March 2011	33
— Statement of Receipts and Payments for the year ended 31 March 2011	34
Civil Service Pension Reserve Fund	
— Report of the Director of Audit	39
— Statement of Assets and Liabilities as at 31 March 2011	41
— Statement of Receipts and Payments for the year ended 31 March 2011	42
Disaster Relief Fund	
— Report of the Director of Audit	45
— Statement of Assets and Liabilities as at 31 March 2011	47
— Statement of Receipts and Payments for the year ended 31 March 2011	48

Innovation and Technology Fund

— Report of the Director of Audit	53
— Statement of Assets and Liabilities as at 31 March 2011	55
— Statement of Receipts and Payments for the year ended 31 March 2011	56

Land Fund

— Report of the Director of Audit	61
— Statement of Assets and Liabilities as at 31 March 2011	63
— Statement of Receipts and Payments for the year ended 31 March 2011	64

Loan Fund

— Report of the Director of Audit	67
— Statement of Assets and Liabilities as at 31 March 2011	69
— Statement of Receipts and Payments for the year ended 31 March 2011	70

Bond Fund

— Report of the Director of Audit	77
— Statement of Assets and Liabilities as at 31 March 2011	79
— Statement of Receipts and Payments for the year ended 31 March 2011	80

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 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the General Revenue Account for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	341,515,070	292,688,458
Deposits with banks	4	297,610	303,326
Cash and bank balances	5	2,552,907	3,227,281
Advances	6	2,414,333	2,369,844
		346,779,920	298,588,909
Liabilities			
Deposits	7	(19,150,921)	(18,573,554)
Suspense Accounts	8	(71,717)	(76,871)
		(19,222,638)	(18,650,425)
		327,557,282	279,938,484
Representing:			
General Revenue Balance			
Balance at beginning of year		279,938,484	258,573,881
Surplus for the year		47,618,798	21,364,603
Balance at end of year	9	327,557,282	279,938,484

Notes 1 to 12 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



General Revenue Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		3,227,281	3,288,404
Revenue	10	290,289,432	258,659,272
Expenditure	11	(242,670,634)	(237,294,669)
Surplus for the year		47,618,798	21,364,603
Other cash movements	12	(48,293,172)	(21,425,726)
Cash and bank balances at end of year		<u>2,552,907</u>	<u>3,227,281</u>

Notes 1 to 12 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



General Revenue Account

NOTES TO THE FINANCIAL STATEMENTS

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, Lotteries Fund and Bond Fund, for which separate financial statements 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. 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 financial statements, 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 dollars 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:

	2011	2010
	HK\$'000	HK\$'000
Investments (see (ii) and (iii) below)	341,361,468	292,396,952
Deposits	153,602	291,506
	<u>341,515,070</u>	<u>292,688,458</u>

- (ii) The investments represent the cost of investments together with interest of HK\$17.66 billion received in the year ended 31 March 2011.
- (iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

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:

	2011	2010
	HK\$'000	HK\$'000
Hong Kong dollar	97,621	97,553
Foreign currency	199,989	205,773
	297,610	303,326

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:

	2011	2010
	HK\$'000	HK\$'000
Expenditure on Vietnamese migrants (see (i) below)	1,161,991	1,161,991
Advances to Government officers	758,409	735,328
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	328,430	303,363
Payment of expenditure arising from land acquisition, clearance and related costs payable under the Railways Ordinance (Cap. 519) for the implementation of West Island Line Works and Re-provisioning, Remedial and Improvement Works	4,455	42,482
Others	161,048	126,680
	2,414,333	2,369,844

- (i) The sum of HK\$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 HK\$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 2010-11, 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. 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:

	2011	2010
	HKS'000	HKS'000
Tax reserve certificates	13,278,695	12,936,546
Water deposits	1,519,693	1,473,467
Tenancy deposits	1,097,901	1,064,775
Tax overpayments	670,664	567,797
Legal aid deposits	547,113	528,092
Private works	202,609	195,669
Others	1,834,246	1,807,208
	<u>19,150,921</u>	<u>18,573,554</u>

8. Suspense Accounts

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

	2011	2010
	HKS'000	HKS'000
Correctional Services Industries (see (i) below)	24,663	25,997
Government Logistics Department — Unallocated Stores (see (i) below)	6,011	7,537
The Special Coin (see (ii) below)	(95,743)	(95,674)
The Financial Secretary Incorporated (see (iii) below)	(6,648)	(14,731)
	<u>(71,717)</u>	<u>(76,871)</u>

- (i) 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.
- (ii) 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.
- (iii) 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.

General Revenue Account

9. Contingent Liabilities

There are contingent liabilities as listed below, with the maximum amount of each liability as at 31 March 2011 indicated in brackets:

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (HK\$22,693 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (HK\$5,862 million);
- (iii) Guarantees provided under the Special Loan Guarantee Scheme (HK\$68,563 million); and
- (iv) Litigation (HK\$4,232 million).

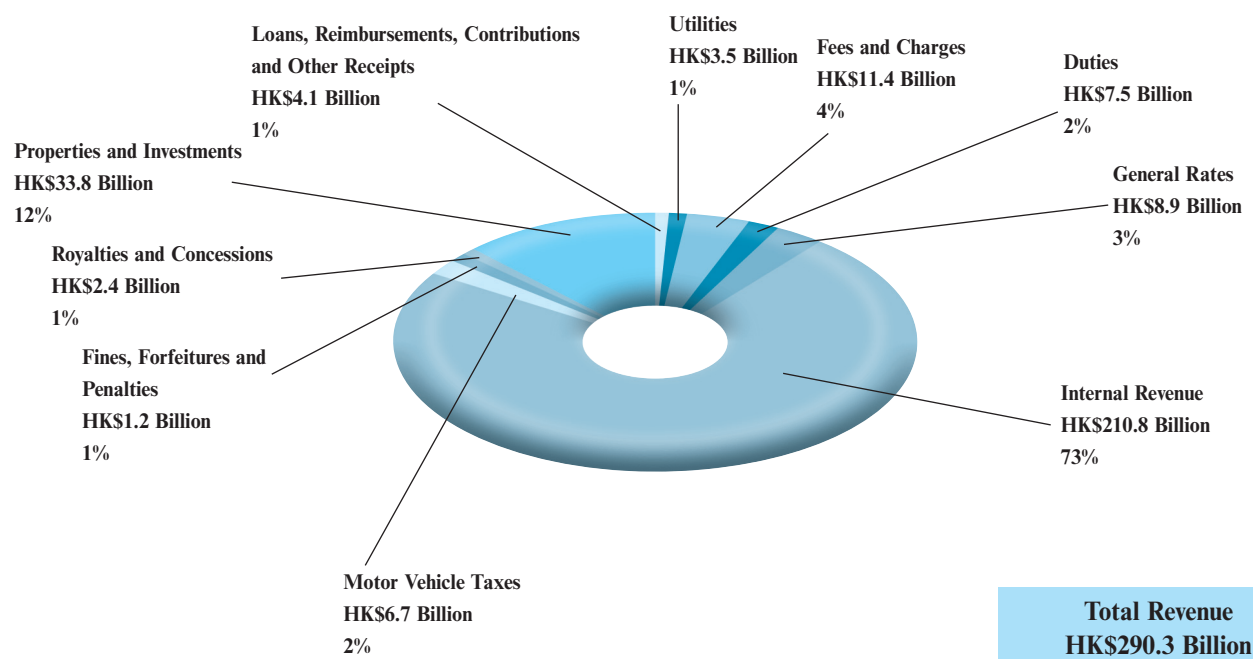
10. Revenue

Analysis of total revenue by Head:

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
1 Duties	6,172,405	7,551,086	1,378,681	22.3	6,464,877
2 General Rates	9,375,000	8,955,850	(419,150)	(4.5)	9,957,161
3 Internal Revenue	167,904,243	210,797,234	42,892,991	25.5	180,135,801
4 Motor Vehicle Taxes	4,552,883	6,657,392	2,104,509	46.2	4,816,338
5 Fines, Forfeitures and Penalties	1,013,195	1,159,047	145,852	14.4	1,182,815
6 Royalties and Concessions	2,166,300	2,451,443	285,143	13.2	1,596,610
7 Properties and Investments	28,854,158	33,772,161	4,918,003	17.0	31,357,535
9 Loans, Reimbursements, Contributions and Other Receipts	4,436,881	4,098,880	(338,001)	(7.6)	9,223,576
10 Utilities	3,480,471	3,483,357	2,886	0.1	3,437,835
11 Fees and Charges	10,463,066	11,362,982	899,916	8.6	10,486,724
Total	<u>238,418,602</u>	<u>290,289,432</u>	<u>51,870,830</u>	21.8	<u>258,659,272</u>

General Revenue Account

Analysis of Revenue for the year ended 31 March 2011



11. Expenditure

Analysis of total expenditure by Head:

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	82,591	82,420	(171)	(0.2)	83,940
22 Agriculture, Fisheries and Conservation Department	943,104	891,118	(51,986)	(5.5)	864,098
25 Architectural Services Department	1,535,891	1,553,113	17,222	1.1	1,525,021
24 Audit Commission	121,638	119,870	(1,768)	(1.5)	118,358
23 Auxiliary Medical Service	65,004	64,643	(361)	(0.6)	69,286
82 Buildings Department	867,834	837,452	(30,382)	(3.5)	883,577
26 Census and Statistics Department	599,165	544,101	(55,064)	(9.2)	506,884
27 Civil Aid Service	78,268	78,267	(1)	-	85,398
28 Civil Aviation Department	726,398	689,770	(36,628)	(5.0)	682,763
33 Civil Engineering and Development Department	2,132,587	1,647,686	(484,901)	(22.7)	1,850,508
30 Correctional Services Department	2,845,482	2,794,827	(50,655)	(1.8)	2,728,487
31 Customs and Excise Department	2,509,384	2,374,075	(135,309)	(5.4)	2,408,581
37 Department of Health	4,560,090	3,966,598	(593,492)	(13.0)	4,154,864
92 Department of Justice	1,009,882	966,088	(43,794)	(4.3)	985,570
39 Drainage Services Department	1,808,389	1,811,419	3,030	0.2	1,765,310

General Revenue Account

11. Expenditure (Continued)

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	400,857	402,742	1,885	0.5	470,888
44 Environmental Protection Department	2,248,453	2,336,547	88,094	3.9	2,296,236
45 Fire Services Department	4,092,855	3,952,258	(140,597)	(3.4)	3,839,297
49 Food and Environmental Hygiene Department	4,543,431	4,386,802	(156,629)	(3.4)	4,318,365
46 General Expenses of the Civil Service	2,792,747	2,641,770	(150,977)	(5.4)	2,663,973
166 Government Flying Service	553,530	248,831	(304,699)	(55.0)	251,061
48 Government Laboratory	355,005	339,910	(15,095)	(4.3)	309,063
59 Government Logistics Department	491,806	463,456	(28,350)	(5.8)	466,864
51 Government Property Agency	1,770,012	1,630,830	(139,182)	(7.9)	1,650,339
143 Government Secretariat: Civil Service Bureau	410,245	403,255	(6,990)	(1.7)	407,594
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,259,804	1,221,922	(37,882)	(3.0)	1,224,217
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	291,421	237,286	(54,135)	(18.6)	194,884
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	569,686	538,321	(31,365)	(5.5)	407,334
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	1,179,116	962,085	(217,031)	(18.4)	657,233
159 Government Secretariat: Development Bureau (Works Branch)	259,202	238,433	(20,769)	(8.0)	216,954
156 Government Secretariat: Education Bureau	39,220,055	39,046,861	(173,194)	(0.4)	37,542,263
137 Government Secretariat: Environment Bureau	70,641	67,154	(3,487)	(4.9)	62,766
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	160,788	144,707	(16,081)	(10.0)	136,067

General Revenue Account

11. Expenditure (Continued)

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)	685,754	653,403	(32,351)	(4.7)	4,621,800
139 Government Secretariat: Food and Health Bureau (Food Branch)	70,810	55,978	(14,832)	(20.9)	69,428
140 Government Secretariat: Food and Health Bureau (Health Branch)	34,584,171	34,652,352	68,181	0.2	33,090,536
53 Government Secretariat: Home Affairs Bureau	1,348,265	4,391,013	3,042,748	225.7	4,247,874
155 Government Secretariat: Innovation and Technology Commission	466,126	465,432	(694)	(0.1)	464,122
141 Government Secretariat: Labour and Welfare Bureau	537,939	462,116	(75,823)	(14.1)	487,322
47 Government Secretariat: Office of the Government Chief Information Officer	580,499	580,433	(66)	-	650,253
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	524,735	480,810	(43,925)	(8.4)	476,839
96 Government Secretariat: Overseas Economic and Trade Offices	303,747	299,114	(4,633)	(1.5)	282,587
151 Government Secretariat: Security Bureau	245,479	3,184,109	2,938,630	1,197.1	157,575
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	134,358	122,639	(11,719)	(8.7)	125,709
60 Highways Department	2,194,355	2,184,963	(9,392)	(0.4)	2,190,677
63 Home Affairs Department	1,639,685	1,743,853	104,168	6.4	1,573,126
168 Hong Kong Observatory	215,940	213,504	(2,436)	(1.1)	216,501
122 Hong Kong Police Force	13,042,384	12,855,128	(187,256)	(1.4)	12,714,049
62 Housing Department	128,712	1,935,211	1,806,499	1,403.5	1,926,950
70 Immigration Department	3,039,401	2,936,636	(102,765)	(3.4)	2,849,659
72 Independent Commission Against Corruption	814,174	769,968	(44,206)	(5.4)	766,922
121 Independent Police Complaints Council	27,177	28,484	1,307	4.8	26,441

General Revenue Account

11. Expenditure (Continued)

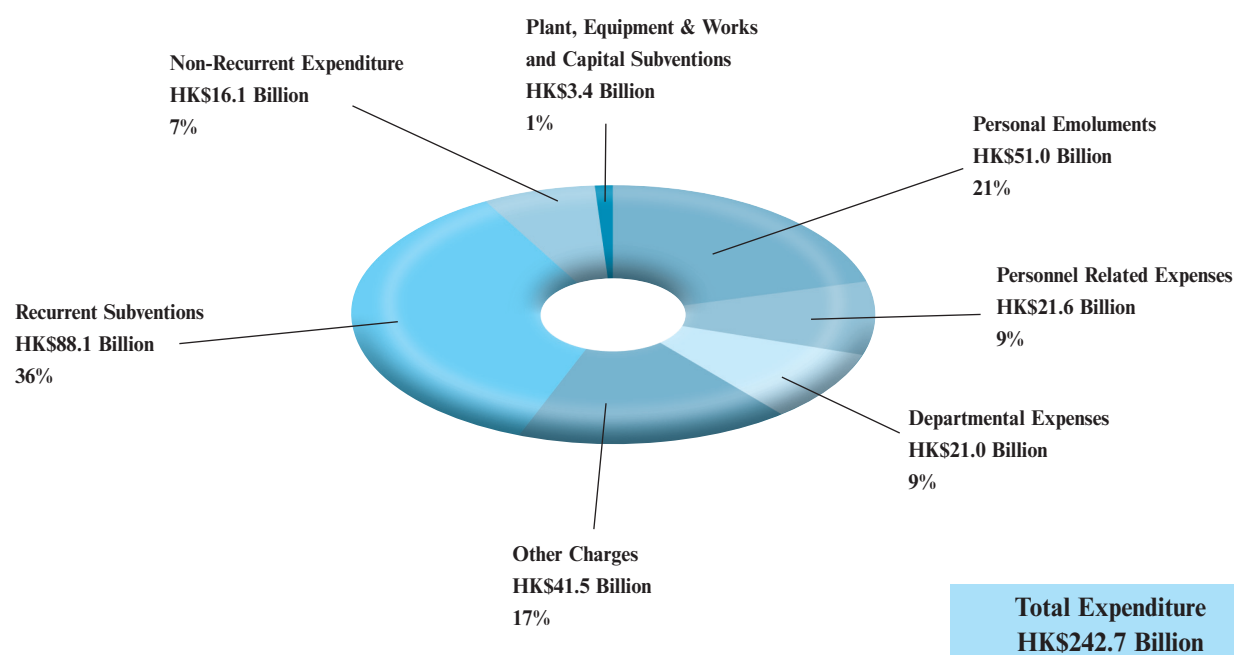
Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	373,769	355,231	(18,538)	(5.0)	354,983
76 Inland Revenue Department	1,273,893	1,147,820	(126,073)	(9.9)	1,151,572
78 Intellectual Property Department	96,086	94,683	(1,403)	(1.5)	95,189
79 Invest Hong Kong	105,776	108,771	2,995	2.8	111,339
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	19,975	19,254	(721)	(3.6)	23,389
80 Judiciary	1,115,639	1,022,926	(92,713)	(8.3)	1,000,227
90 Labour Department	1,166,267	1,074,500	(91,767)	(7.9)	1,168,835
91 Lands Department	1,793,355	1,730,347	(63,008)	(3.5)	1,710,935
94 Legal Aid Department	752,971	733,529	(19,442)	(2.6)	715,522
112 Legislative Council Commission	414,367	449,402	35,035	8.5	416,752
95 Leisure and Cultural Services Department	5,454,665	5,392,556	(62,109)	(1.1)	5,336,675
100 Marine Department	964,272	926,220	(38,052)	(3.9)	920,371
106 Miscellaneous Services	17,600,787	174,940	(17,425,847)	(99.0)	65,527
114 Office of The Ombudsman	88,487	89,116	629	0.7	89,990
116 Official Receiver's Office	138,577	119,332	(19,245)	(13.9)	115,440
120 Pensions	18,587,447	18,026,853	(560,594)	(3.0)	16,910,922
118 Planning Department	475,571	464,177	(11,394)	(2.4)	464,573
136 Public Service Commission	16,474	16,434	(40)	(0.2)	16,921
160 Radio Television Hong Kong	497,227	469,857	(27,370)	(5.5)	482,669
162 Rating and Valuation Department	403,603	384,084	(19,519)	(4.8)	383,942
163 Registration and Electoral Office	247,231	197,154	(50,077)	(20.3)	72,492
169 Secretariat, Commissioner on Interception of Communications and Surveillance	13,932	12,899	(1,033)	(7.4)	10,762
170 Social Welfare Department	39,645,722	39,368,247	(277,475)	(0.7)	39,529,326
173 Student Financial Assistance Agency	3,559,297	3,978,120	418,823	11.8	3,765,914
180 Television and Entertainment Licensing Authority	78,954	78,472	(482)	(0.6)	106,915
181 Trade and Industry Department	993,808	660,374	(333,434)	(33.6)	724,461
186 Transport Department	1,269,196	1,145,425	(123,771)	(9.8)	1,106,377
188 Treasury	339,140	317,588	(21,552)	(6.4)	318,947

General Revenue Account

11. Expenditure (Continued)

Head	2011				2010
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
190 University Grants Committee	10,982,174	12,083,898	1,101,724	10.0	11,539,375
194 Water Supplies Department	5,944,267	5,951,662	7,395	0.1	5,758,714
	<u>255,552,001</u>	<u>242,293,634</u>	<u>(13,258,367)</u>	<u>(5.2)</u>	<u>237,235,469</u>
184 Transfers to Funds	30,047,000	377,000	(29,670,000)	(98.7)	59,200
Total	<u>285,599,001</u>	<u>242,670,634</u>	<u>(42,928,367)</u>	<u>(15.0)</u>	<u>237,294,669</u>

Analysis of Expenditure for the year ended 31 March 2011



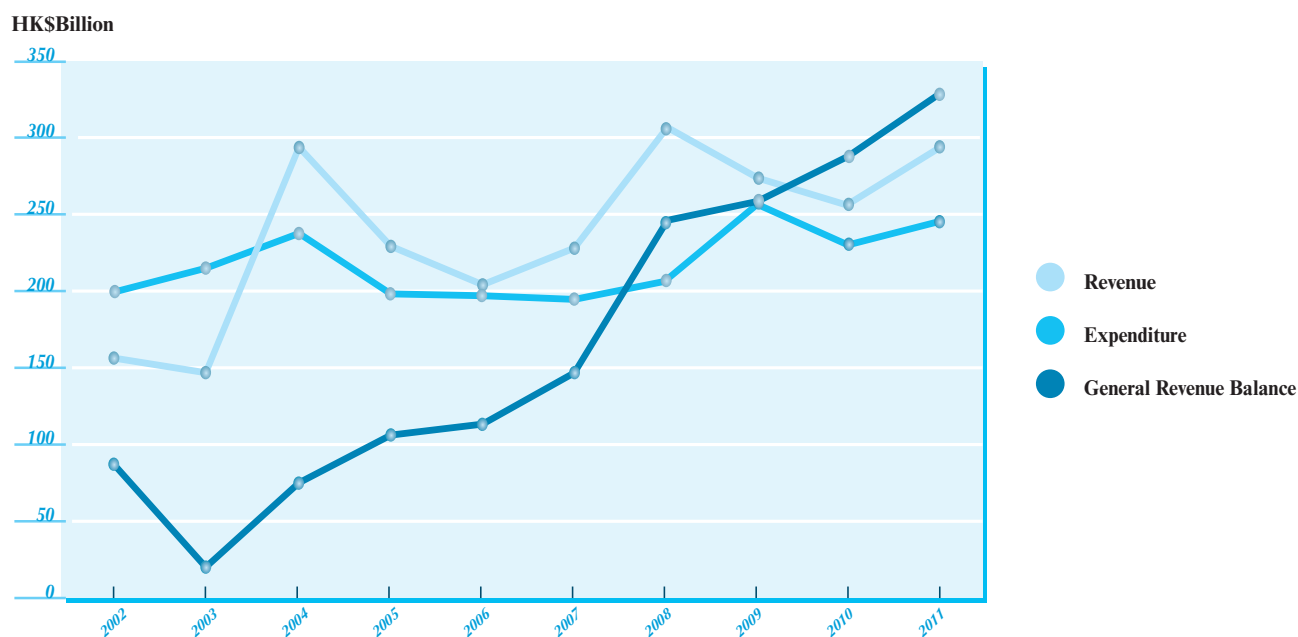
General Revenue Account

12. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(48,826,612)	(23,172,876)
Deposits with banks	5,716	79,573
Advances	(44,489)	13,956
	(48,865,385)	(23,079,347)
Increase/(Reduction) in Liabilities:		
Deposits	577,367	1,642,800
Suspense Accounts	(5,154)	10,821
	572,213	1,653,621
	(48,293,172)	(21,425,726)

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2002 to 2011



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 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Capital Works Reserve Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	43,479,467	28,555,803
Deposits with banks	4	68	64
Cash and bank balances		300	1,975
Advances	5	77,362	78,389
		43,557,197	28,636,231
Liabilities			
Deposits	6	(906,241)	(790,105)
		42,650,956	27,846,126
Representing:			
Fund Balance			
Balance at beginning of year		27,846,126	37,550,782
Surplus/(Deficit) for the year		14,804,830	(9,704,656)
Balance at end of year		42,650,956	27,846,126

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Capital Works Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		1,975	1,850
Revenue	8	68,342,221	41,876,919
Expenditure	9	(53,537,391)	(48,081,575)
Surplus/(Deficit) for the year before repayment of government bonds and notes		14,804,830	(6,204,656)
Repayment of government bonds and notes		-	(3,500,000)
Surplus/(Deficit) for the year after repayment of government bonds and notes		14,804,830	(9,704,656)
Other cash movements	10	(14,806,505)	9,704,781
Cash and bank balances at end of year		300	1,975

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Capital Works Reserve Fund

NOTES TO THE FINANCIAL STATEMENTS

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. 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:

	2011	2010
	HK\$'000	HK\$'000
Investments (see (ii) and (iii) below)	43,431,335	28,482,767
Deposits	48,132	73,036
	<u>43,479,467</u>	<u>28,555,803</u>

(ii) The investments represent the cost of investments together with interest of HK\$2.71 billion received in the year ended 31 March 2011.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

4. Deposits with Banks

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

	2011	2010
	HK\$'000	HK\$'000
Foreign currency	68	64

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:

	2011	2010
	HK\$'000	HK\$'000
Advances for Tsing Ma Control Area non-scheduled maintenance works	-	1,027
Advances in respect of other capital works projects	<u>77,362</u>	<u>77,362</u>
	<u>77,362</u>	<u>78,389</u>

The advance account for the non-scheduled maintenance works of Tsing Ma Control Area (TMCA) was opened in July 2004 following the securitisation of revenue receivable from the tolls of certain Government-owned tunnels and bridges. This account is for payment to the TMCA operator in respect of the non-scheduled maintenance works as long as the Toll Revenue Bonds remain outstanding. With the full repayment of the Toll Revenue Bonds in February 2010, the arrangement of payment to the TMCA operator through this account has ceased, and the balance of this account was cleared on 12 May 2010.

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:

	2011	2010
	HK\$'000	HK\$'000
Contract retentions	611,016	468,877
Others	<u>295,225</u>	<u>321,228</u>
	<u>906,241</u>	<u>790,105</u>

7. Liabilities

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

	2011	2010
	HK\$'000	HK\$'000
Outstanding government bonds and notes	<u>11,230,313</u>	<u>11,204,688</u>

Following a resolution passed under section 3(1) of the Loans Ordinance, the Government issued in July 2004 bonds and notes totalling HK\$20 billion to retail and institutional investors. These include institutional notes of US\$1.25 billion denominated in United States dollar. The outstanding amount will mature within the period from August 2014 to July 2019. During the financial year, there were payments of HK\$575 million interest on the notes but no principal repayments.

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

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land premium:			
Sales by public auction and tender	-	44,116,460	14,465,941
Private treaty grants	-	10,673,947	1,323,072
Modification of existing leases, exchanges and extensions	-	10,312,726	23,445,497
Fees received in respect of short term waivers	-	441,427	397,570
	34,100,000	65,544,560	39,632,080
Investment income	1,596,000	2,711,135	2,216,750
Transfer from General Revenue	30,000,000	-	-
Other revenue:			
Recovery from MTR Corporation Ltd.	131,000	-	-
Donations and contributions	2,000	-	9,500
Others	-	86,526	18,589
	133,000	86,526	28,089
	65,829,000	68,342,221	41,876,919

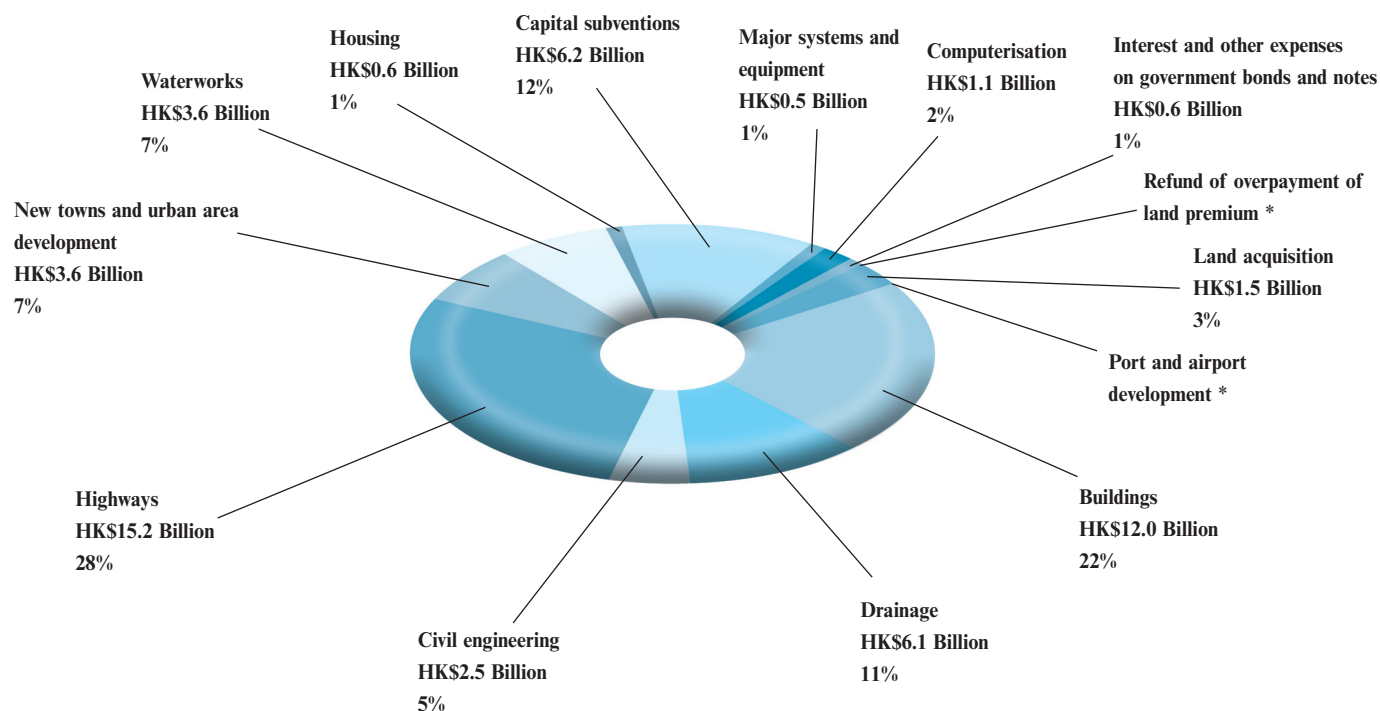
Capital Works Reserve Fund

9. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land acquisition	2,635,210	1,533,533	394,075
Public Works Programme:			
Port and airport development	3,758	1,056	68,534
Buildings	11,895,091	12,001,574	9,297,893
Drainage	6,348,837	6,089,283	4,764,307
Civil engineering	2,884,927	2,456,300	2,018,659
Highways	14,281,064	15,201,075	4,995,220
New towns and urban area development	3,134,688	3,590,102	2,699,422
Waterworks	3,646,343	3,653,378	3,213,621
Housing	671,584	562,106	822,135
	42,866,292	43,554,874	27,879,791
Capital subventions and major systems and equipment:			
Capital subventions	6,760,631	6,225,477	17,447,700
Major systems and equipment	1,234,720	527,891	437,963
	7,995,351	6,753,368	17,885,663
Computerisation	1,446,108	1,120,341	1,156,086
Interest and other expenses on government bonds and notes	576,370	574,844	639,709
Other payments:			
Refund of overpayment of land premium	-	431	126,251
	<u>55,519,331</u>	<u>53,537,391</u>	<u>48,081,575</u>

Capital Works Reserve Fund

Analysis of Expenditure for the year ended 31 March 2011



* The actual value for the expenditure of "Port and airport development" and "Refund of overpayment of land premium" are not shown as they are less than HK\$0.1 billion.

**Total Expenditure
HK\$53.5 Billion**

10. Other Cash Movements

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

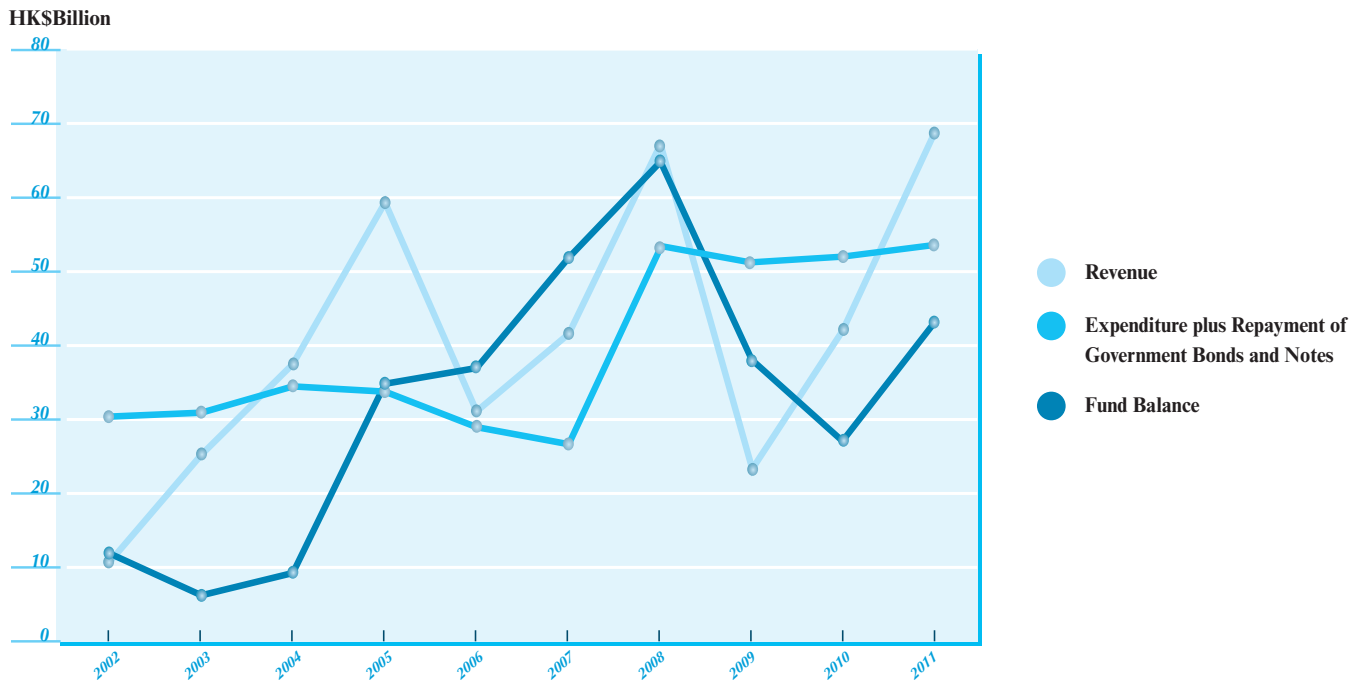
	2011 HK\$'000	2010 HK\$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(14,923,664)	9,705,016
Deposits with banks	(4)	(2)
Advances	1,027	8,020
	(14,922,641)	9,713,034
Increase/(Reduction) in Liabilities:		
Deposits	116,136	(8,253)
	<u>(14,806,505)</u>	<u>9,704,781</u>

11. Comparative Figures

Certain comparative figures have been re-classified to conform with the presentation of the current year.

Capital Works Reserve Fund

Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2002 to 2011



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 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Capital Investment Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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

Capital Investment Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments	3		
Equity Holdings		122,118,451	118,576,687
Other Investments		405,220,504	398,434,531
		<u>527,338,955</u>	<u>517,011,218</u>
Loans Outstanding	4	2,977,299	3,951,458
		<u>530,316,254</u>	<u>520,962,676</u>
Current Assets			
Investments with the Exchange Fund	5	1,618,937	1,736,404
Cash and bank balances	2	1	1
		<u>1,618,939</u>	<u>1,736,405</u>
		<u><u>531,935,193</u></u>	<u><u>522,699,081</u></u>
Representing:			
Total Fund Balance			
Applied Fund	6	530,316,254	520,962,676
Available Fund	7		
Balance at beginning of year		1,736,405	504,260
(Deficit)/Surplus for the year		(117,466)	1,232,145
Balance at end of year		<u>1,618,939</u>	<u>1,736,405</u>
	8	<u><u>531,935,193</u></u>	<u><u>522,699,081</u></u>

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Capital Investment Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		1	1
Revenue	9	1,357,103	1,232,145
Expenditure	10	(1,474,569)	-
(Deficit)/Surplus for the year		(117,466)	1,232,145
Other cash movements	11	117,467	(1,232,145)
Cash and bank balances at end of year		<u>2</u>	<u>1</u>

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Capital Investment Fund

NOTES TO THE FINANCIAL STATEMENTS

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.
- (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 financial statements, 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)

	2011			2010		
	Equity Holdings HK\$'000	Other Investments HK\$'000	Total HK\$'000	Equity Holdings HK\$'000	Other Investments HK\$'000	Total HK\$'000
Balance at beginning of year	118,576,687	398,434,531	517,011,218	114,067,171	395,596,027	509,663,198
Additions:						
Cash acquisitions	1,474,569	-	1,474,569	-	-	-
Non-cash acquisitions	2,067,195	6,785,973	8,853,168	4,509,516	2,838,504	7,348,020
	3,541,764	6,785,973	10,327,737	4,509,516	2,838,504	7,348,020
Balance at end of year	122,118,451	405,220,504	527,338,955	118,576,687	398,434,531	517,011,218

Capital Investment Fund

4. Loans Outstanding

	2011 HK\$'000	2010 HK\$'000
Balance at beginning of year	3,951,458	7,056,961
Additions:		
Capitalised interest	119,702	249,206
Deductions:		
Loan repayments	(17,396)	(16,815)
Loan conversion to equity	(1,076,465)	(3,337,894)
	<u>(1,093,861)</u>	<u>(3,354,709)</u>
Balance at end of year	<u><u>2,977,299</u></u>	<u><u>3,951,458</u></u>

5. Investments with the Exchange Fund

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

	2011 HK\$'000	2010 HK\$'000
Investments (see (ii) and (iii) below)	1,618,937	1,736,403
Deposits	-	1
	<u><u>1,618,937</u></u>	<u><u>1,736,404</u></u>

(ii) The investments represent the cost of investments together with interest of HK\$104 million received in the year ended 31 March 2011.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

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

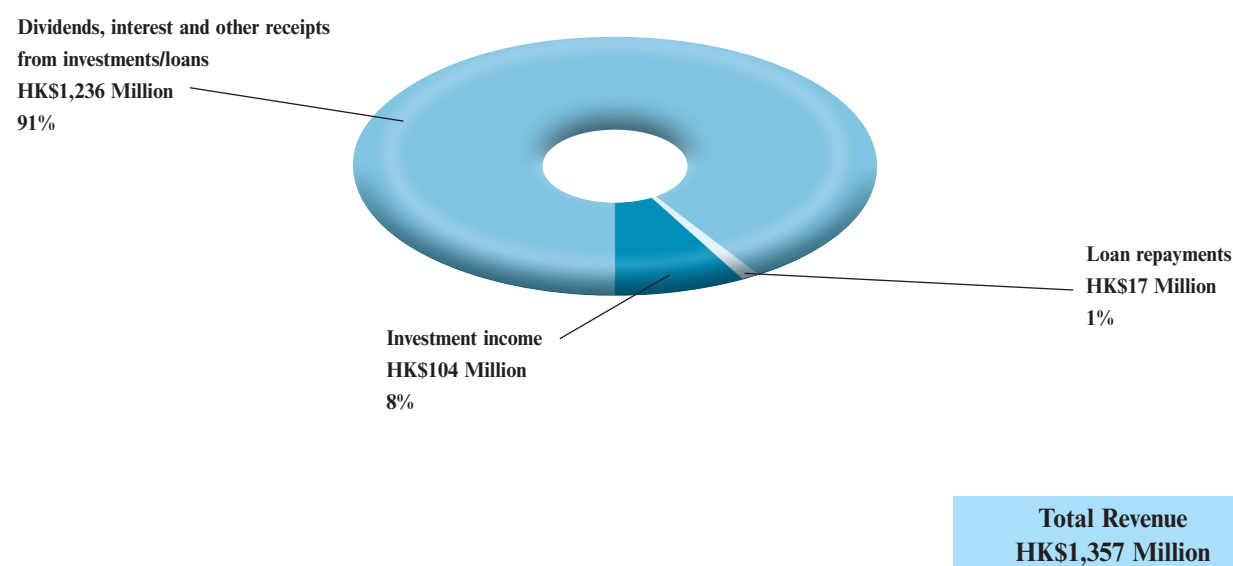
As at 31 March 2011, the amount of possible capital subscriptions to the Asian Development Bank was HK\$6,753 million.

Capital Investment Fund

9. Revenue

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Dividends, interest and other receipts from investments/loans	1,059,382	1,235,533	1,160,794
Loan repayments	60,389	17,396	16,815
Investment income	101,000	104,174	54,536
	<u>1,220,771</u>	<u>1,357,103</u>	<u>1,232,145</u>

Analysis of Revenue for the year ended 31 March 2011



10. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Acquisition of investments:			
Equity holdings	-	1,474,569	-
Loan payments	358,894	-	-
Additional commitments	1,464,000	-	-
	<u>1,822,894</u>	<u>1,474,569</u>	<u>-</u>

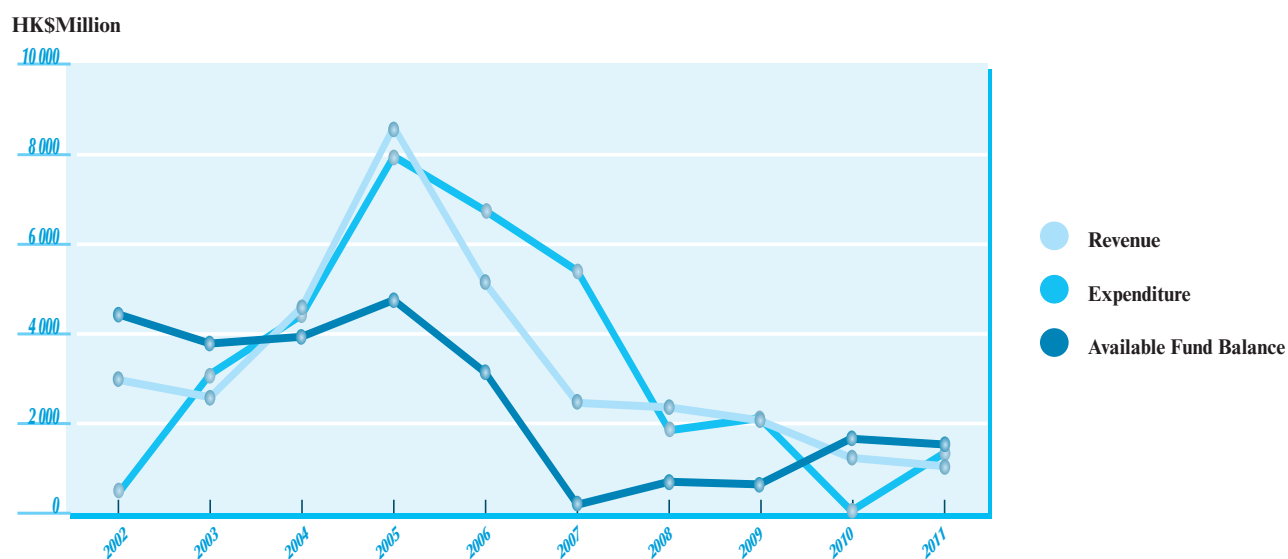
Capital Investment Fund

11. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	<u>117,467</u>	<u>(1,232,145)</u>

Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2002 to 2011



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 41 to 43, which comprise the statement of assets and liabilities as at 31 March 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Civil Service Pension Reserve Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>22,993,513</u>	<u>21,630,774</u>
Representing:			
Fund Balance			
Balance at beginning of year		21,630,774	20,253,534
Surplus for the year		<u>1,362,739</u>	<u>1,377,240</u>
Balance at end of year		<u>22,993,513</u>	<u>21,630,774</u>

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Civil Service Pension Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	4	1,362,739	1,377,240
Expenditure		-	-
Surplus for the year		1,362,739	1,377,240
Other cash movements	5	(1,362,739)	(1,377,240)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Civil Service Pension Reserve Fund

NOTES TO THE FINANCIAL STATEMENTS

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 HK\$1.36 billion received in the year ended 31 March 2011.
- (ii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

4. Revenue

	<u>2011</u>	<u>2010</u>
	Original Estimate HK\$'000	Actual HK\$'000
Investment income	1,363,000	1,377,240
	<u>1,362,739</u>	<u>1,377,240</u>

5. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Increase in Assets:		
Investments with the Exchange Fund	<u>1,362,739</u>	<u>1,377,240</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 47 to 51, which comprise the statement of assets and liabilities as at 31 March 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Disaster Relief Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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

Disaster Relief Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>35,071</u>	<u>8,014</u>
Representing:			
Fund Balance			
Balance at beginning of year		8,014	36,455
Surplus/(Deficit) for the year		<u>27,057</u>	<u>(28,441)</u>
Balance at end of year		<u>35,071</u>	<u>8,014</u>

Notes 1 to 6 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Disaster Relief Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	4	381,109	70,469
Expenditure	5	(354,052)	(98,910)
Surplus/(Deficit) for the year		27,057	(28,441)
Other cash movements	6	(27,057)	28,441
Cash and bank balances at end of year		-	-

Notes 1 to 6 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Disaster Relief Fund

NOTES TO THE FINANCIAL STATEMENTS

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 HK\$3.5 million received in the year ended 31 March 2011.
- (ii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

4. Revenue

	<u>2011</u>	<u>2010</u>	
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income	2,000	3,506	2,199
Transfer from General Revenue	47,000	377,000	59,200
Refund of grants	46	603	9,070
	<u>49,046</u>	<u>381,109</u>	<u>70,469</u>

Disaster Relief Fund

5. Expenditure

	2011 Actual HK\$'000	2010 Actual HK\$'000
Relief programmes for:		
drought victims in the Mainland	138,511	1,400
earthquake victims in the Mainland	120,920	2,090
mudslide victims in the Mainland	50,000	-
flood victims in the Mainland	22,221	7,090
flood victims in Pakistan	9,950	-
earthquake victims in New Zealand	6,150	-
typhoon victims in the Philippines	3,000	10,120
flood victims in Sri Lanka	2,000	-
earthquake victims in Japan	1,000	-
flood victims in India	300	-
typhoon victims in Taiwan	-	55,000
earthquake victims in Haiti	-	8,000
earthquake victims in Indonesia	-	5,410
cyclone victims in India	-	2,800
cyclone victims in Bangladesh	-	2,500
snowstorm victims in the Mainland	-	2,500
earthquake victims in Chile	-	2,000
	<u>354,052</u>	<u>98,910</u>

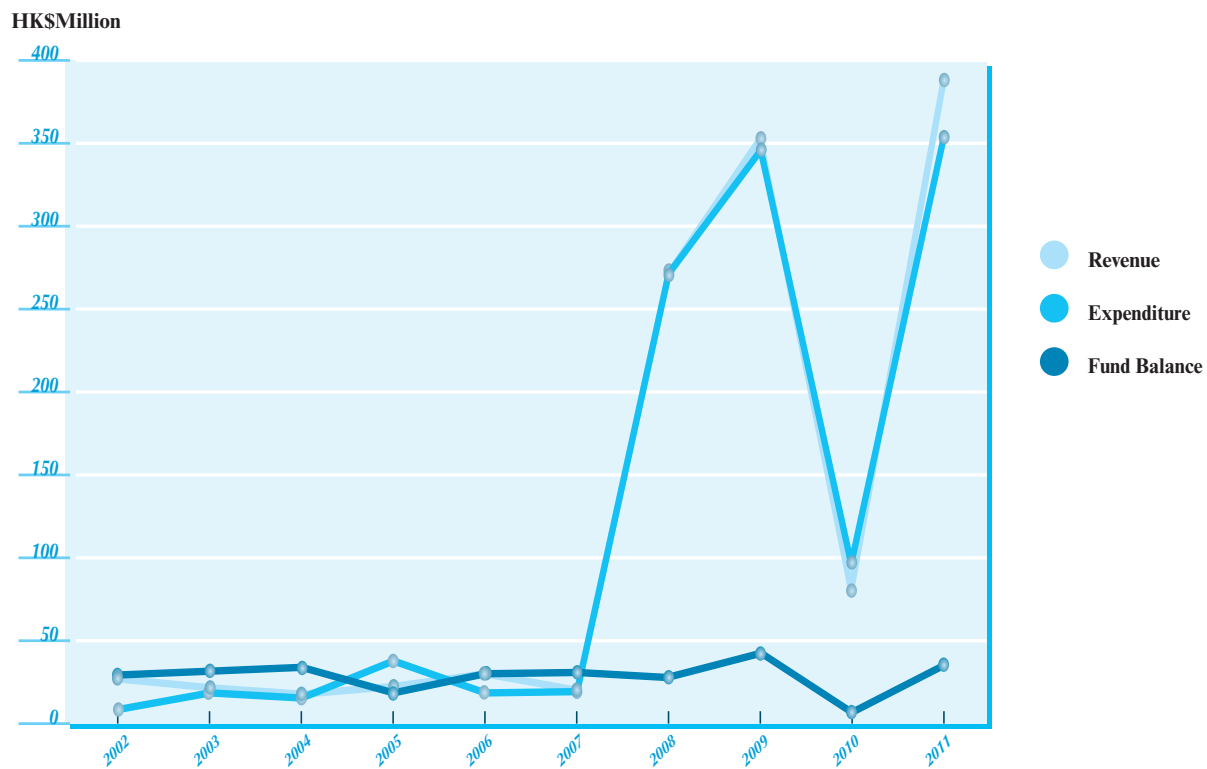
6. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
(Increase)/Reduction in Assets:		
Investments with the Exchange Fund	<u>(27,057)</u>	<u>28,441</u>

Disaster Relief Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2002 to 2011



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 55 to 59, which comprise the statement of assets and liabilities as at 31 March 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Innovation and Technology Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	3,271,800	3,749,017
Cash and bank balances		11	-
		<u>3,271,811</u>	<u>3,749,017</u>
Representing:			
Fund Balance			
Balance at beginning of year		3,749,017	4,147,360
Deficit for the year		(477,206)	(398,343)
Balance at end of year	4	<u>3,271,811</u>	<u>3,749,017</u>

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Innovation and Technology Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		-	1
Revenue	5	271,625	323,259
Expenditure	6	(748,831)	(721,602)
Deficit for the year		(477,206)	(398,343)
Other cash movements	7	477,217	398,342
Cash and bank balances at end of year		11	-

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Innovation and Technology Fund

NOTES TO THE FINANCIAL STATEMENTS

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:

	2011	2010
	HK\$'000	HK\$'000
Investments (see (ii) and (iii) below)	3,271,800	3,749,016
Deposits	-	1
	3,271,800	3,749,017

(ii) The investments represent the cost of investments together with interest of HK\$227 million received in the year ended 31 March 2011.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

4. Commitments

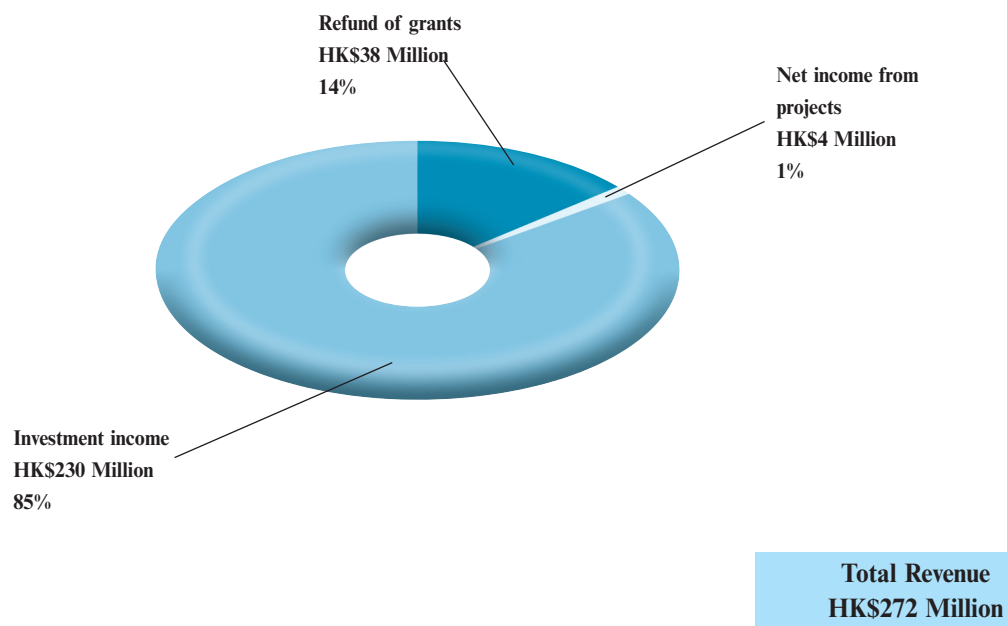
The approved grants that were unpaid as at 31 March 2011 amounted to HK\$1,045 million.

5. Revenue

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income	215,000	229,595	276,624
Net income from projects	-	3,801	-
Refund of grants	-	38,229	46,635
	215,000	271,625	323,259

Innovation and Technology Fund

Analysis of Revenue for the year ended 31 March 2011



6. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	970,489	748,831	721,602

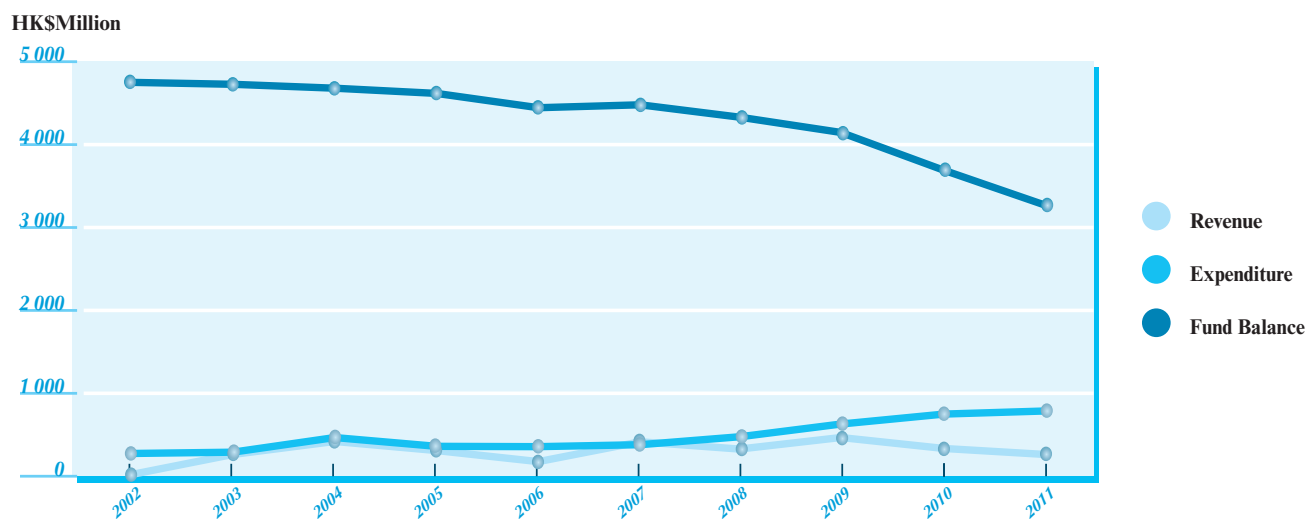
7. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Reduction in Assets:		
Investments with the Exchange Fund	477,217	398,342

Innovation and Technology Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2002 to 2011



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 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Land Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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

Land Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>186,924,620</u>	<u>175,846,303</u>
Representing:			
Fund Balance			
Balance at beginning of year		175,846,303	164,650,096
Surplus for the year		<u>11,078,317</u>	<u>11,196,207</u>
Balance at end of year		<u>186,924,620</u>	<u>175,846,303</u>

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Land Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	4	11,078,317	11,196,207
Expenditure		-	-
Surplus for the year		11,078,317	11,196,207
Other cash movements	5	(11,078,317)	(11,196,207)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Land Fund

NOTES TO THE FINANCIAL STATEMENTS

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 HK\$11.08 billion received in the year ended 31 March 2011.
- (ii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

4. Revenue

	<u>2011</u>		<u>2010</u>
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income	<u>11,078,000</u>	<u>11,078,317</u>	<u>11,196,207</u>

5. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Increase in Assets:		
Investments with the Exchange Fund	<u>11,078,317</u>	<u>11,196,207</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 69 to 75, which comprise the statement of assets and liabilities as at 31 March 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Loan Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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

Loan Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Loans Outstanding	3		
Housing Loans		3,136,946	3,185,309
Education Loans		12,119,397	11,801,729
Other Loans		3,504,463	3,609,766
		18,760,806	18,596,804
Net Current Assets			
Current Assets			
Investments with the Exchange Fund	4	1,909,424	1,654,708
Cash and bank balances		20,396	23,444
		1,929,820	1,678,152
Current Liabilities			
Deposits	5	(7,744)	(6,406)
		1,922,076	1,671,746
		20,682,882	20,268,550
Representing:			
Total Fund Balance			
Applied Fund	6	18,760,806	18,596,804
Available Fund	7		
Balance at beginning of year		1,671,746	1,545,832
Surplus for the year		250,330	125,914
Balance at end of year		1,922,076	1,671,746
	8	20,682,882	20,268,550

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Loan Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		23,444	26,091
Revenue	9	2,237,205	2,275,648
Expenditure	10	(1,986,875)	(2,149,734)
Surplus for the year		250,330	125,914
Other cash movements	11	(253,378)	(128,561)
Cash and bank balances at end of year		20,396	23,444

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Loan Fund

NOTES TO THE FINANCIAL STATEMENTS

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.
- (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 financial statements, 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

	2011			2010		
	Housing Loans HK\$'000	Education Loans HK\$'000	Other Loans HK\$'000	Housing Loans HK\$'000	Education Loans HK\$'000	Other Loans HK\$'000
Balance at beginning of year	3,185,309	11,801,729	3,609,766	3,184,514	11,407,911	3,722,452
Additions:						
Loan payments	156,014	1,745,426	85,435	222,995	1,835,986	90,744
Capitalised interest	467	-	78,870	(26)	-	75,069
	156,481	1,745,426	164,305	222,969	1,835,986	165,813
Deductions:						
Loan repayments	(48,979)	(1,424,524)	(254,470)	(50,171)	(1,439,745)	(261,933)
Loans written off	(1,423)	(3,234)	(15,138)	(452)	(2,423)	(16,566)
Proceeds from sale of loans	(154,442)	-	-	(171,551)	-	-
	(204,844)	(1,427,758)	(269,608)	(222,174)	(1,442,168)	(278,499)
Balance at end of year	3,136,946	12,119,397	3,504,463	3,185,309	11,801,729	3,609,766

Loan Fund

4. Investments with the Exchange Fund

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

	2011	2010
	HK\$'000	HK\$'000
Investments (see (ii) and (iii) below)	1,909,323	1,654,471
Deposits	101	237
	<u>1,909,424</u>	<u>1,654,708</u>

(ii) The investments represent the cost of investments together with interest of HK\$120 million received in the year ended 31 March 2011.

(iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

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:

	2011	2010
	HK\$'000	HK\$'000
Students	7,617	6,324
Others	127	82
	<u>7,744</u>	<u>6,406</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

There are contingent liabilities as listed below, with the maximum amount of each liability as at 31 March 2011 indicated in brackets:

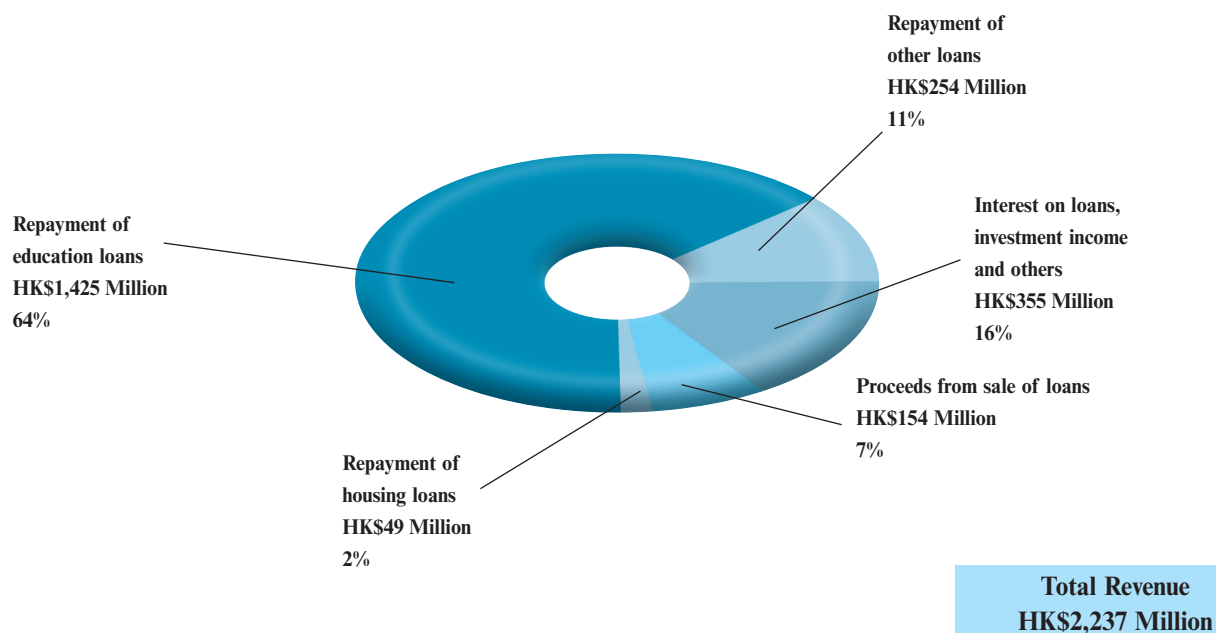
- (i) Guarantees provided for a commercial loan of the Ocean Park Corporation (HK\$1,388 million); and
- (ii) Guarantees provided under a special finance scheme for small and medium enterprises (HK\$16 million).

Loan Fund

9. Revenue

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan repayments:			
Housing loans	49,751	48,979	50,171
Education loans	1,534,979	1,424,524	1,439,745
Other loans	287,885	254,470	261,933
	1,872,615	1,727,973	1,751,849
Interest on loans	275,636	232,702	230,148
Investment income	115,000	119,740	119,730
Surcharges on overdue loan repayments	2,400	2,309	2,296
Proceeds from sale of loans	183,215	154,442	171,551
Repayments waived now recovered	-	9	71
Others	-	30	3
	<u>2,448,866</u>	<u>2,237,205</u>	<u>2,275,648</u>

Analysis of Revenue for the year ended 31 March 2011

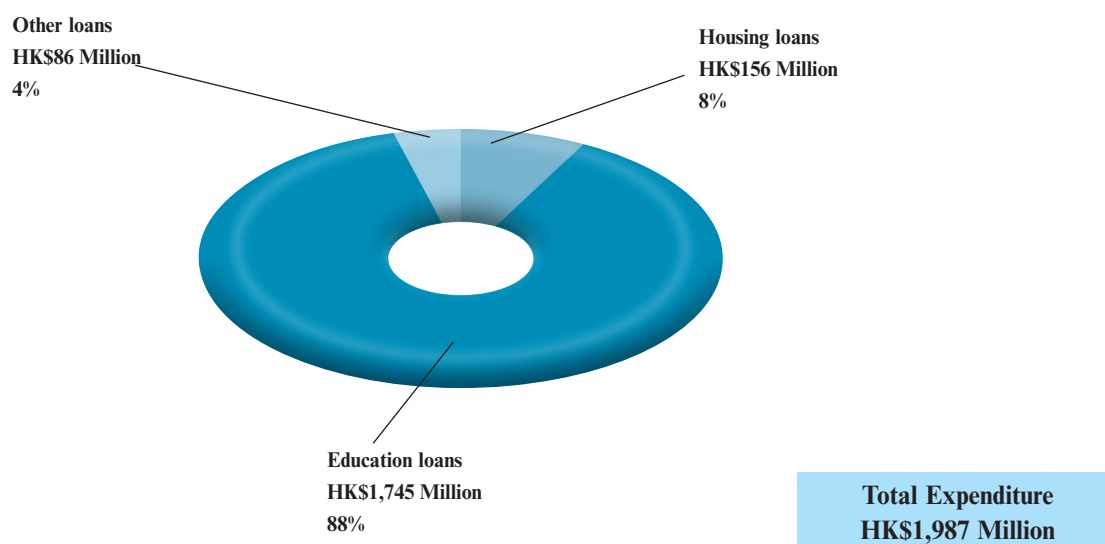


Loan Fund

10. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan payments:			
Housing loans	208,600	156,014	222,995
Education loans	1,933,569	1,745,426	1,835,986
Other loans	147,934	85,435	90,744
	2,290,103	1,986,875	2,149,725
Others	-	-	9
	<u>2,290,103</u>	<u>1,986,875</u>	<u>2,149,734</u>

Analysis of Expenditure for the year ended 31 March 2011



Loan Fund

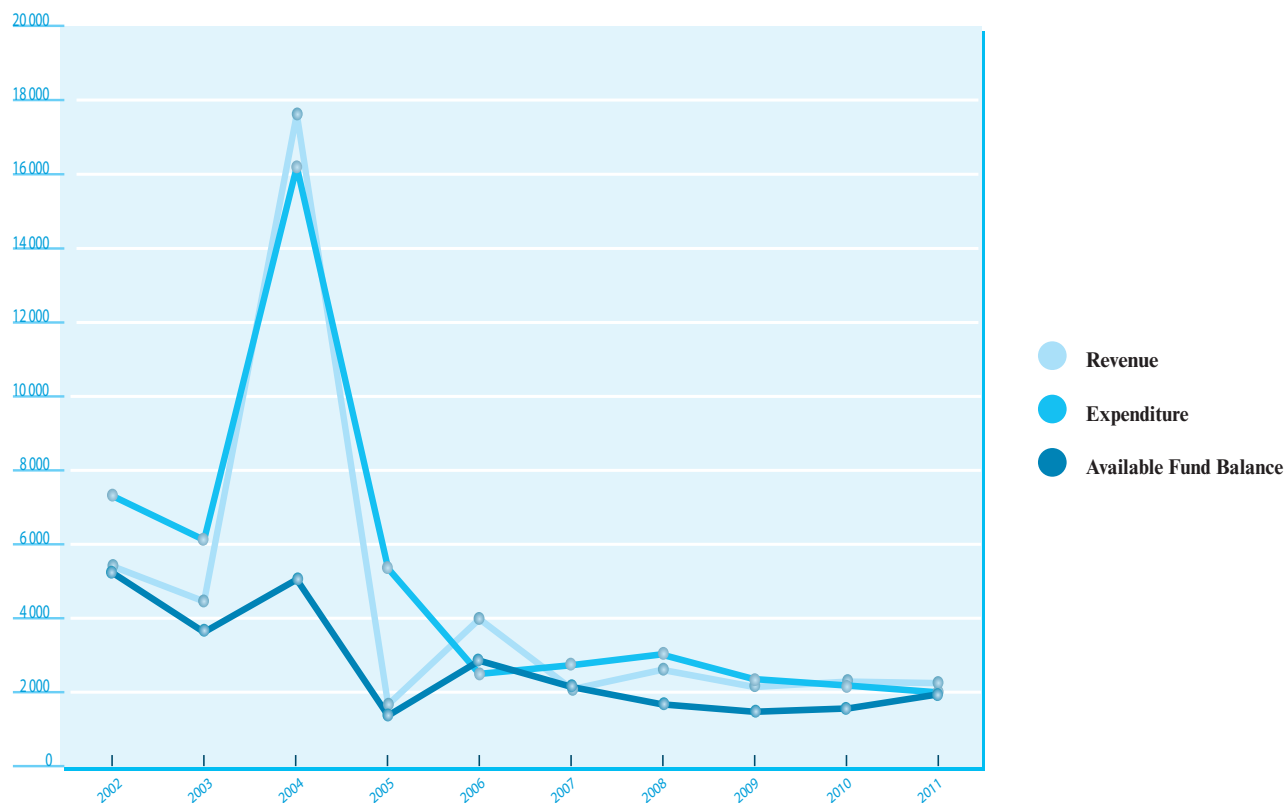
11. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Increase in Assets:		
Investments with the Exchange Fund	(254,716)	(128,576)
Increase in Liabilities:		
Deposits	1,338	15
	<u>(253,378)</u>	<u>(128,561)</u>

Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2002 to 2011

HK\$Million



Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Bond Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Bond Fund set out on pages 79 to 82, which comprise the statement of assets and liabilities as at 31 March 2011, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 of the Bond Fund for the year ended 31 March 2011 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

Benjamin Tang
Director of Audit

25 October 2011

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

Bond Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>28,452,075</u>	<u>11,582,423</u>
Representing:			
Fund Balance			
Balance at beginning of year		11,582,423	-
Surplus for the year		<u>16,869,652</u>	<u>11,582,423</u>
Balance at end of year	4	<u>28,452,075</u>	<u>11,582,423</u>

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Bond Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	5	17,139,343	11,599,422
Expenditure	6	(269,691)	(16,999)
Surplus for the year		16,869,652	11,582,423
Other cash movements	7	(16,869,652)	(11,582,423)
Cash and bank balances at end of year		-	-

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Bond Fund

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

The Bond Fund was established with effect from 10 July 2009 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 8 July 2009. Sums raised under the Government Bond Programme are credited to the Bond Fund. The Hong Kong Monetary Authority has been directed by the Financial Secretary to, inter alia, assist in managing the investment concerning the Bond Fund.

2. Accounting Policy

The accounts of the Bond Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid. The Statement of Assets and Liabilities of the Fund excludes outstanding liabilities in respect of sums borrowed under paragraph (c)(i) of the Resolution referred to in Note 4 below.

3. Investments with the Exchange Fund

- (i) These are investments made under paragraph (e)(ii) of the Resolution. They represent the cost of investments together with interest of HK\$983 million received in the year ended 31 March 2011.
- (ii) The return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

4. Liabilities

The following outstanding liabilities in respect of sums borrowed for the purposes of the Bond Fund under the Loans Ordinance (Cap. 61) are not included in the Statement of Assets and Liabilities:

	2011	2010
	HK\$'000	HK\$'000
Outstanding government bonds	<u>27,500,000</u>	<u>11,500,000</u>

Following a resolution passed under section 3(1) of the Loans Ordinance in July 2009, the Government issued bonds totalling HK\$27,500 million to institutional investors as at 31 March 2011. The bonds will mature within the period from September 2011 to January 2020. During the financial year, payments of HK\$269 million interest were made.

5. Revenue

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Proceeds from issuance of bonds	17,500,000	16,156,658	11,498,598
Investment income	922,654	982,685	100,824
	<u>18,422,654</u>	<u>17,139,343</u>	<u>11,599,422</u>

Bond Fund

6. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Interest payment for bonds	301,225	268,716	15,968
Others	9,868	975	1,031
	311,093	269,691	16,999

7. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Increase in Assets:		
Investments with the Exchange Fund	16,869,652	11,582,423

8. Comparative Figures

The comparative figures are for the period from 10 July 2009 (date of establishment of the Fund) to 31 March 2010.