



**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 71 to 77, which comprise the statement of assets and liabilities as at 31 March 2013, 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 2013 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

28 October 2013

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

# Loan Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Assets</b>			
<b>Loans Outstanding</b>	<b>3</b>		
Housing Loans		3,115,810	3,084,860
Education Loans		12,911,039	12,361,535
Other Loans		3,323,327	3,434,893
		<b>19,350,176</b>	<b>18,881,288</b>
<b>Net Current Assets</b>			
<b>Current Assets</b>			
Investments with the Exchange Fund	4	2,181,926	2,235,441
Cash and bank balances		16,384	24,655
		<b>2,198,310</b>	<b>2,260,096</b>
<b>Current Liabilities</b>			
Deposits	5	(11,959)	(10,350)
		<b>2,186,351</b>	<b>2,249,746</b>
		<b>21,536,527</b>	<b>21,131,034</b>
<b>Representing:</b>			
<b>Total Fund Balance</b>			
<b>Applied Fund</b>	<b>6</b>	<b>19,350,176</b>	<b>18,881,288</b>
<b>Available Fund</b>	<b>7</b>		
Balance at beginning of year		2,249,746	1,922,076
(Deficit)/Surplus for the year		(63,395)	327,670
Balance at end of year		<b>2,186,351</b>	<b>2,249,746</b>
	<b>8</b>	<b>21,536,527</b>	<b>21,131,034</b>

Notes 1 to 11 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2013



# Loan Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Cash and bank balances at beginning of year</b>		<b>24,655</b>	20,396
Revenue	9	2,239,979	2,388,641
Expenditure	10	(2,303,374)	(2,060,971)
<b>(Deficit)/Surplus for the year</b>		<b>(63,395)</b>	327,670
<b>Other cash movements</b>	11	<b>55,124</b>	(323,411)
<b>Cash and bank balances at end of year</b>		<b>16,384</b>	24,655

Notes 1 to 11 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2013



# 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

	2013			2012		
	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	3,084,860	12,361,535	3,434,893	3,136,946	12,119,397	3,504,463
<b>Additions</b>						
Loan payments	179,459	2,041,079	82,836	94,243	1,874,893	91,835
Capitalised interest	160	-	87,059	74	-	82,862
	179,619	2,041,079	169,895	94,317	1,874,893	174,697
<b>Deductions</b>						
Loan repayments	(21,250)	(1,489,384)	(268,595)	(28,530)	(1,630,760)	(238,967)
Loans written off	(608)	(2,191)	(12,866)	-	(1,995)	(5,300)
Proceeds from sale of loans	(126,811)	-	-	(117,873)	-	-
	(148,669)	(1,491,575)	(281,461)	(146,403)	(1,632,755)	(244,267)
<b>Balance at end of year</b>	<b>3,115,810</b>	<b>12,911,039</b>	<b>3,323,327</b>	<b>3,084,860</b>	<b>12,361,535</b>	<b>3,434,893</b>

# Loan Fund

## 4. Investments with the Exchange Fund

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

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Investments (Note (ii) below)	<b>2,181,903</b>	2,235,291
Deposits	<b>23</b>	150
	<b>2,181,926</b>	2,235,441

(ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income 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. The investment income for the year ended 31 March 2013 was HK\$136 million (2012: HK\$131 million).

## 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>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Students	<b>11,823</b>	10,225
Others	<b>136</b>	125
	<b>11,959</b>	10,350

## 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

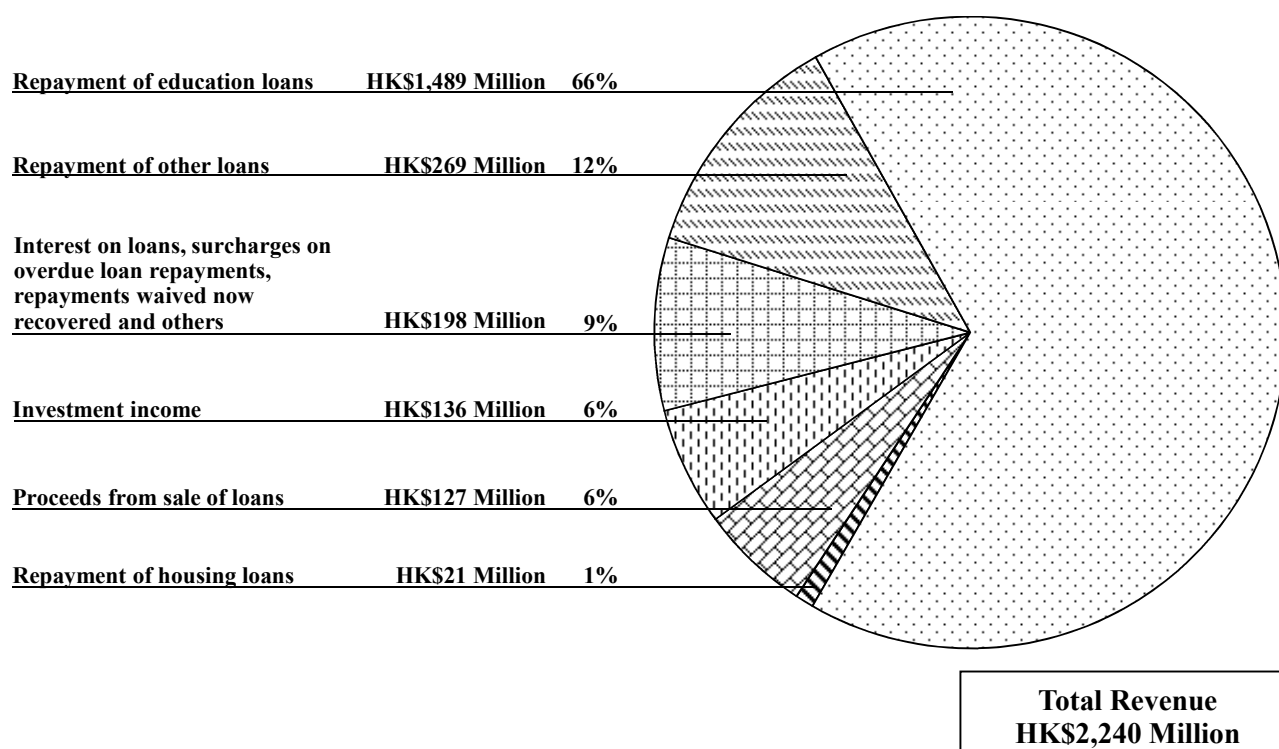
As at 31 March 2013, the amount of guarantees provided for a commercial loan of the Ocean Park Corporation was HK\$1,388 million (2012: HK\$1,388 million).

# Loan Fund

## 9. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Loan repayments</b>			
Housing loans	27,756	<b>21,250</b>	28,530
Education loans	1,790,550	<b>1,489,384</b>	1,630,760
Other loans	260,199	<b>268,595</b>	238,967
	2,078,505	<b>1,779,229</b>	1,898,257
<b>Interest on loans</b>	274,130	<b>194,664</b>	238,657
<b>Investment income</b>			
Investments with the Exchange Fund	-	<b>136,148</b>	131,282
Others	-	<b>4</b>	3
	96,000	<b>136,152</b>	131,285
<b>Surcharges on overdue loan repayments</b>	2,800	<b>3,050</b>	2,536
<b>Proceeds from sale of loans</b>	110,515	<b>126,811</b>	117,873
<b>Repayments waived now recovered</b>	-	<b>49</b>	8
<b>Others</b>	-	<b>24</b>	25
<b>Transfer from General Revenue</b>	1,000,000	-	-
	<b>3,561,950</b>	<b>2,239,979</b>	2,388,641

### Analysis of Revenue for the year ended 31 March 2013

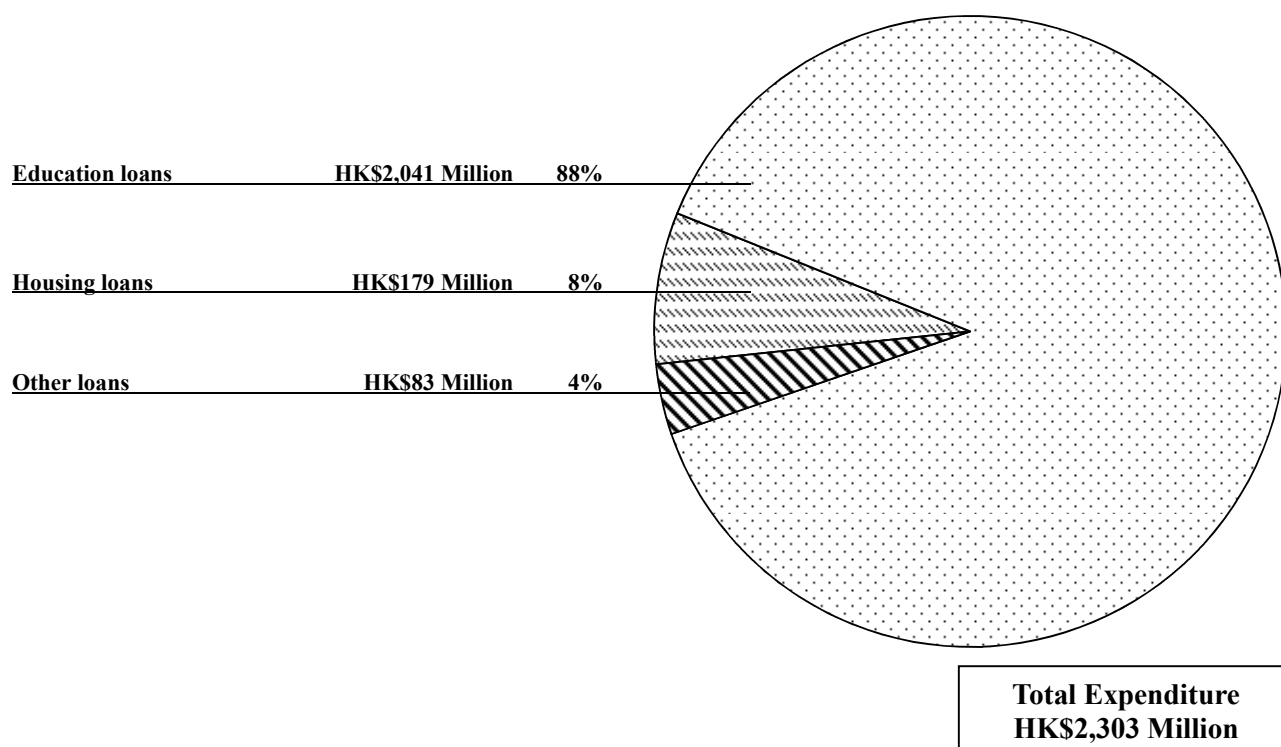


# Loan Fund

## 10. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
<b>Loan payments</b>			
Housing loans	156,400	<b>179,459</b>	94,243
Education loans	2,743,332	<b>2,041,079</b>	1,874,893
Other loans	124,595	<b>82,836</b>	91,835
	3,024,327	<b>2,303,374</b>	2,060,971
<b>Additional commitments</b>	771,654	-	-
	<b>3,795,981</b>	<b>2,303,374</b>	<b>2,060,971</b>

### Analysis of Expenditure for the year ended 31 March 2013





# Loan Fund

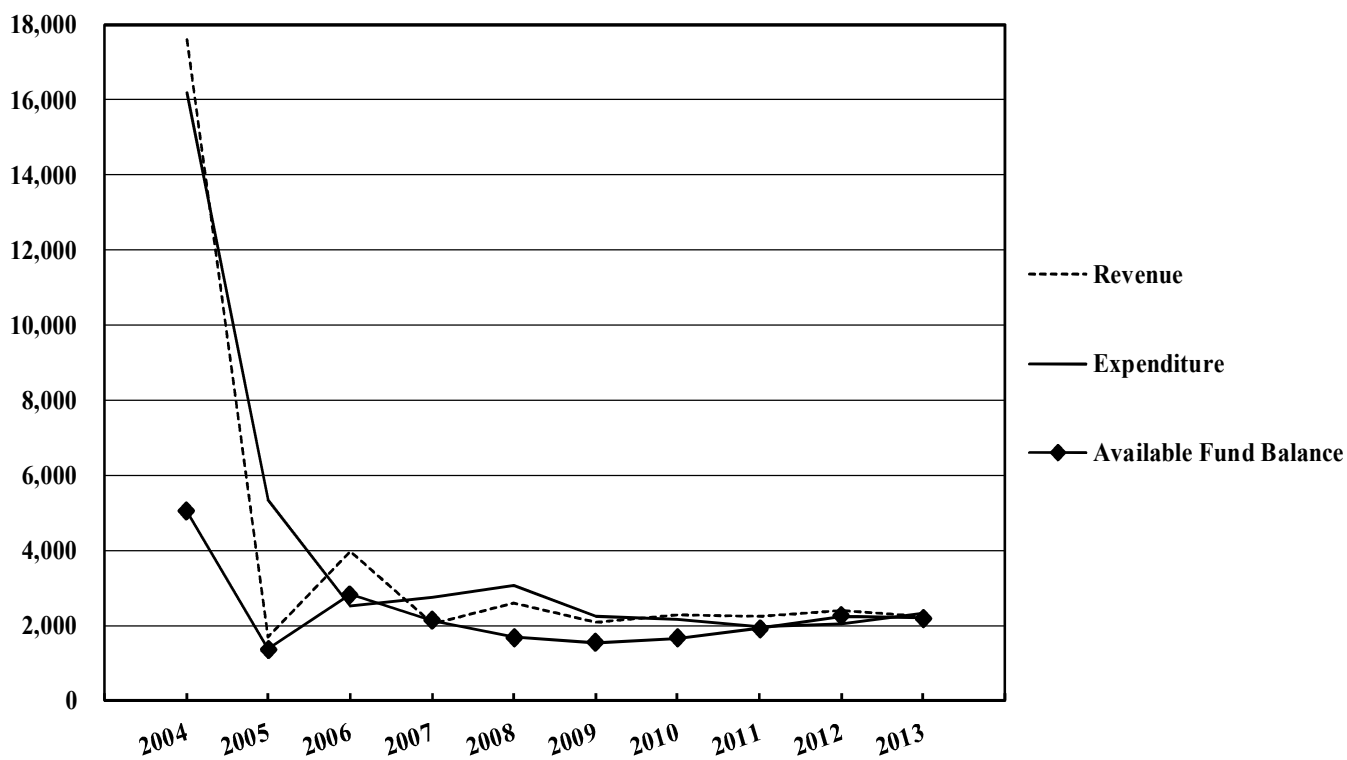
## 11. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
<b>Reduction/(Increase) in Assets</b>		
Investments with the Exchange Fund	53,515	(326,017)
<b>Increase in Liabilities</b>		
Deposits	1,609	2,606
	<u>55,124</u>	<u>(323,411)</u>

## Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2004 to 2013

HK\$Million



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