



**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 2012**

**October 2012**

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 2012





審計署署長  
香港灣仔  
告士打道七號  
入境事務大樓  
二十六樓

**Director of Audit**  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

圖文傳真 Facsimile : 2583 9063

電話 Telephone : 2829 4200

30 October 2012

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 2012, 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,

**David Sun**  
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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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

# General Revenue Account

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	372,704,340	341,515,070
Deposits with banks	4	283,157	297,610
Cash and bank balances	5	3,228,912	2,552,907
Advances	6	2,415,177	2,414,333
		<b>378,631,586</b>	<b>346,779,920</b>
<b>Liabilities</b>			
Deposits	7	(17,847,586)	(19,150,921)
Suspense Accounts	8	(124,462)	(71,717)
		<b>(17,972,048)</b>	<b>(19,222,638)</b>
		<b>360,659,538</b>	<b>327,557,282</b>
<b>Representing:</b>			
<b>General Revenue Balance</b>			
Balance at beginning of year		327,557,282	279,938,484
Surplus for the year		33,102,256	47,618,798
Balance at end of year	9	<b>360,659,538</b>	<b>327,557,282</b>

Notes 1 to 12 form part of these financial statements.

**Mrs Lesley Y C WONG**  
 Director of Accounting Services  
 15 August 2012



# General Revenue Account

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Cash and bank balances at beginning of year		2,552,907	3,227,281
Revenue	10	332,621,019	290,289,432
Expenditure	11	(299,518,763)	(242,670,634)
Surplus for the year		33,102,256	47,618,798
Other cash movements	12	(32,426,251)	(48,293,172)
Cash and bank balances at end of year		<u>3,228,912</u>	<u>2,552,907</u>

Notes 1 to 12 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# 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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Investments (Notes (ii) and (iii) below)	<b>372,446,696</b>	341,361,468
Deposits	<b>257,644</b>	153,602
	<b><u>372,704,340</u></b>	<u>341,515,070</u>

- (ii) The investments represent the cost of investments together with interest of HK\$19.82 billion received in the year ended 31 March 2012.
- (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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Hong Kong dollar	<b>97,752</b>	97,621
Foreign currency	<b>185,405</b>	199,989
	<b><u>283,157</u></b>	<u>297,610</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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Expenditure on Vietnamese migrants (Note (i) below)	<b>1,161,991</b>	1,161,991
Advances to Government officers	<b>683,111</b>	758,409
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	<b>336,114</b>	328,430
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
Others	<b>233,961</b>	161,048
	<b><u>2,415,177</u></b>	<u>2,414,333</u>

- (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 2011-12, 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:

	<b>2012</b>	2011
	<b>HKS'000</b>	HKS'000
Tax reserve certificates	<b>11,672,627</b>	13,278,695
Water deposits	<b>1,557,609</b>	1,519,693
Tenancy deposits	<b>1,167,957</b>	1,097,901
Tax overpayments	<b>629,734</b>	670,664
Legal aid deposits	<b>513,810</b>	547,113
Private works	<b>221,697</b>	202,609
Others	<b>2,084,152</b>	1,834,246
	<b><u>17,847,586</u></b>	<u>19,150,921</u>

## 8. Suspense Accounts

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

	<b>2012</b>	2011
	<b>HKS'000</b>	HKS'000
Correctional Services Industries (Note (i) below)	<b>20,329</b>	24,663
Government Logistics Department — Unallocated Stores (Note (i) below)	<b>8,374</b>	6,011
The Special Coin (Note (ii) below)	<b>(95,867)</b>	(95,743)
The Financial Secretary Incorporated (Note (iii) below)	<b>(57,298)</b>	(6,648)
	<b><u>(124,462)</u></b>	<u>(71,717)</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

As at 31 March 2012, the Government had the following contingent liabilities:

- (i) guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance amounting to HK\$23,751 million (2011: HK\$22,693 million);
- (ii) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$7,012 million (2011: HK\$5,862 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$62,751 million (2011: HK\$68,563 million); and
- (iv) litigation amounting to HK\$3,168 million (2011: HK\$4,232 million).

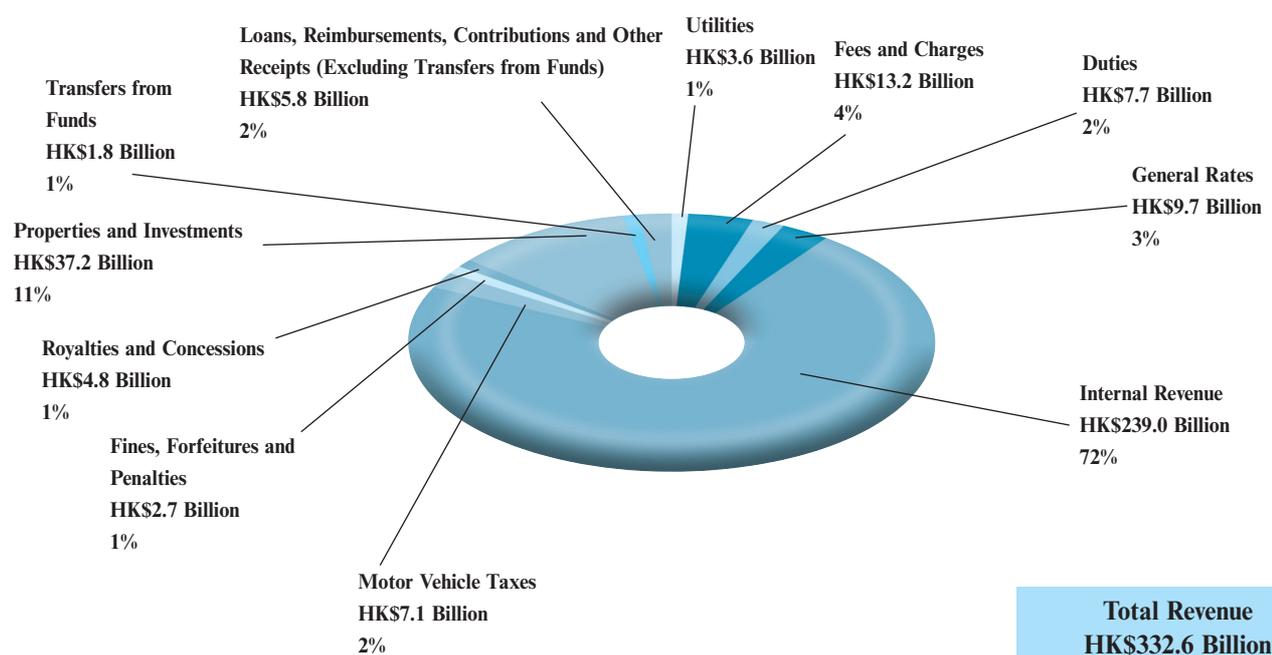
## 10. Revenue

Analysis of total revenue by Head:

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
1 Duties	7,797,868	<b>7,724,742</b>	(73,126)	(0.9)	7,551,086
2 General Rates	11,011,000	<b>9,722,268</b>	(1,288,732)	(11.7)	8,955,850
3 Internal Revenue	201,769,118	<b>238,980,135</b>	37,211,017	18.4	210,797,234
4 Motor Vehicle Taxes	7,493,607	<b>7,070,073</b>	(423,534)	(5.7)	6,657,392
5 Fines, Forfeitures and Penalties	985,679	<b>2,659,647</b>	1,673,968	169.8	1,159,047
6 Royalties and Concessions	2,410,173	<b>4,849,249</b>	2,439,076	101.2	2,451,443
7 Properties and Investments	34,962,266	<b>37,238,972</b>	2,276,706	6.5	33,772,161
9 Loans, Reimbursements, Contributions and Other Receipts	5,834,681	<b>7,583,523</b>	1,748,842	30.0	4,098,880
10 Utilities	3,655,386	<b>3,573,203</b>	(82,183)	(2.2)	3,483,357
11 Fees and Charges	12,510,219	<b>13,219,207</b>	708,988	5.7	11,362,982
Total	<u>288,429,997</u>	<u><b>332,621,019</b></u>	<u>44,191,022</u>	15.3	<u>290,289,432</u>

# General Revenue Account

## Analysis of Revenue for the year ended 31 March 2012



## 11. Expenditure

Analysis of total expenditure by Head:

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	85,217	90,155	4,938	5.8	82,420
22 Agriculture, Fisheries and Conservation Department	964,195	951,814	(12,381)	(1.3)	891,118
25 Architectural Services Department	1,565,434	1,616,696	51,262	3.3	1,553,113
24 Audit Commission	121,132	124,754	3,622	3.0	119,870
23 Auxiliary Medical Service	66,360	66,577	217	0.3	64,643
82 Buildings Department	993,996	872,062	(121,934)	(12.3)	837,452
26 Census and Statistics Department	827,607	776,343	(51,264)	(6.2)	544,101
27 Civil Aid Service	81,696	81,611	(85)	(0.1)	78,267
28 Civil Aviation Department	758,817	767,095	8,278	1.1	689,770
33 Civil Engineering and Development Department	1,996,469	1,791,973	(204,496)	(10.2)	1,647,686
30 Correctional Services Department	2,895,922	2,983,617	87,695	3.0	2,794,827
31 Customs and Excise Department	2,565,707	2,549,770	(15,937)	(0.6)	2,374,075
37 Department of Health	4,870,346	4,393,525	(476,821)	(9.8)	3,966,598
92 Department of Justice	1,043,191	1,119,862	76,671	7.3	966,088
39 Drainage Services Department	1,850,534	1,880,413	29,879	1.6	1,811,419

# General Revenue Account

## 11. Expenditure (Continued)

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	345,418	<b>355,702</b>	10,284	3.0	402,742
44 Environmental Protection Department	2,425,515	<b>2,969,843</b>	544,328	22.4	2,336,547
45 Fire Services Department	4,205,211	<b>4,173,274</b>	(31,937)	(0.8)	3,952,258
49 Food and Environmental Hygiene Department	4,572,750	<b>4,668,970</b>	96,220	2.1	4,386,802
46 General Expenses of the Civil Service	2,848,009	<b>2,655,867</b>	(192,142)	(6.7)	2,641,770
166 Government Flying Service	558,834	<b>530,194</b>	(28,640)	(5.1)	248,831
48 Government Laboratory	347,454	<b>347,306</b>	(148)	-	339,910
59 Government Logistics Department	499,456	<b>445,210</b>	(54,246)	(10.9)	463,456
51 Government Property Agency	1,800,542	<b>1,652,976</b>	(147,566)	(8.2)	1,630,830
143 Government Secretariat: Civil Service Bureau	420,026	<b>440,344</b>	20,318	4.8	403,255
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,355,242	<b>1,269,448</b>	(85,794)	(6.3)	1,221,922
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	310,890	<b>246,753</b>	(64,137)	(20.6)	237,286
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	388,055	<b>387,434</b>	(621)	(0.2)	538,321
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	831,364	<b>689,601</b>	(141,763)	(17.1)	962,085
159 Government Secretariat: Development Bureau (Works Branch)	316,711	<b>301,553</b>	(15,158)	(4.8)	238,433
156 Government Secretariat: Education Bureau	41,050,152	<b>44,662,190</b>	3,612,038	8.8	39,046,861
137 Government Secretariat: Environment Bureau	80,035	<b>65,292</b>	(14,743)	(18.4)	67,154
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	185,493	<b>190,341</b>	4,848	2.6	144,707

# General Revenue Account

## 11. Expenditure (Continued)

Head	2012				2011
	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)	332,979	<b>30,147,821</b>	29,814,842	8,954.0	653,403
139 Government Secretariat: Food and Health Bureau (Food Branch)	77,031	<b>58,852</b>	(18,179)	(23.6)	55,978
140 Government Secretariat: Food and Health Bureau (Health Branch)	37,322,905	<b>38,969,146</b>	1,646,241	4.4	34,652,352
53 Government Secretariat: Home Affairs Bureau	1,358,524	<b>14,764,515</b>	13,405,991	986.8	4,391,013
155 Government Secretariat: Innovation and Technology Commission	498,232	<b>502,660</b>	4,428	0.9	465,432
141 Government Secretariat: Labour and Welfare Bureau	583,946	<b>554,997</b>	(28,949)	(5.0)	462,116
47 Government Secretariat: Office of the Government Chief Information Officer	657,581	<b>655,161</b>	(2,420)	(0.4)	580,433
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	624,800	<b>594,407</b>	(30,393)	(4.9)	480,810
96 Government Secretariat: Overseas Economic and Trade Offices	299,302	<b>302,112</b>	2,810	0.9	299,114
151 Government Secretariat: Security Bureau	272,961	<b>233,543</b>	(39,418)	(14.4)	3,184,109
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	137,433	<b>134,407</b>	(3,026)	(2.2)	122,639
60 Highways Department	2,230,549	<b>2,263,032</b>	32,483	1.5	2,184,963
63 Home Affairs Department	1,769,413	<b>1,723,426</b>	(45,987)	(2.6)	1,743,853
168 Hong Kong Observatory	220,668	<b>225,606</b>	4,938	2.2	213,504
122 Hong Kong Police Force	13,157,929	<b>13,750,863</b>	592,934	4.5	12,855,128
62 Housing Department	146,083	<b>2,050,378</b>	1,904,295	1,303.6	1,935,211
70 Immigration Department	3,071,992	<b>3,124,877</b>	52,885	1.7	2,936,636
72 Independent Commission Against Corruption	824,119	<b>821,245</b>	(2,874)	(0.3)	769,968
121 Independent Police Complaints Council	35,230	<b>36,089</b>	859	2.4	28,484

# General Revenue Account

## 11. Expenditure (Continued)

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	375,902	<b>362,080</b>	(13,822)	(3.7)	355,231
76 Inland Revenue Department	1,290,339	<b>1,188,457</b>	(101,882)	(7.9)	1,147,820
78 Intellectual Property Department	97,817	<b>100,556</b>	2,739	2.8	94,683
79 Invest Hong Kong	110,647	<b>112,055</b>	1,408	1.3	108,771
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	19,244	<b>20,409</b>	1,165	6.1	19,254
80 Judiciary	1,137,930	<b>1,057,691</b>	(80,239)	(7.1)	1,022,926
90 Labour Department	1,298,408	<b>1,270,314</b>	(28,094)	(2.2)	1,074,500
91 Lands Department	1,810,067	<b>1,849,683</b>	39,616	2.2	1,730,347
94 Legal Aid Department	784,260	<b>704,706</b>	(79,554)	(10.1)	733,529
112 Legislative Council Commission	566,961	<b>568,927</b>	1,966	0.3	449,402
95 Leisure and Cultural Services Department	5,630,026	<b>5,825,415</b>	195,389	3.5	5,392,556
100 Marine Department	988,869	<b>974,509</b>	(14,360)	(1.5)	926,220
106 Miscellaneous Services	61,245,750	<b>115,525</b>	(61,130,225)	(99.8)	174,940
114 Office of The Ombudsman	89,391	<b>94,164</b>	4,773	5.3	89,116
116 Official Receiver's Office	136,331	<b>126,082</b>	(10,249)	(7.5)	119,332
120 Pensions	19,772,434	<b>19,737,349</b>	(35,085)	(0.2)	18,026,853
118 Planning Department	479,470	<b>490,754</b>	11,284	2.4	464,177
*136 Public Service Commission Secretariat	18,203	<b>18,932</b>	729	4.0	16,434
160 Radio Television Hong Kong	563,106	<b>539,904</b>	(23,202)	(4.1)	469,857
162 Rating and Valuation Department	411,711	<b>405,033</b>	(6,678)	(1.6)	384,084
163 Registration and Electoral Office	411,923	<b>352,839</b>	(59,084)	(14.3)	197,154
169 Secretariat, Commissioner on Interception of Communications and Surveillance	17,079	<b>16,096</b>	(983)	(5.8)	12,899
170 Social Welfare Department	41,265,733	<b>42,189,135</b>	923,402	2.2	39,368,247
173 Student Financial Assistance Agency	3,955,741	<b>4,085,407</b>	129,666	3.3	3,978,120
180 Television and Entertainment Licensing Authority	78,962	<b>78,926</b>	(36)	-	78,472
181 Trade and Industry Department	718,441	<b>647,792</b>	(70,649)	(9.8)	660,374
186 Transport Department	1,306,014	<b>1,270,453</b>	(35,561)	(2.7)	1,145,425
188 Treasury	332,454	<b>327,411</b>	(5,043)	(1.5)	317,588

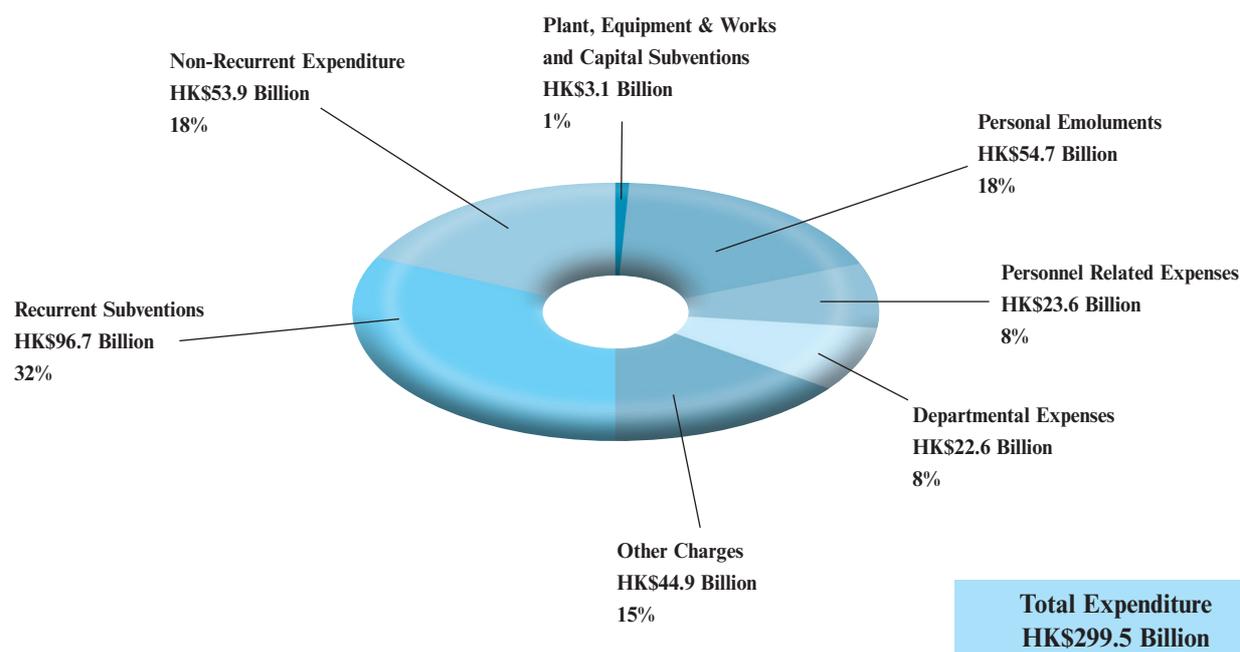
# General Revenue Account

## 11. Expenditure (Continued)

Head	2012				2011
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
190 University Grants Committee	11,027,723	<b>11,707,549</b>	679,826	6.2	12,083,898
194 Water Supplies Department	6,118,761	<b>6,248,908</b>	130,147	2.1	5,951,662
	<u>308,909,154</u>	<u><b>299,518,763</b></u>	<u>(9,390,391)</u>	<u>(3.0)</u>	<u>242,293,634</u>
184 Transfers to Funds	25,000,000	-	(25,000,000)	(100.0)	377,000
Total	<u>333,909,154</u>	<u><b>299,518,763</b></u>	<u>(34,390,391)</u>	<u>(10.3)</u>	<u>242,670,634</u>

\* Head 136 — Public Service Commission has been retitled Public Service Commission Secretariat with effect from 2011-12.

## Analysis of Expenditure for the year ended 31 March 2012



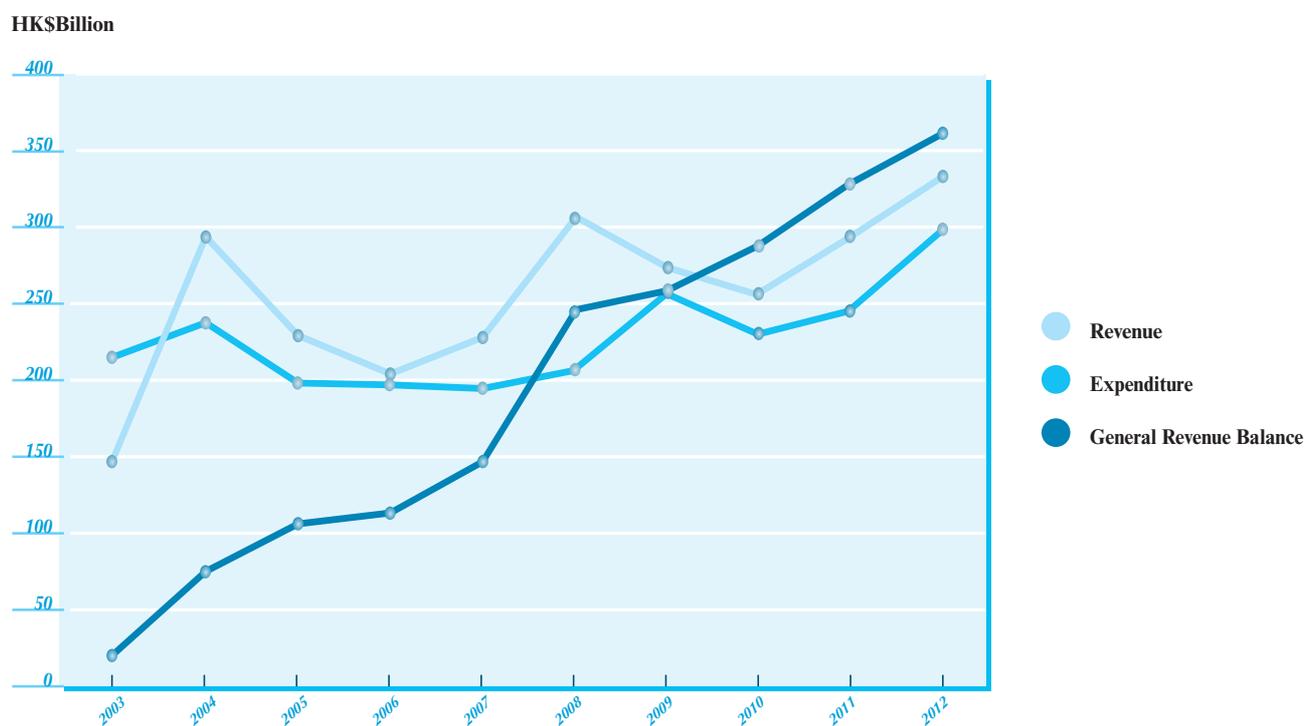
# General Revenue Account

## 12. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
<b>Reduction/(Increase) in Assets</b>		
Investments with the Exchange Fund	(31,189,270)	(48,826,612)
Deposits with banks	14,453	5,716
Advances	(844)	(44,489)
	<b>(31,175,661)</b>	<b>(48,865,385)</b>
<b>Increase/(Reduction) in Liabilities</b>		
Deposits	(1,303,335)	577,367
Suspense Accounts	52,745	(5,154)
	<b>(1,250,590)</b>	<b>572,213</b>
	<b><u>(32,426,251)</u></b>	<b><u>(48,293,172)</u></b>

## Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2003 to 2012



# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	71,198,004	43,479,467
Deposits with banks	4	-	68
Cash and bank balances		887	300
Advances	5	-	77,362
		<b>71,198,891</b>	<b>43,557,197</b>
<b>Liabilities</b>			
Deposits	6	(918,854)	(906,241)
		<b>70,280,037</b>	<b>42,650,956</b>
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		42,650,956	27,846,126
Surplus for the year		27,629,081	14,804,830
Balance at end of year	7	<b>70,280,037</b>	<b>42,650,956</b>

Notes 1 to 10 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# Capital Works Reserve Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Cash and bank balances at beginning of year		300	1,975
Revenue	8	88,466,275	68,342,221
Expenditure	9	(60,837,194)	(53,537,391)
Surplus for the year before repayment of government bonds and notes		27,629,081	14,804,830
Repayment of government bonds and notes	7	-	-
Surplus for the year after repayment of government bonds and notes		27,629,081	14,804,830
Other cash movements	10	(27,628,494)	(14,806,505)
Cash and bank balances at end of year		887	300

Notes 1 to 10 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# 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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Investments (Notes (ii) and (iii) below)	<b>71,150,504</b>	43,431,335
Deposits	<b>47,500</b>	48,132
	<b><u>71,198,004</u></b>	<u>43,479,467</u>

(ii) The investments represent the cost of investments together with interest of HK\$3.61 billion received in the year ended 31 March 2012.

(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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Foreign currency	<b>-</b>	68

# 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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Advances in respect of other capital works projects	<u>-</u>	<u>77,362</u>

## 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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Contract retention money	<b>721,983</b>	611,016
Others	<b>196,871</b>	295,225
	<u><b>918,854</b></u>	<u>906,241</u>

## 7. Fund Balance

The Fund Balance includes receipts from sums borrowed for the purposes of the Capital Works Reserve Fund under the Loans Ordinance (Cap. 61) that are required to be credited to the Fund under paragraph (b)(v) of the Resolution. Repayments of the principal in relation to the outstanding liabilities in respect of sums borrowed are included in expenditure charged to the Fund under paragraph (d)(ii) of the Resolution.

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 liabilities, not included in the Statement of Assets and Liabilities, in respect of sums borrowed are as follows:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Outstanding government bonds and notes	<u><b>11,207,500</b></u>	<u>11,230,313</u>

The outstanding amount will mature within the period from August 2014 to July 2019. During the financial year, there were payments of interest of HK\$575 million on the notes but no repayment of principal.

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

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Land premium</b>			
Sales by public auction and tender	-	63,722,624	44,116,460
Private treaty grants	-	331,238	10,673,947
Modification of existing leases, exchanges and extensions	-	19,999,555	10,312,726
Fees received in respect of short term waivers	-	591,001	441,427
	62,000,000	84,644,418	65,544,560
<b>Investment income</b>	2,689,000	3,609,384	2,711,135
<b>Transfer from General Revenue</b>	25,000,000	-	-
<b>Other revenue</b>			
Recovery from MTR Corporation Ltd.	131,000	-	-
Donations and contributions	116,138	106,000	-
Others	-	106,473	86,526
	247,138	212,473	86,526
	<u>89,936,138</u>	<u>88,466,275</u>	<u>68,342,221</u>

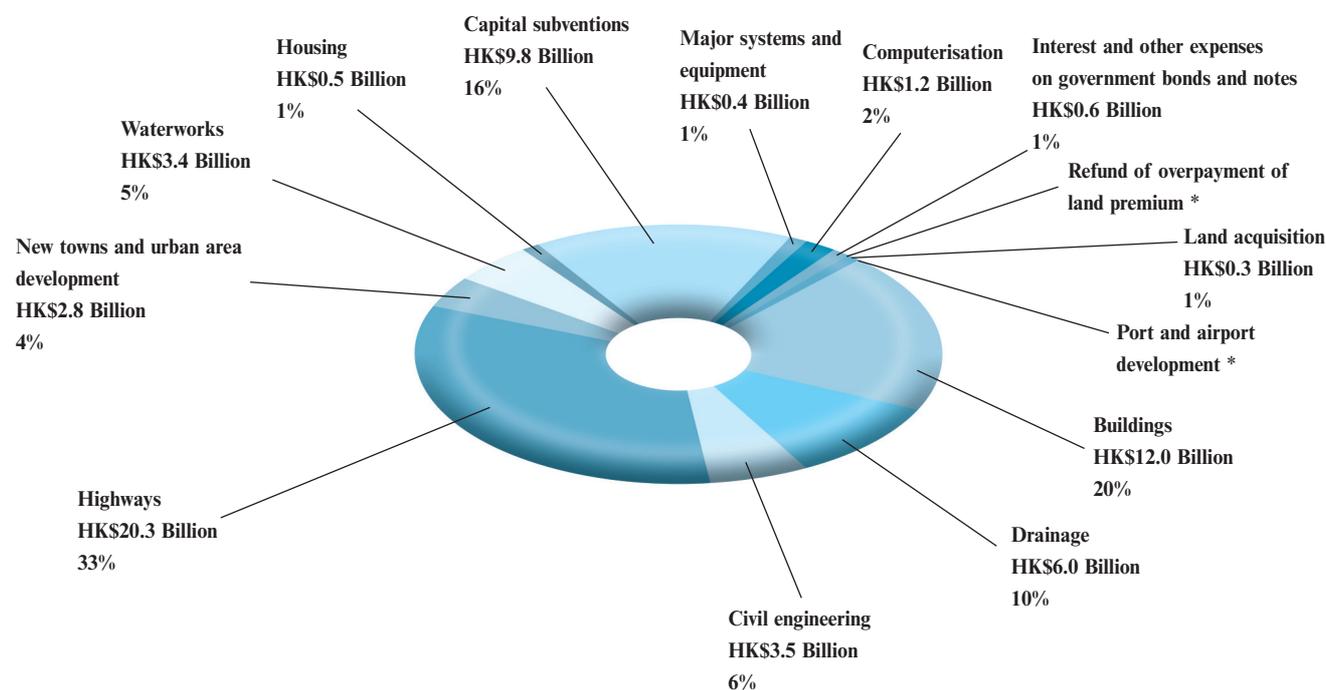
# Capital Works Reserve Fund

## 9. Expenditure

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Land acquisition</b>	2,289,360	<b>329,366</b>	1,533,533
<b>Public Works Programme</b>			
Port and airport development	4,214	<b>1,505</b>	1,056
Buildings	11,767,867	<b>11,990,125</b>	12,001,574
Drainage	6,108,637	<b>5,965,515</b>	6,089,283
Civil engineering	3,448,202	<b>3,545,999</b>	2,456,300
Highways	20,992,157	<b>20,358,764</b>	15,201,075
New towns and urban area development	2,588,078	<b>2,833,517</b>	3,590,102
Waterworks	3,662,876	<b>3,368,184</b>	3,653,378
Housing	572,553	<b>475,269</b>	562,106
	49,144,584	<b>48,538,878</b>	43,554,874
<b>Capital subventions and major systems and equipment</b>			
Capital subventions	9,170,128	<b>9,816,678</b>	6,225,477
Major systems and equipment	952,820	<b>390,022</b>	527,891
	10,122,948	<b>10,206,700</b>	6,753,368
<b>Computerisation</b>	1,743,952	<b>1,183,199</b>	1,120,341
<b>Interest and other expenses on government bonds and notes</b>	577,002	<b>575,348</b>	574,844
<b>Other payments</b>			
Refund of overpayment of land premium	-	<b>3,703</b>	431
	<u>63,877,846</u>	<u><b>60,837,194</b></u>	<u>53,537,391</u>

# Capital Works Reserve Fund

## Analysis of Expenditure for the year ended 31 March 2012



\* Actual expenditure on "Port and airport development" and "Refund of overpayment of land premium" is not shown as it is less than HK\$0.1 billion each.

**Total Expenditure**  
**HK\$60.8 Billion**

## 10. Other Cash Movements

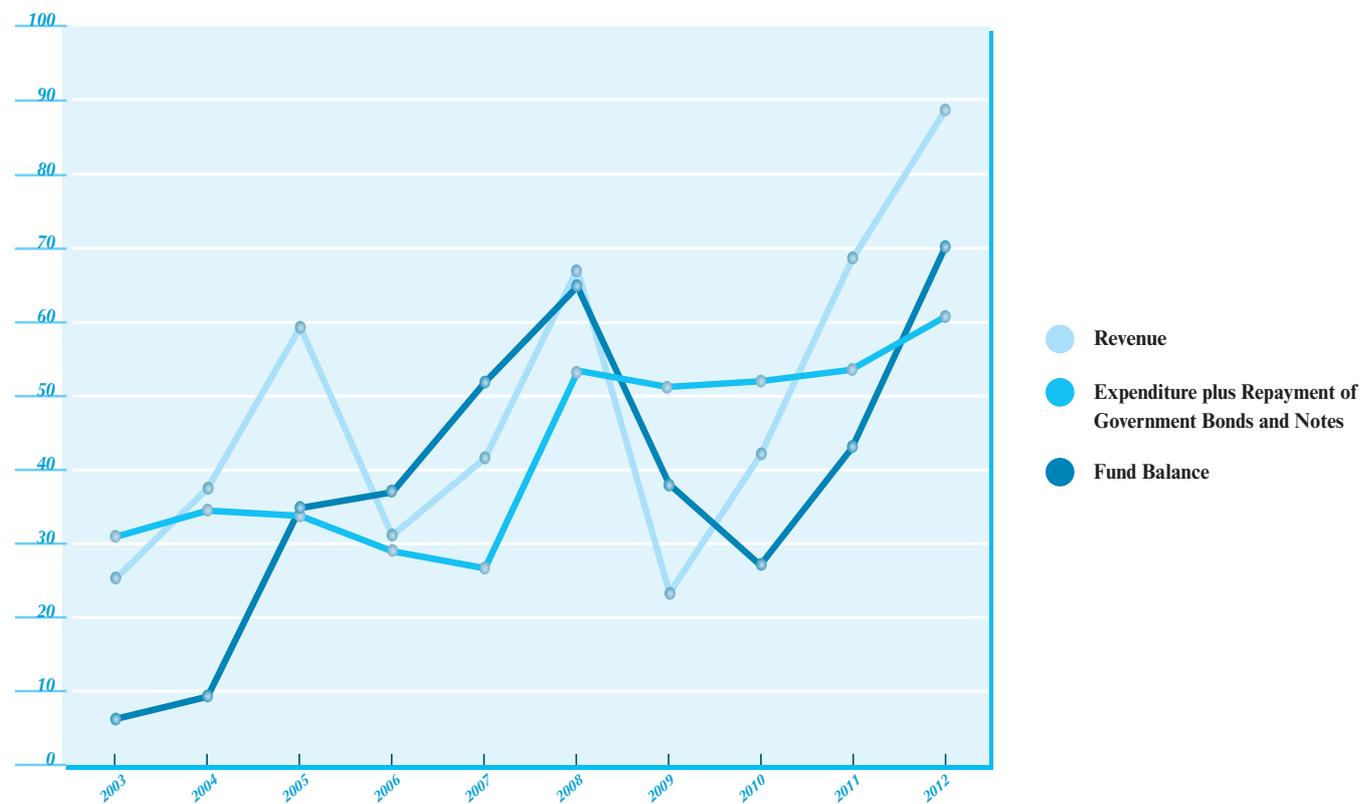
These are cash movements arising from changes in other assets and liabilities.

	2012 HK\$'000	2011 HK\$'000
<b>Reduction/(Increase) in Assets</b>		
Investments with the Exchange Fund	(27,718,537)	(14,923,664)
Deposits with banks	68	(4)
Advances	77,362	1,027
	<b>(27,641,107)</b>	<b>(14,922,641)</b>
<b>Increase in Liabilities</b>		
Deposits	12,613	116,136
	<b>(27,628,494)</b>	<b>(14,806,505)</b>

# Capital Works Reserve Fund

Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2003 to 2012

HKS Billion



# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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

# Capital Investment Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
<b>Investments</b>	3		
Equity Holdings		122,879,572	122,118,451
Other Investments		416,364,974	405,220,504
		<u>539,244,546</u>	<u>527,338,955</u>
<b>Loans Outstanding</b>	4	2,275,177	2,977,299
		<u>541,519,723</u>	<u>530,316,254</u>
<b>Current Assets</b>			
Investments with the Exchange Fund	5	1,193,350	1,618,937
Cash and bank balances		1	2
		<u>1,193,351</u>	<u>1,618,939</u>
		<u><u>542,713,074</u></u>	<u><u>531,935,193</u></u>
<b>Representing:</b>			
<b>Total Fund Balance</b>			
<b>Applied Fund</b>	6	541,519,723	530,316,254
<b>Available Fund</b>	7		
Balance at beginning of year		1,618,939	1,736,405
Deficit for the year		(425,588)	(117,466)
Balance at end of year		<u>1,193,351</u>	<u>1,618,939</u>
	8	<u><u>542,713,074</u></u>	<u><u>531,935,193</u></u>

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# Capital Investment Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Cash and bank balances at beginning of year		2	1
Revenue	9	1,385,971	1,357,103
Expenditure	10	(1,811,559)	(1,474,569)
Deficit for the year		(425,588)	(117,466)
Other cash movements	11	425,587	117,467
Cash and bank balances at end of year		<u>1</u>	<u>2</u>

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# 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)

	2012			2011		
	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	122,118,451	405,220,504	527,338,955	118,576,687	398,434,531	517,011,218
<b>Additions</b>						
Cash acquisitions	11,559	-	11,559	1,474,569	-	1,474,569
Non-cash acquisitions	749,562	11,144,470	11,894,032	2,067,195	6,785,973	8,853,168
	761,121	11,144,470	11,905,591	3,541,764	6,785,973	10,327,737
<b>Balance at end of year</b>	<b>122,879,572</b>	<b>416,364,974</b>	<b>539,244,546</b>	<b>122,118,451</b>	<b>405,220,504</b>	<b>527,338,955</b>

# Capital Investment Fund

## 4. Loans Outstanding

	2012 HK\$'000	2011 HK\$'000
Balance at beginning of year	2,977,299	3,951,458
<b>Additions</b>		
Capitalised interest	65,448	119,702
<b>Deductions</b>		
Loan repayments	(18,008)	(17,396)
Loan conversion to equity	(749,562)	(1,076,465)
	<u>(767,570)</u>	<u>(1,093,861)</u>
<b>Balance at end of year</b>	<u><u>2,275,177</u></u>	<u><u>2,977,299</u></u>

## 5. 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\$99 million received in the year ended 31 March 2012.
- (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.

## 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

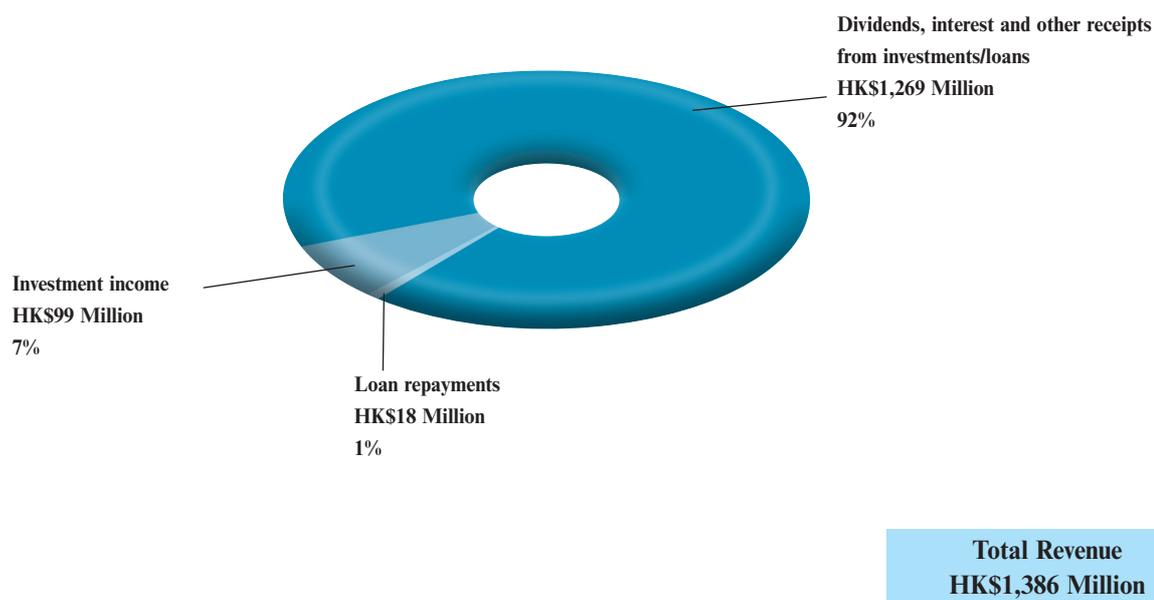
As at 31 March 2012, the amount of possible capital subscriptions to the Asian Development Bank was HK\$6,607 million (2011: HK\$6,753 million).

## 9. Revenue

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Dividends, interest and other receipts from investments/loans	1,103,308	1,269,441	1,235,533
Loan repayments	83,981	18,008	17,396
Investment income	109,000	98,522	104,174
	<u>1,296,289</u>	<u>1,385,971</u>	<u>1,357,103</u>

# Capital Investment Fund

Analysis of Revenue for the year ended 31 March 2012



## 10. Expenditure

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Acquisition of investments</b>			
Equity holdings	11,684	<b>11,559</b>	1,474,569
<b>Loan payments</b>	658,000	-	-
<b>Transfer to General Revenue</b>	1,800,000	<b>1,800,000</b>	-
	<u>2,469,684</u>	<u><b>1,811,559</b></u>	<u>1,474,569</u>

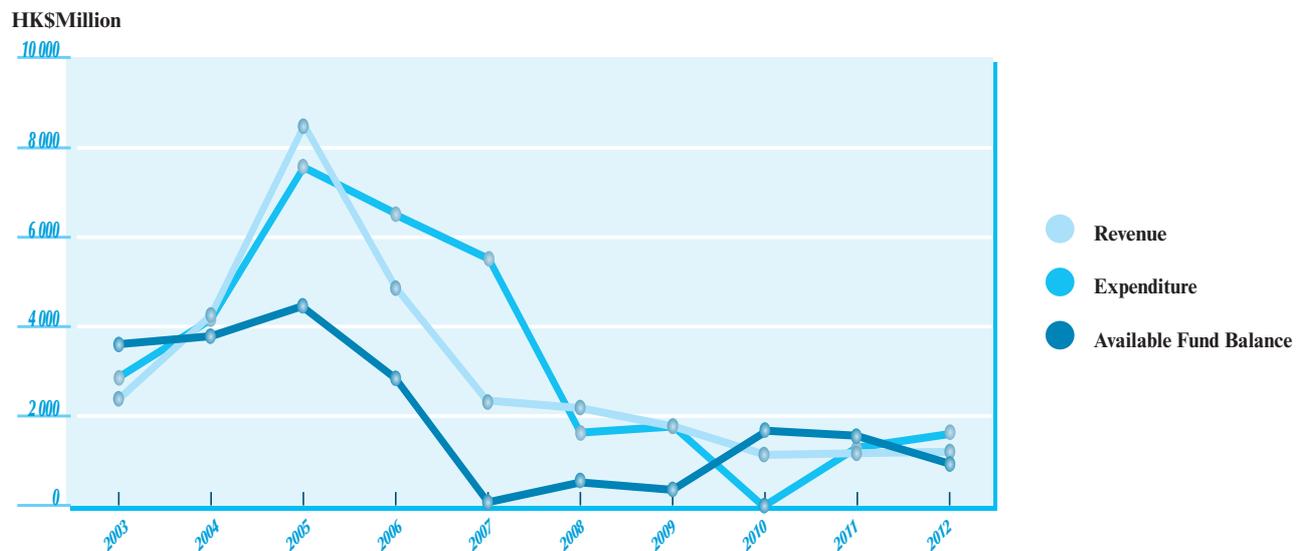
## 11. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
<b>Reduction in Assets</b>		
Investments with the Exchange Fund	<u><b>425,587</b></u>	<u>117,467</u>

# Capital Investment Fund

Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2003 to 2012



# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	<u>24,373,123</u>	<u>22,993,513</u>
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		22,993,513	21,630,774
Surplus for the year		<u>1,379,610</u>	<u>1,362,739</u>
Balance at end of year		<u>24,373,123</u>	<u>22,993,513</u>

Notes 1 to 5 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2012



# Civil Service Pension Reserve Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Cash and bank balances at beginning of year</b>		-	-
Revenue	4	1,379,610	1,362,739
Expenditure		-	-
<b>Surplus for the year</b>		1,379,610	1,362,739
<b>Other cash movements</b>	5	(1,379,610)	(1,362,739)
<b>Cash and bank balances at end of year</b>		-	-

Notes 1 to 5 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2012



# 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\$1.38 billion received in the year ended 31 March 2012.
- (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>2012</u>	<u>2011</u>
	Original Estimate HK\$'000	Actual HK\$'000
Investment income	1,380,000	1,379,610
	<u>1,380,000</u>	<u>1,379,610</u>

### 5. Other Cash Movements

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

	<u>2012</u>	<u>2011</u>
	HK\$'000	HK\$'000
<b>Increase in Assets</b>		
Investments with the Exchange Fund	<u>1,379,610</u>	<u>1,362,739</u>

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# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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

# Disaster Relief Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	<u>6,651</u>	<u>35,071</u>
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		35,071	8,014
(Deficit)/Surplus for the year		<u>(28,420)</u>	<u>27,057</u>
Balance at end of year		<u>6,651</u>	<u>35,071</u>

Notes 1 to 6 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# Disaster Relief Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Cash and bank balances at beginning of year</b>		-	-
Revenue	4	8,340	381,109
Expenditure	5	(36,760)	(354,052)
<b>(Deficit)/Surplus for the year</b>		<b>(28,420)</b>	27,057
<b>Other cash movements</b>	6	<b>28,420</b>	(27,057)
<b>Cash and bank balances at end of year</b>		<b>-</b>	<b>-</b>

Notes 1 to 6 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2012



# 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\$1.61 million received in the year ended 31 March 2012.
- (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

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income	3,000	1,608	3,506
Transfer from General Revenue	-	-	377,000
Refund of grants	46	6,732	603
	<u>3,046</u>	<u>8,340</u>	<u>381,109</u>

# Disaster Relief Fund

## 5. Expenditure

	2012 Actual HK\$'000	2011 Actual HK\$'000
<b>Relief programmes for</b>		
flood victims in the Mainland	8,808	22,221
drought victims in the Mainland	7,720	138,511
drought victims in Ethiopia	6,000	-
typhoon victims in the Philippines	4,500	3,000
flood victims in Thailand	3,000	-
drought victims in Kenya	3,000	-
earthquake victims in Myanmar	2,000	-
earthquake victims in Japan	1,232	1,000
flood victims in Cambodia	500	-
earthquake victims in the Mainland	-	120,920
mudslide victims in the Mainland	-	50,000
flood victims in Pakistan	-	9,950
earthquake victims in New Zealand	-	6,150
flood victims in Sri Lanka	-	2,000
flood victims in India	-	300
	<b>36,760</b>	<b>354,052</b>

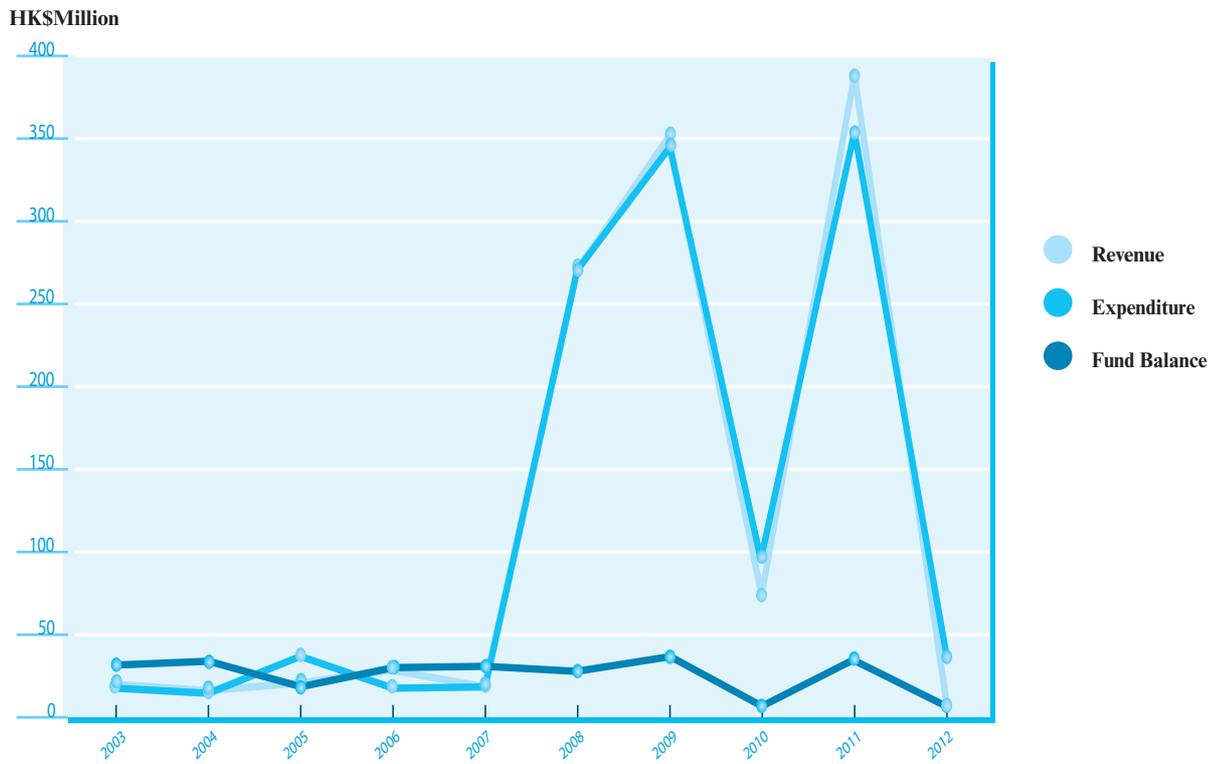
## 6. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
<b>Reduction/(Increase) in Assets</b>		
Investments with the Exchange Fund	<b>28,420</b>	<b>(27,057)</b>

# Disaster Relief Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2003 to 2012



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# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	2,847,444	3,271,800
Cash and bank balances		9,111	11
		<u>2,856,555</u>	<u>3,271,811</u>
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		3,271,811	3,749,017
Deficit for the year		(415,256)	(477,206)
Balance at end of year	4	<u>2,856,555</u>	<u>3,271,811</u>

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# Innovation and Technology Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Cash and bank balances at beginning of year</b>		11	-
Revenue	5	240,018	271,625
Expenditure	6	(655,274)	(748,831)
<b>Deficit for the year</b>		<b>(415,256)</b>	<b>(477,206)</b>
<b>Other cash movements</b>	7	424,356	477,217
<b>Cash and bank balances at end of year</b>		<b>9,111</b>	<b>11</b>

Notes 1 to 7 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2012



# 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 made under paragraph 6 of the Resolution. They represent the cost of investments together with interest of HK\$188 million received in the year ended 31 March 2012.
- (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. Commitments

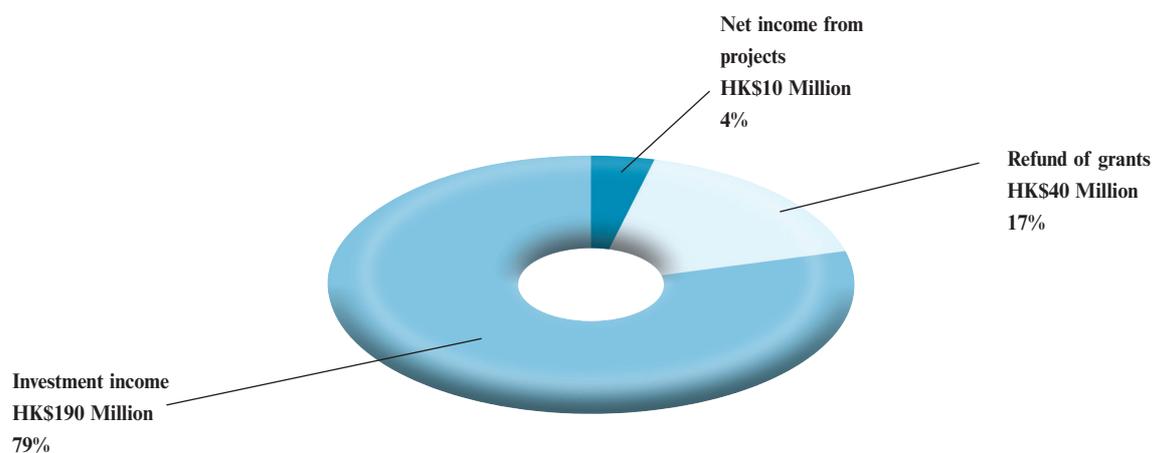
The approved grants that were unpaid as at 31 March 2012 amounted to HK\$877 million.

### 5. Revenue

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income	177,000	190,436	229,595
Net income from projects	7,808	10,139	3,801
Refund of grants	-	39,443	38,229
	<u>184,808</u>	<u>240,018</u>	<u>271,625</u>

# Innovation and Technology Fund

## Analysis of Revenue for the year ended 31 March 2012



**Total Revenue**  
**HK\$240 Million**

## 6. Expenditure

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	863,943	655,274	748,831

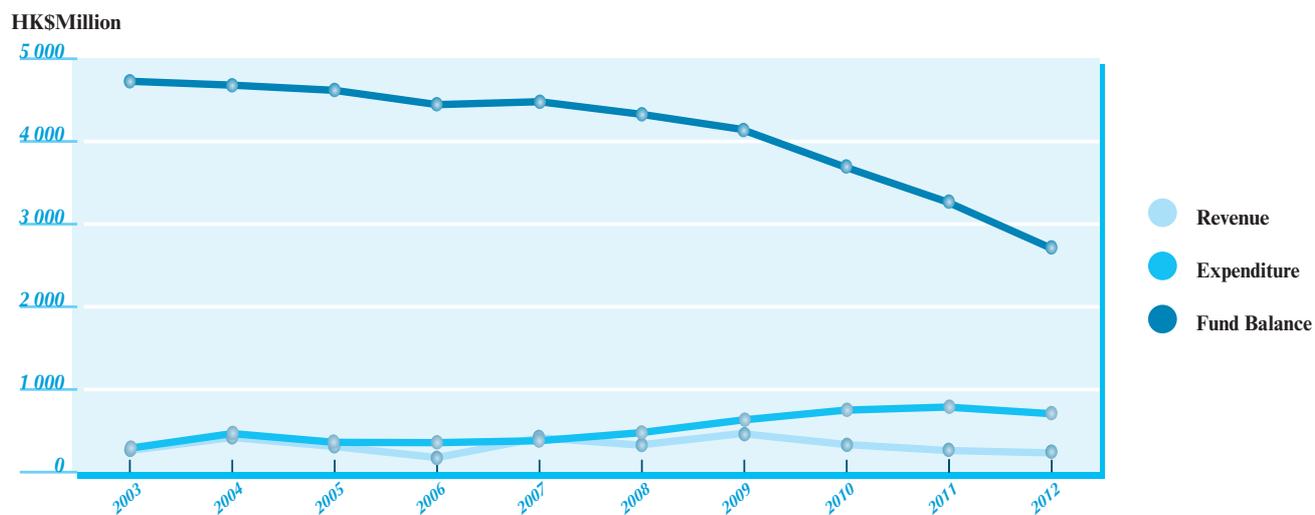
## 7. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
<b>Reduction in Assets</b>		
Investments with the Exchange Fund	424,356	477,217

# Innovation and Technology Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2003 to 2012



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# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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

# Land Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	<u>198,140,097</u>	<u>186,924,620</u>
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		186,924,620	175,846,303
Surplus for the year		<u>11,215,477</u>	<u>11,078,317</u>
Balance at end of year		<u>198,140,097</u>	<u>186,924,620</u>

Notes 1 to 5 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2012



# Land Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Cash and bank balances at beginning of year</b>		-	-
Revenue	4	11,215,477	11,078,317
Expenditure		-	-
<b>Surplus for the year</b>		11,215,477	11,078,317
<b>Other cash movements</b>	5	(11,215,477)	(11,078,317)
<b>Cash and bank balances at end of year</b>		-	-

Notes 1 to 5 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2012



# 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\$11.22 billion received in the year ended 31 March 2012.
- (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

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income	11,215,000	11,215,477	11,078,317

### 5. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
<b>Increase in Assets</b>		
Investments with the Exchange Fund	11,215,477	11,078,317

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# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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

# Loan Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
<b>Loans Outstanding</b>	<b>3</b>		
Housing Loans		3,084,860	3,136,946
Education Loans		12,361,535	12,119,397
Other Loans		3,434,893	3,504,463
		<b>18,881,288</b>	<b>18,760,806</b>
<b>Net Current Assets</b>			
<b>Current Assets</b>			
Investments with the Exchange Fund	4	2,235,441	1,909,424
Cash and bank balances		24,655	20,396
		<b>2,260,096</b>	<b>1,929,820</b>
<b>Current Liabilities</b>			
Deposits	5	(10,350)	(7,744)
		<b>2,249,746</b>	<b>1,922,076</b>
		<b>21,131,034</b>	<b>20,682,882</b>
<b>Representing:</b>			
<b>Total Fund Balance</b>			
<b>Applied Fund</b>	<b>6</b>	<b>18,881,288</b>	<b>18,760,806</b>
<b>Available Fund</b>	<b>7</b>		
Balance at beginning of year		1,922,076	1,671,746
Surplus for the year		327,670	250,330
Balance at end of year		<b>2,249,746</b>	<b>1,922,076</b>
	<b>8</b>	<b>21,131,034</b>	<b>20,682,882</b>

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# Loan Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
Cash and bank balances at beginning of year		20,396	23,444
Revenue	9	2,388,641	2,237,205
Expenditure	10	(2,060,971)	(1,986,875)
Surplus for the year		327,670	250,330
Other cash movements	11	(323,411)	(253,378)
Cash and bank balances at end of year		<u>24,655</u>	<u>20,396</u>

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# 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

	2012			2011		
	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	3,136,946	12,119,397	3,504,463	3,185,309	11,801,729	3,609,766
<b>Additions</b>						
Loan payments	94,243	1,874,893	91,835	156,014	1,745,426	85,435
Capitalised interest	74	-	82,862	467	-	78,870
	94,317	1,874,893	174,697	156,481	1,745,426	164,305
<b>Deductions</b>						
Loan repayments	(28,530)	(1,630,760)	(238,967)	(48,979)	(1,424,524)	(254,470)
Loans written off	-	(1,995)	(5,300)	(1,423)	(3,234)	(15,138)
Proceeds from sale of loans	(117,873)	-	-	(154,442)	-	-
	(146,403)	(1,632,755)	(244,267)	(204,844)	(1,427,758)	(269,608)
<b>Balance at end of year</b>	<b>3,084,860</b>	<b>12,361,535</b>	<b>3,434,893</b>	<b>3,136,946</b>	<b>12,119,397</b>	<b>3,504,463</b>

# Loan Fund

## 4. Investments with the Exchange Fund

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

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Investments (Notes (ii) and (iii) below)	<b>2,235,291</b>	1,909,323
Deposits	<b>150</b>	101
	<b><u>2,235,441</u></b>	<u>1,909,424</u>

(ii) The investments represent the cost of investments together with interest of HK\$131 million received in the year ended 31 March 2012.

(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:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Students	<b>10,225</b>	7,617
Others	<b>125</b>	127
	<b><u>10,350</u></b>	<u>7,744</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 2012, the Government had the following contingent liabilities:

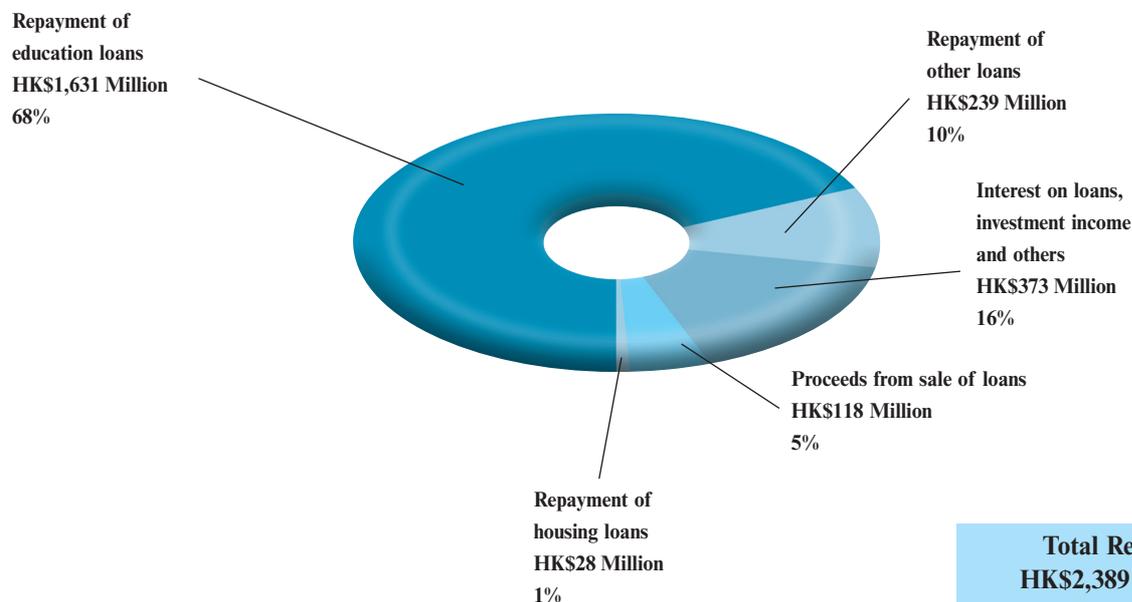
- (i) guarantees provided for a commercial loan of the Ocean Park Corporation amounting to HK\$1,388 million (2011: HK\$1,388 million); and
- (ii) guarantees provided under a special finance scheme for small and medium enterprises amounting to HK\$16 million (2011: HK\$16 million).

# Loan Fund

## 9. Revenue

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Loan repayments</b>			
Housing loans	54,111	28,530	48,979
Education loans	1,614,805	1,630,760	1,424,524
Other loans	264,131	238,967	254,470
	1,933,047	1,898,257	1,727,973
<b>Interest on loans</b>	275,886	238,657	232,702
<b>Investment income</b>	99,000	131,285	119,740
<b>Surcharges on overdue loan repayments</b>	2,200	2,536	2,309
<b>Proceeds from sale of loans</b>	158,350	117,873	154,442
<b>Repayments waived now recovered</b>	-	8	9
<b>Others</b>	-	25	30
	<u>2,468,483</u>	<u>2,388,641</u>	<u>2,237,205</u>

### Analysis of Revenue for the year ended 31 March 2012

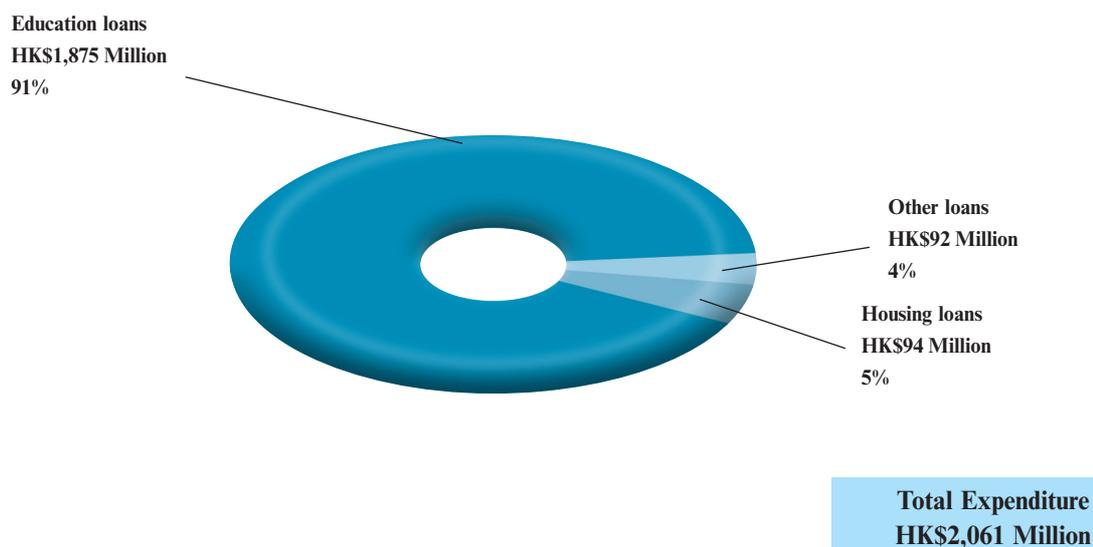


# Loan Fund

## 10. Expenditure

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Loan payments</b>			
Housing loans	190,400	<b>94,243</b>	156,014
Education loans	2,196,183	<b>1,874,893</b>	1,745,426
Other loans	168,588	<b>91,835</b>	85,435
	2,555,171	<b>2,060,971</b>	1,986,875
<b>Additional commitments</b>	257,700	-	-
	<u>2,812,871</u>	<u><b>2,060,971</b></u>	<u>1,986,875</u>

### Analysis of Expenditure for the year ended 31 March 2012



# Loan Fund

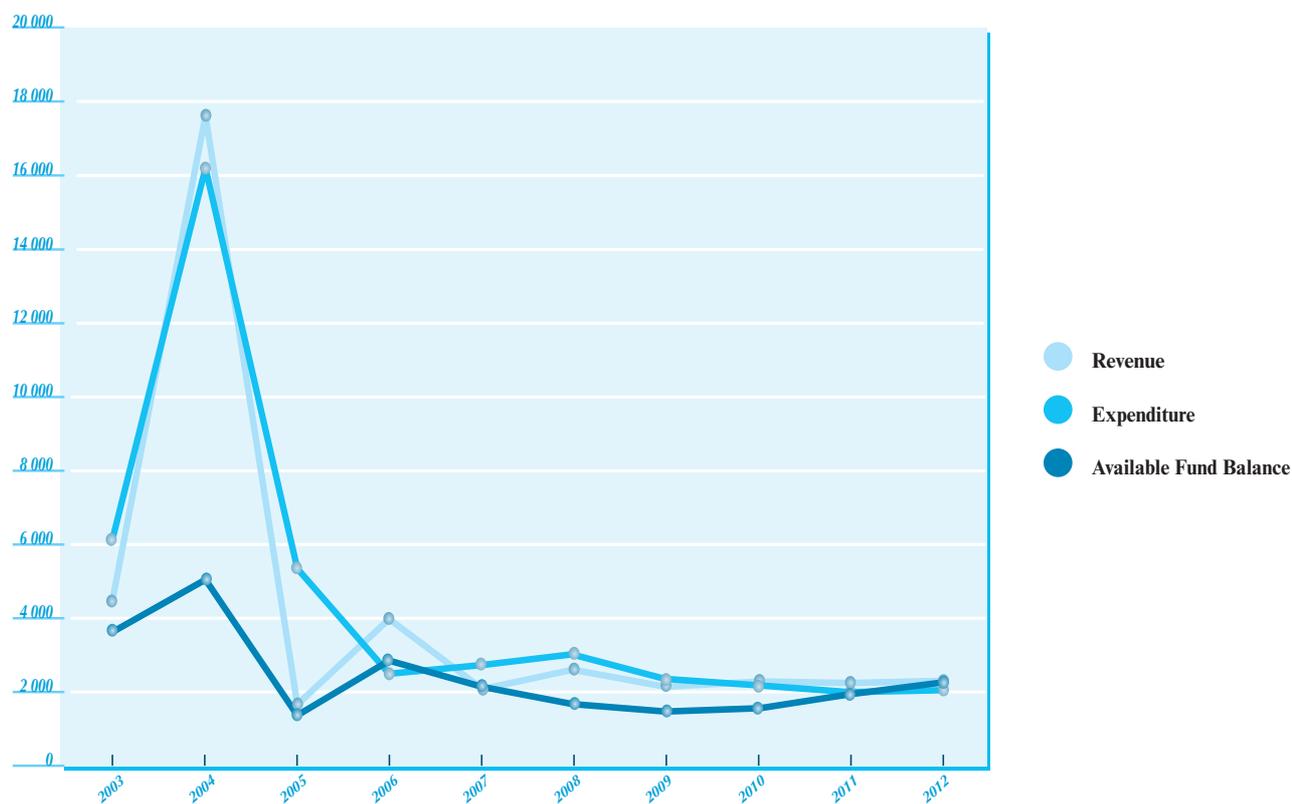
## 11. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
<b>Increase in Assets</b>		
Investments with the Exchange Fund	(326,017)	(254,716)
<b>Increase in Liabilities</b>		
Deposits	2,606	1,338
	<u>(323,411)</u>	<u>(253,378)</u>

## Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2003 to 2012

HK\$Million



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# *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 2012, 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 2012 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

26 October 2012

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

# Bond Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	<u>52,019,013</u>	<u>28,452,075</u>
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		28,452,075	11,582,423
Surplus for the year		<u>23,566,938</u>	<u>16,869,652</u>
Balance at end of year	4	<u>52,019,013</u>	<u>28,452,075</u>

Notes 1 to 7 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2012



# Bond Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Cash and bank balances at beginning of year</b>		-	-
Revenue	5	31,384,643	17,139,343
Expenditure	6	(7,817,705)	(269,691)
<b>Surplus for the year</b>		<b>23,566,938</b>	16,869,652
<b>Other cash movements</b>	7	<b>(23,566,938)</b>	(16,869,652)
<b>Cash and bank balances at end of year</b>		<b>-</b>	<b>-</b>

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2012



# 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\$2.12 billion received in the year ended 31 March 2012.
- (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. Fund Balance

The Fund Balance includes receipts from sums borrowed for the purposes of the Bond Fund under the Loans Ordinance (Cap. 61) that are required to be credited to the Fund under paragraph (c)(i) of the Resolution. Repayments of the principal in relation to the outstanding liabilities in respect of sums borrowed are included in expenditure charged to the Fund under paragraph (e)(i) of the Resolution.

Following a resolution passed under section 3(1) of the Loans Ordinance in July 2009, the Government issued bonds totalling HK\$56.5 billion to institutional and retail investors as at 31 March 2012. These include a total of HK\$19 billion bonds issued to institutional investors and a total of HK\$10 billion bonds issued to retail investors during the year. The outstanding liabilities, not included in the Statement of Assets and Liabilities, in respect of sums borrowed are as follows:

	2012 HK\$'000	2011 HK\$'000
Outstanding government bonds	<u>49,500,000</u>	<u>27,500,000</u>

Of the outstanding bonds, HK\$7 billion will mature within the period from April 2012 to March 2013, and the rest within the period from April 2013 to August 2021. During the financial year, repayments of principal of HK\$7 billion and payments of interest of HK\$785 million were made.

# Bond Fund

## 5. Revenue

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Proceeds from issuance of bonds	16,000,000	29,260,991	16,156,658
Investment income	1,880,000	2,123,652	982,685
	17,880,000	31,384,643	17,139,343

## 6. Expenditure

	2012		2011
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Repayment of principal for bonds	7,000,000	7,000,000	-
Interest payment for bonds	465,714	785,276	268,716
Others	3,166	32,429	975
	7,468,880	7,817,705	269,691

## 7. Other Cash Movements

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

	2012 HK\$'000	2011 HK\$'000
<b>Increase in Assets</b>		
Investments with the Exchange Fund	23,566,938	16,869,652

## Revenue, Expenditure and Fund Balance for the years ended 31 March 2010 to 2012

HK\$Billion

