



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 2015

October 2015

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 2015



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29 October 2015

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

Sir,

In accordance with section 12(1) of the Audit Ordinance (Cap. 122), 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 2015, 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 (Cap. 2).

Yours faithfully,

David Sun

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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 21, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	487,058,530	412,725,827
Deposits with banks	4	1,210,399	435,603
Cash and bank balances	5	3,106,602	3,582,332
Advances	6	2,877,375	2,674,114
		494,252,906	419,417,876
Liabilities			
Deposits	7	(15,350,634)	(16,557,997)
Suspense Accounts	8	(46,644)	(74,431)
		(15,397,278)	(16,632,428)
		478,855,628	402,785,448
Representing:			
General Revenue Balance			
Balance at beginning of year		402,785,448	404,720,034
Surplus/(Deficit) for the year		76,070,180	(1,934,586)
Balance at end of year	9, 10	478,855,628	402,785,448

Notes 1 to 13 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



General Revenue Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		3,582,332	3,273,636
Revenue	11	397,760,972	349,233,774
Expenditure	12	(321,690,792)	(351,168,360)
Surplus/(Deficit) for the year		76,070,180	(1,934,586)
Other cash movements	13	(76,545,910)	2,243,282
Cash and bank balances at end of year		3,106,602	3,582,332

Notes 1 to 13 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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) Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Foreign currency balances are translated into Hong Kong dollars 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:

	2015	2014
	HK\$'000	HK\$'000
Investments	487,049,458	412,705,816
(Notes (ii) and (iii) below)		
Deposits	9,072	20,011
	487,058,530	412,725,827

General Revenue Account

3. Investments with the Exchange Fund *(Continued)*

- (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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$14.84 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

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:

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	93,383	97,736
Foreign currency	1,117,016	337,867
	<u>1,210,399</u>	<u>435,603</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:

	2015 HK\$'000	2014 HK\$'000
Expenditure on Vietnamese migrants (Note (i) below)	1,161,991	1,161,991
Advances to Government officers	929,763	784,376
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	385,766	375,246
Others	399,855	352,501
	<u>2,877,375</u>	<u>2,674,114</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 Organizations and Diplomatic Privileges Ordinance (Cap. 190). Consequently, the full recovery of the amount due is doubtful.

General Revenue Account

6. Advances (Continued)

During the financial year 2014-15, 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.

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:

	2015 HK\$'000	2014 HK\$'000
Tax reserve certificates	8,305,070	9,790,248
Water deposits	1,697,164	1,654,754
Tenancy deposits	1,568,157	1,499,403
Tax overpayments	775,144	681,649
Legal aid deposits	728,361	673,446
Private works	258,840	238,432
Others	2,017,898	2,020,065
	<u>15,350,634</u>	<u>16,557,997</u>

8. Suspense Accounts

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

	2015 HK\$'000	2014 HK\$'000
Correctional Services Industries (Note (i) below)	37,521	17,898
Government Logistics Department — Unallocated Stores (Note (i) below)	7,420	10,534
The Special Coin (Note (ii) below)	(91,658)	(96,101)
The Financial Secretary Incorporated (Note (iii) below)	73	(6,762)
	<u>(46,644)</u>	<u>(74,431)</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 2015, 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\$31,614 million (2014: HK\$31,397 million);
- (ii) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to HK\$27,022 million (2014: HK\$26,531 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$20,442 million (2014: HK\$41,689 million);
- (iv) legal claims, disputes and proceedings amounting to HK\$6,797 million (2014: HK\$4,170 million); and
- (v) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$6,406 million (2014: HK\$7,610 million).

10. Commitments

Outstanding commitments were as follows:

	2015	2014
	HK\$'000	HK\$'000
Non-recurrent expenditure	28,924,907	33,676,345
Plant, vehicles and equipment	5,692,325	5,420,792
Capital works	118,451	108,782
Capital subventions	898,894	997,213
	<u>35,634,577</u>	<u>40,203,132</u>

General Revenue Account

11. Revenue

Analysis of total revenue by Head:

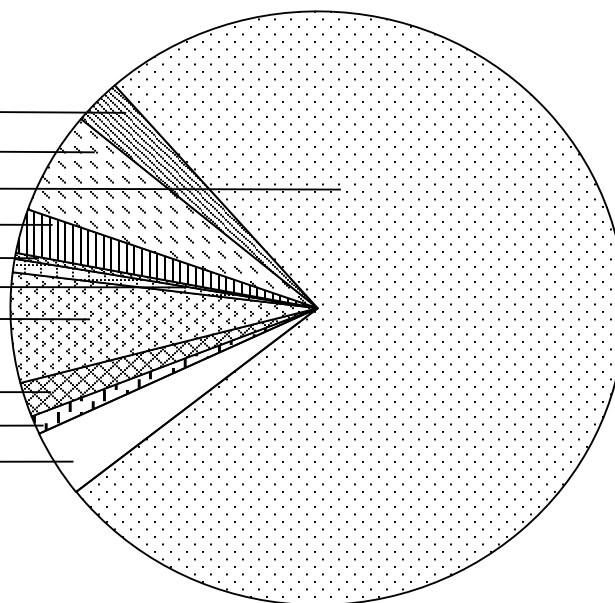
Head	2015				2014
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
1 Duties	9,321,552	10,009,743	688,191	7.4	9,720,205
2 General Rates	20,586,000	22,272,387	1,686,387	8.2	14,911,481
3 Internal Revenue					
Profits tax	117,570,000	137,846,910	20,276,910	17.2	120,881,813
Salaries tax	52,860,000	59,346,764	6,486,764	12.3	55,620,272
Stamp duties	43,800,000	74,844,945	31,044,945	70.9	41,514,691
Other internal revenue	28,370,888	29,760,398	1,389,510	4.9	27,702,750
	242,600,888	301,799,017	59,198,129	24.4	245,719,526
4 Motor Vehicle Taxes	8,127,405	9,548,701	1,421,296	17.5	8,338,007
5 Fines, Forfeitures and Penalties	1,123,234	1,328,047	204,813	18.2	1,956,821
6 Royalties and Concessions	2,866,399	2,915,758	49,359	1.7	4,426,309
7 Properties and Investments					
Income from Investments with the Exchange Fund (Note (i) below)	-	-	-	-	19,452,290
Others	-	23,843,044	-	-	21,147,290
	34,771,902	23,843,044	(10,928,858)	(31.4)	40,599,580
9 Loans, Reimbursements, Contributions and Other Receipts	6,617,465	7,493,235	875,770	13.2	7,713,160
10 Utilities	3,957,287	3,972,124	14,837	0.4	3,885,123
11 Fees and Charges	14,247,966	14,578,916	330,950	2.3	11,963,562
Total	<u>344,220,098</u>	<u>397,760,972</u>	<u>53,540,874</u>	15.6	<u>349,233,774</u>

- (i) The HK\$14.84 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

General Revenue Account

Analysis of Revenue for the year ended 31 March 2015

Duties	HK\$10.0 Billion	2%
General Rates	HK\$22.3 Billion	5%
Internal Revenue	HK\$301.8 Billion	76%
Motor Vehicle Taxes	HK\$9.6 Billion	2%
Fines, Forfeitures and Penalties	HK\$1.3 Billion	1%
Royalties and Concessions	HK\$2.9 Billion	1%
Properties and Investments	HK\$23.8 Billion	6%
Loans, Reimbursements, Contributions and Other Receipts (Including Transfers from Funds)	HK\$7.5 Billion	2%
Utilities	HK\$4.0 Billion	1%
Fees and Charges	HK\$14.6 Billion	4%



**Total Revenue
HK\$397.8 Billion**

12. Expenditure

Analysis of total expenditure by Head:

Head	2015				2014
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	99,112	101,073	1,961	2.0	94,464
22 Agriculture, Fisheries and Conservation Department	1,395,778	1,140,046	(255,732)	(18.3)	1,149,867
25 Architectural Services Department	1,806,701	1,831,630	24,929	1.4	1,760,510
24 Audit Commission	144,428	148,645	4,217	2.9	138,253
23 Auxiliary Medical Service	80,590	81,553	963	1.2	74,287
82 Buildings Department	1,175,901	1,142,668	(33,233)	(2.8)	1,106,303
26 Census and Statistics Department	615,131	606,166	(8,965)	(1.5)	557,047
27 Civil Aid Service	95,687	98,365	2,678	2.8	96,196
28 Civil Aviation Department	862,098	875,614	13,516	1.6	855,633
33 Civil Engineering and Development Department	2,120,406	2,175,728	55,322	2.6	1,845,860
30 Correctional Services Department	3,366,910	3,465,231	98,321	2.9	3,278,777
31 Customs and Excise Department	3,056,587	3,142,521	85,934	2.8	2,960,851
37 Department of Health	6,093,178	5,980,330	(112,848)	(1.9)	5,606,137
92 Department of Justice	1,795,198	1,482,725	(312,473)	(17.4)	1,351,778
39 Drainage Services Department	2,182,147	2,148,869	(33,278)	(1.5)	2,000,981

General Revenue Account

12. Expenditure (Continued)

Head	2015				2014
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	512,903	509,269	(3,634)	(0.7)	502,948
44 Environmental Protection Department	6,848,374	6,149,964	(698,410)	(10.2)	7,961,302
45 Fire Services Department	5,007,243	4,968,947	(38,296)	(0.8)	4,676,837
49 Food and Environmental Hygiene Department	5,667,222	5,762,513	95,291	1.7	5,329,353
46 General Expenses of the Civil Service	3,170,445	2,984,349	(186,096)	(5.9)	2,809,903
166 Government Flying Service	367,280	359,686	(7,594)	(2.1)	312,188
48 Government Laboratory	435,759	408,825	(26,934)	(6.2)	409,531
59 Government Logistics Department	537,179	536,524	(655)	(0.1)	511,954
51 Government Property Agency	1,873,206	1,871,217	(1,989)	(0.1)	1,866,265
143 Government Secretariat: Civil Service Bureau	521,385	520,109	(1,276)	(0.2)	484,380
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,644,960	1,631,285	(13,675)	(0.8)	1,480,694
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	314,910	295,309	(19,601)	(6.2)	296,821
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	582,912	574,640	(8,272)	(1.4)	497,496
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	492,049	474,062	(17,987)	(3.7)	537,452
159 Government Secretariat: Development Bureau (Works Branch)	448,025	415,600	(32,425)	(7.2)	396,795
156 Government Secretariat: Education Bureau	47,369,464	47,975,828	606,364	1.3	49,731,487
137 Government Secretariat: Environment Bureau	80,408	78,247	(2,161)	(2.7)	68,572
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	312,895	239,409	(73,486)	(23.5)	230,951

General Revenue Account

12. Expenditure (Continued)

Head	2015				2014
	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)	1,883,242	1,971,803	88,561	4.7	4,531,500
139 Government Secretariat: Food and Health Bureau (Food Branch)	76,150	73,860	(2,290)	(3.0)	74,809
140 Government Secretariat: Food and Health Bureau (Health Branch)	48,507,848	50,204,378	1,696,530	3.5	46,692,450
53 Government Secretariat: Home Affairs Bureau	1,546,324	1,561,994	15,670	1.0	16,388,205
155 Government Secretariat: Innovation and Technology Commission	587,163	594,192	7,029	1.2	550,979
141 Government Secretariat: Labour and Welfare Bureau	753,727	741,536	(12,191)	(1.6)	15,713,109
47 Government Secretariat: Office of the Government Chief Information Officer	690,227	694,800	4,573	0.7	670,825
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	833,832	795,067	(38,765)	(4.6)	701,076
96 Government Secretariat: Overseas Economic and Trade Offices	333,479	326,019	(7,460)	(2.2)	314,183
151 Government Secretariat: Security Bureau	325,154	303,039	(22,115)	(6.8)	276,674
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	200,136	195,093	(5,043)	(2.5)	179,998
60 Highways Department	2,549,814	2,610,597	60,783	2.4	2,485,815
63 Home Affairs Department	2,183,530	2,205,853	22,323	1.0	1,970,358
168 Hong Kong Observatory	259,781	267,278	7,497	2.9	245,768
122 Hong Kong Police Force	15,515,188	16,547,206	1,032,018	6.7	15,144,195
62 Housing Department	261,054	1,312,666	1,051,612	402.8	2,356,518
70 Immigration Department	3,694,051	3,828,945	134,894	3.7	3,602,630
72 Independent Commission Against Corruption	937,127	961,182	24,055	2.6	909,050
121 Independent Police Complaints Council	55,988	57,272	1,284	2.3	50,916

General Revenue Account

12. Expenditure (Continued)

Head	2015				2014
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	408,758	408,698	(60)	-	391,215
76 Inland Revenue Department	1,389,503	1,415,748	26,245	1.9	1,331,804
78 Intellectual Property Department	133,516	131,634	(1,882)	(1.4)	121,601
79 Invest Hong Kong	114,967	115,948	981	0.9	116,135
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	29,704	31,538	1,834	6.2	30,251
80 Judiciary	1,356,642	1,277,485	(79,157)	(5.8)	1,198,624
90 Labour Department	1,912,412	1,760,329	(152,083)	(8.0)	1,641,286
91 Lands Department	2,162,090	2,210,450	48,360	2.2	2,087,882
94 Legal Aid Department	833,151	849,082	15,931	1.9	841,508
112 Legislative Council Commission	717,691	734,491	16,800	2.3	679,728
95 Leisure and Cultural Services Department	6,889,307	7,024,637	135,330	2.0	6,587,022
100 Marine Department	1,156,473	1,203,688	47,215	4.1	1,060,721
106 Miscellaneous Services	11,915,636	93,832	(11,821,804)	(99.2)	198,821
180 Office for Film, Newspaper and Article Administration	43,790	41,739	(2,051)	(4.7)	39,941
114 Office of The Ombudsman	102,816	107,171	4,355	4.2	102,461
116 Official Receiver's Office	147,624	149,824	2,200	1.5	139,798
120 Pensions	27,317,100	26,412,460	(904,640)	(3.3)	23,913,477
118 Planning Department	607,936	591,421	(16,515)	(2.7)	545,906
136 Public Service Commission Secretariat	20,782	21,448	666	3.2	20,434
160 Radio Television Hong Kong	784,477	775,720	(8,757)	(1.1)	723,177
162 Rating and Valuation Department	479,332	475,604	(3,728)	(0.8)	459,786
163 Registration and Electoral Office	268,299	179,971	(88,328)	(32.9)	81,784
169 Secretariat, Commissioner on Interception of Communications and Surveillance	18,404	18,340	(64)	(0.3)	16,855
170 Social Welfare Department	55,909,483	56,142,958	233,475	0.4	53,658,843
181 Trade and Industry Department	828,458	811,980	(16,478)	(2.0)	803,082
186 Transport Department	2,063,030	2,041,407	(21,623)	(1.0)	1,852,711
188 Treasury	369,410	366,078	(3,332)	(0.9)	341,911
190 University Grants Committee	15,601,731	16,365,753	764,022	4.9	15,656,765

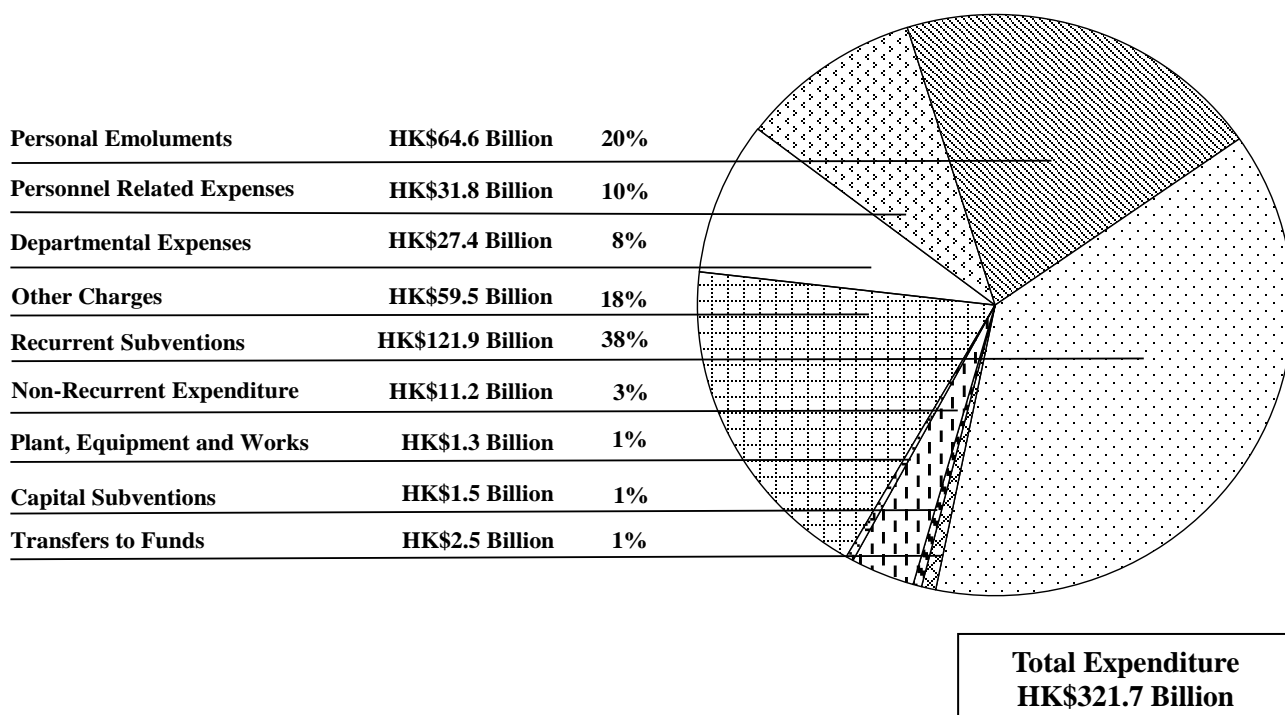
General Revenue Account

12. Expenditure (Continued)

Head	2015				2014
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
194 Water Supplies Department	7,095,920	7,183,442	87,522	1.2	6,873,476
* 173 Working Family and Student Financial Assistance Agency	5,380,592	4,789,189	(591,403)	(11.0)	4,917,424
	<u>328,329,320</u>	<u>319,161,792</u>	<u>(9,167,528)</u>	<u>(2.8)</u>	<u>340,275,360</u>
184 Transfers to Funds	7,519,000	2,529,000	(4,990,000)	(66.4)	10,893,000
Total	<u>335,848,320</u>	<u>321,690,792</u>	<u>(14,157,528)</u>	<u>(4.2)</u>	<u>351,168,360</u>

* With effect from 1 March 2015, Head 173 "Student Financial Assistance Agency" has been renamed as "Working Family and Student Financial Assistance Agency".

Analysis of Expenditure for the year ended 31 March 2015



General Revenue Account

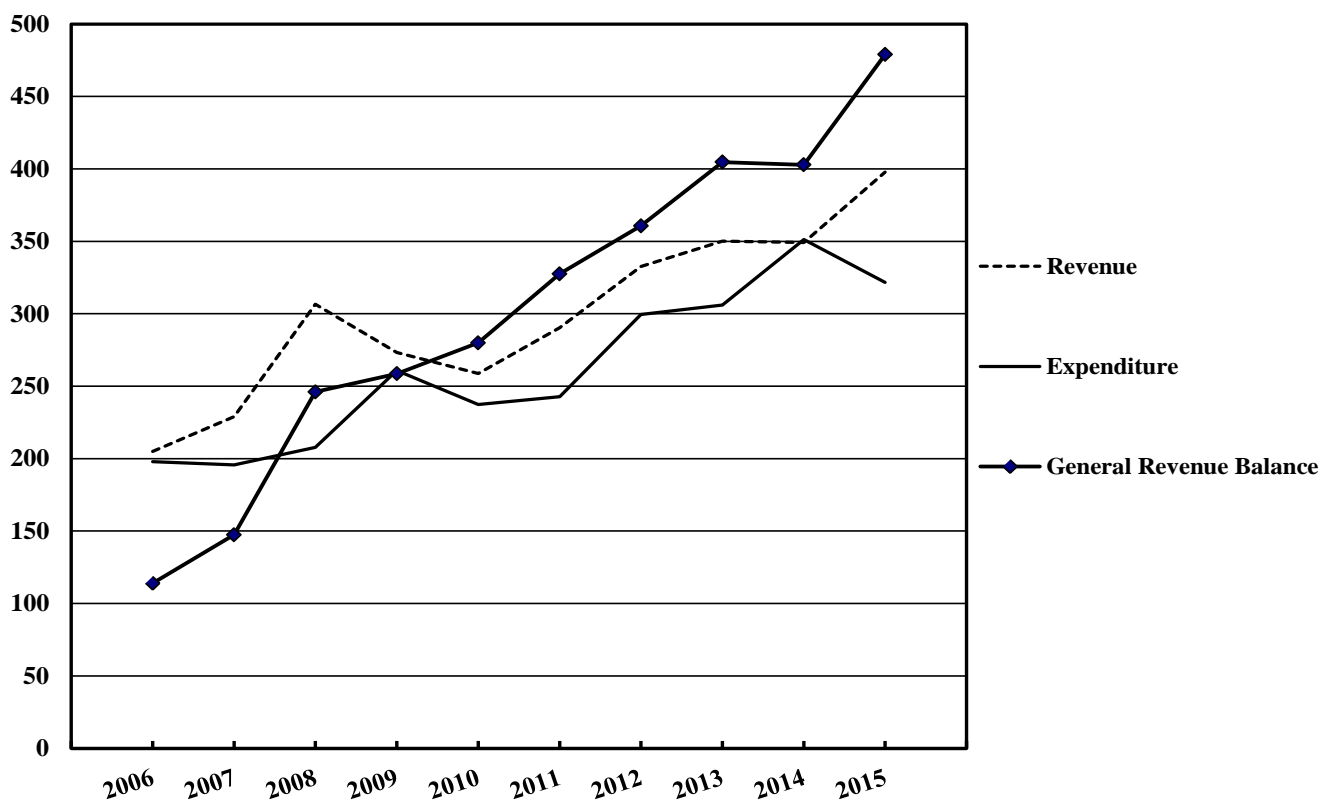
13. Other Cash Movements

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

	2015 HK\$'000	2014 HK\$'000
(Increase)/Reduction in Assets		
Investments with the Exchange Fund	(74,332,703)	3,012,448
Deposits with banks	(774,796)	(56,109)
Advances	(203,261)	(154,875)
	(75,310,760)	2,801,464
Reduction in Liabilities		
Deposits	(1,207,363)	(552,203)
Suspense Accounts	(27,787)	(5,979)
	(1,235,150)	(558,182)
	(76,545,910)	2,243,282

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2006 to 2015

HK\$Billion



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Report of the Director of Audit



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 25 to 34, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	77,914,677	81,059,287
Cash and bank balances		4,101	909
		77,918,778	81,060,196
Liabilities			
Deposits	4	(1,556,334)	(1,287,294)
		76,362,444	79,772,902
Representing:			
Fund Balance			
Balance at beginning of year		79,772,902	77,990,584
(Deficit)/Surplus for the year		(3,410,458)	1,782,318
Balance at end of year	5, 6, 7	76,362,444	79,772,902

Notes 1 to 10 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Capital Works Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		909	1,710
Receipts	8	77,990,057	89,179,116
Payments	5, 9	(81,400,515)	(87,396,798)
(Deficit)/Surplus for the year		(3,410,458)	1,782,318
Other cash movements	10	3,413,650	(1,783,119)
Cash and bank balances at end of year		4,101	909

Notes 1 to 10 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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 passed 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 deposits referred to in Note 4 below.
- (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) Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates.

3. Investments with the Exchange Fund

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

	2015 HK\$'000	2014 HK\$'000
Investments (Notes (ii) and (iii) below)	77,870,016	81,017,935
Deposits	44,661	41,352
	<u>77,914,677</u>	<u>81,059,287</u>

- (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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$2.88 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

Capital Works Reserve Fund

4. 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 for credit to the Fund:

	2015 HK\$'000	2014 HK\$'000
Contract retention money	1,244,115	1,016,033
Others	312,219	271,261
	<u>1,556,334</u>	<u>1,287,294</u>

5. 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 payments 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:

	2015 HK\$'000	2014 HK\$'000
Outstanding government bonds and notes	<u>1,500,000</u>	<u>11,197,188</u>

The outstanding bonds and notes are denominated in Hong Kong dollars with maturity in July 2019. During the financial year, repayments of HK\$9,688 million principal and payments of HK\$325 million interest were made.

6. Contingent Liabilities

As at 31 March 2015, the amount of contingent liabilities arising from legal claims, disputes and proceedings was HK\$5,976 million (2014: HK\$2,194 million).

Capital Works Reserve Fund

7. Commitments

Outstanding commitments of projects were as follows:

Head	2015	2014
	HK\$'000	HK\$'000
Land acquisition		
701 Land acquisition	<u>3,907,116</u>	<u>4,384,099</u>
Sub-total	<u>3,907,116</u>	<u>4,384,099</u>
Capital works – Public Works Programme		
702 Port and airport development	166,764	185,601
703 Buildings	28,059,134	30,201,135
704 Drainage	17,388,346	21,032,137
705 Civil engineering	40,141,846	30,870,829
706 Highways	191,326,762	226,159,366
707 New towns and urban area development	13,924,087	16,213,903
709 Waterworks	13,663,909	17,169,650
711 Housing	2,852,925	3,058,043
Sub-total	<u>307,523,773</u>	<u>344,890,664</u>
Capital subventions		
708 (part) Capital subventions	<u>35,223,480</u>	<u>37,898,927</u>
Sub-total	<u>35,223,480</u>	<u>37,898,927</u>
Systems and equipment		
708 (part) Major systems and equipment	4,284,070	4,005,049
710 Computerisation	7,117,451	7,341,931
Sub-total	<u>11,401,521</u>	<u>11,346,980</u>
	<u><u>358,055,890</u></u>	<u><u>398,520,670</u></u>

Capital Works Reserve Fund

8. Receipts

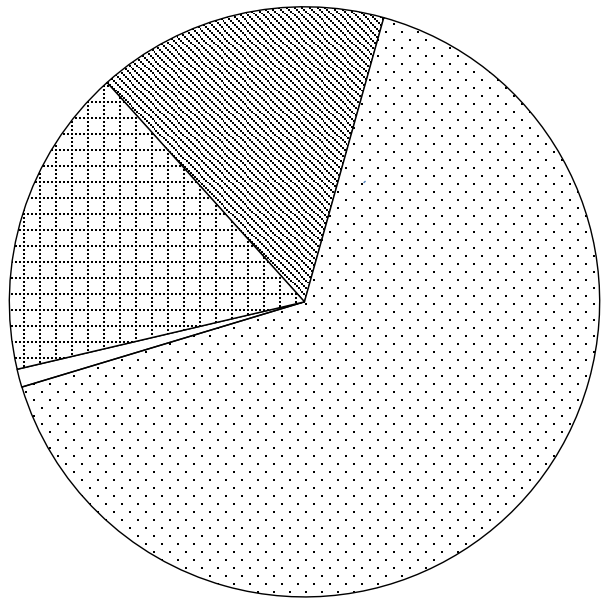
	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land premium			
Sales by public auction and tender	-	51,445,256	75,261,874
Private treaty grants	-	11,822,917	191,376
Modification of existing leases, exchanges and extensions	-	13,894,010	8,228,051
Fees received in respect of short term waivers	-	641,903	573,581
	70,000,000	77,804,086	84,254,882
Investment income			
Investments with the Exchange Fund (Note (i) below)	-	-	4,758,639
Others	-	2,210	3,087
	3,101,000	2,210	4,761,726
Transfer from General Revenue	5,000,000	-	-
Other receipts			
Recovery from MTR Corporation Ltd.	131,000	-	-
Donations and contributions	51	70	18,900
Others	-	183,691	143,608
	131,051	183,761	162,508
	<u>78,232,051</u>	<u>77,990,057</u>	<u>89,179,116</u>

- (i) The HK\$2.88 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

Capital Works Reserve Fund

Analysis of Receipts for the year ended 31 March 2015

<u>Sales by public auction and tender</u>	<u>HK\$51.4 Billion</u>	<u>66%</u>
<u>Private treaty grants and fees received in respect of short term waivers</u>	<u>HK\$12.5 Billion</u>	<u>16%</u>
<u>Modification of existing leases, exchanges and extensions</u>	<u>HK\$13.9 Billion</u>	<u>17%</u>
<u>Investment income and other receipts</u>	<u>HK\$0.2 Billion</u>	<u>1%</u>



**Total Receipts
HK\$78 Billion**

Capital Works Reserve Fund

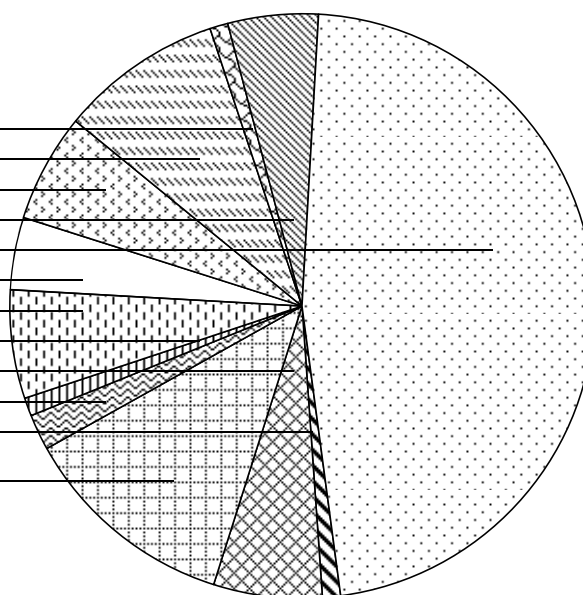
9. Payments

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land acquisition	2,816,837	597,814	1,657,317
Public Works Programme			
Port and airport development	1,586	2,767	2,013
Buildings	7,270,103	7,635,375	7,546,209
Drainage	4,814,955	5,078,055	6,076,752
Civil engineering	5,894,763	4,338,765	3,856,580
Highways	38,374,214	38,189,058	37,521,843
New towns and urban area development	2,939,705	3,092,768	2,606,787
Waterworks	4,391,862	4,589,762	4,306,358
Housing	648,404	658,537	523,335
	64,335,592	63,585,087	62,439,877
Capital subventions and major systems and equipment			
Capital subventions	6,428,544	5,171,336	20,589,684
Major systems and equipment	1,096,308	476,893	504,354
	7,524,852	5,648,229	21,094,038
Computerisation	1,850,588	1,543,917	1,600,794
Government bonds and notes issued in July 2004			
Repayment	9,750,000	9,687,794	-
Interest and other expenses	326,737	325,126	574,068
	10,076,737	10,012,920	574,068
Other payments			
Refund of overpayment of land premium	-	12,548	30,704
	86,604,606	81,400,515	87,396,798

Capital Works Reserve Fund

Analysis of Payments for the year ended 31 March 2015 *

Land acquisition	HK\$0.6 Billion	1%
Buildings	HK\$7.6 Billion	9%
Drainage	HK\$5.1 Billion	6%
Civil engineering	HK\$4.3 Billion	5%
Highways	HK\$38.2 Billion	47%
New towns and urban area development	HK\$3.1 Billion	4%
Capital subventions	HK\$5.2 Billion	6%
Major systems and equipment	HK\$0.5 Billion	1%
Waterworks	HK\$4.6 Billion	6%
Computerisation	HK\$1.5 Billion	2%
Housing	HK\$0.7 Billion	1%
Repayment of, interest and other expenses on government bonds and notes	HK\$10.0 Billion	12%



**Total Payments
HK\$81.4 Billion**

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

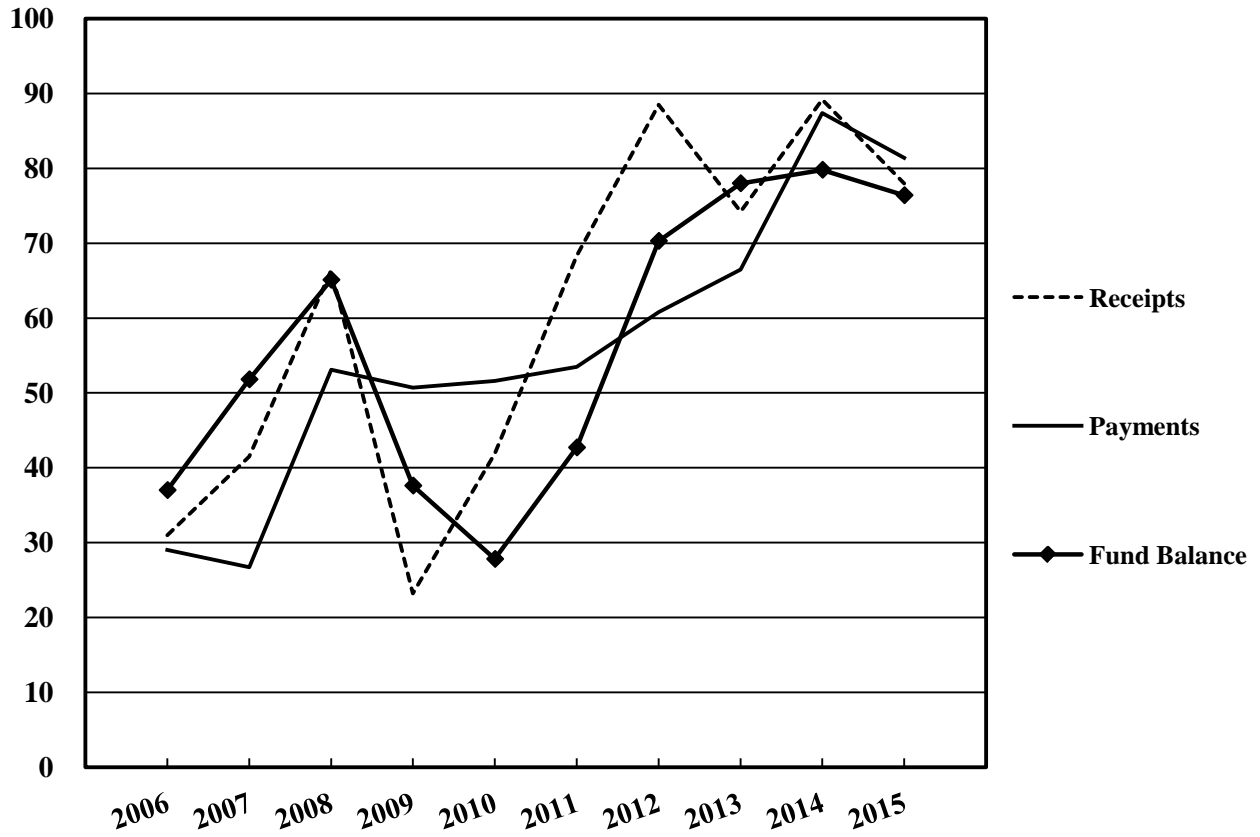
10. Other Cash Movements

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

	2015 HK\$'000	2014 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	3,144,610	(2,025,644)
Increase in Liabilities		
Deposits	269,040	242,525
	<u>3,413,650</u>	<u>(1,783,119)</u>

Capital Works Reserve Fund

Receipts, Payments and Fund Balance for the years ended 31 March 2006 to 2015



Report of the Director of Audit



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 37 to 43, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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

Capital Investment Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments	3		
Equity holdings		123,077,992	123,066,450
Other investments		454,316,039	439,710,728
		577,394,031	562,777,178
Loans Outstanding	4	2,635,126	2,704,715
		580,029,157	565,481,893
Current Assets			
Investments with the Exchange Fund	5	1,443,087	1,994,185
Cash and bank balances		1	-
		1,443,088	1,994,185
		581,472,245	567,476,078
Representing:			
Total Fund Balance			
Applied Fund	6	580,029,157	565,481,893
Available Fund	7		
Balance at beginning of year		1,994,185	1,396,164
(Deficit)/Surplus for the year		(551,097)	598,021
Balance at end of year		1,443,088	1,994,185
	8, 9	581,472,245	567,476,078

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Capital Investment Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		-	2,925
Receipts	10	1,460,445	1,609,558
Payments	11	(2,011,542)	(1,011,537)
(Deficit)/Surplus for the year		(551,097)	598,021
Other cash movements	12	551,098	(600,946)
Cash and bank balances at end of year		1	-

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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)

	2015			2014		
	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	123,066,450	439,710,728	562,777,178	123,054,913	419,792,297	542,847,210
Additions						
Cash acquisitions	11,542	-	11,542	11,537	-	11,537
Non-cash acquisitions	-	14,605,311	14,605,311	-	19,918,431	19,918,431
	11,542	14,605,311	14,616,853	11,537	19,918,431	19,929,968
Balance at end of year	123,077,992	454,316,039	577,394,031	123,066,450	439,710,728	562,777,178

Capital Investment Fund

4. Loans Outstanding

	2015	2014
	HK\$'000	HK\$'000
Balance at beginning of year	2,704,715	2,824,132
Additions		
Capitalised interest	39,782	47,828
Deductions		
Loan repayments	(109,371)	(167,245)
Balance at end of year	<u>2,635,126</u>	<u>2,704,715</u>

5. Investments with the Exchange Fund

- (i) These are investments made under paragraph 7 of the Resolution.
- (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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$79 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

6. Applied Fund

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

7. Available Fund

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

8. Contingent Liabilities

As at 31 March 2015, the Government had the following contingent liabilities:

- (i) possible capital subscriptions to the Asian Development Bank amounting to HK\$5,892 million (2014: HK\$6,577 million); and
- (ii) guarantees provided under a commercial loan of the Hong Kong Science and Technology Parks Corporation amounting to HK\$2,048 million (2014: Nil).

Capital Investment Fund

9. Commitments

The approved investments and loans that were unpaid were as follows:

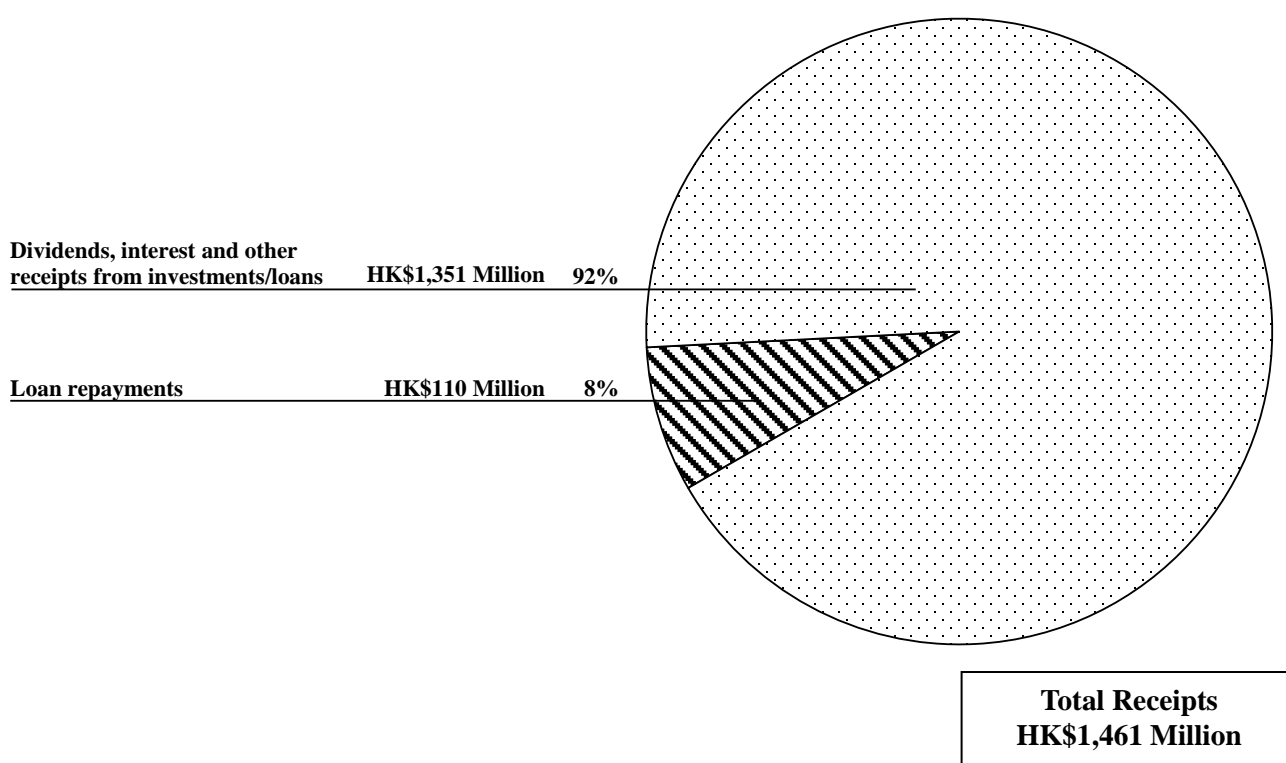
	2015 HK\$'000	2014 HK\$'000
Investments	88,704	100,246
Loans	2,028,500	1,220,000
	<u>2,117,204</u>	<u>1,320,246</u>

10. Receipts

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Dividends, interest and other receipts from investments/loans	1,181,875	1,351,074	1,366,539
Loan repayments	91,375	109,371	167,245
Investment income			
Investments with the Exchange Fund (Note (i) below)	88,000	-	75,774
	<u>1,361,250</u>	<u>1,460,445</u>	<u>1,609,558</u>

- (i) The HK\$79 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

Analysis of Receipts for the year ended 31 March 2015

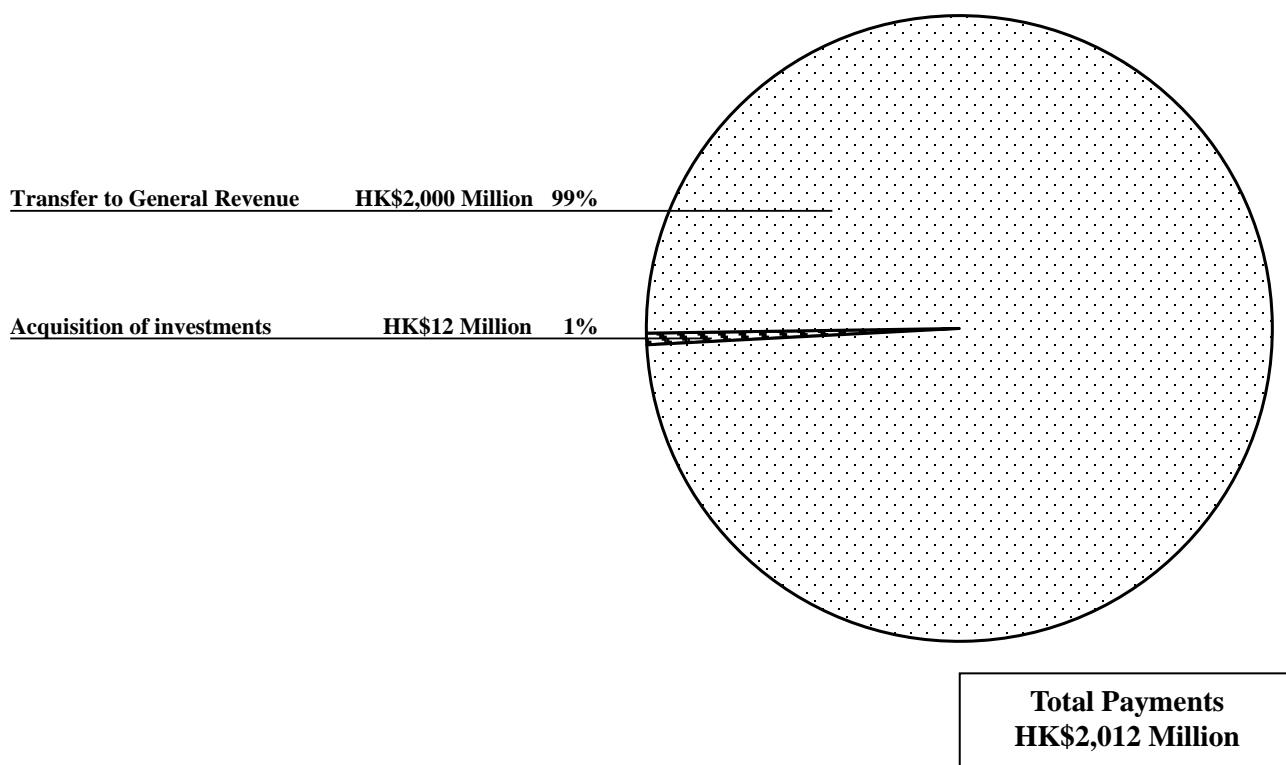


Capital Investment Fund

11. Payments

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Acquisition of investments			
Equity holdings	11,684	11,542	11,537
Transfer to General Revenue	2,000,000	2,000,000	1,000,000
	<u>2,011,684</u>	<u>2,011,542</u>	<u>1,011,537</u>

Analysis of Payments for the year ended 31 March 2015



12. Other Cash Movements

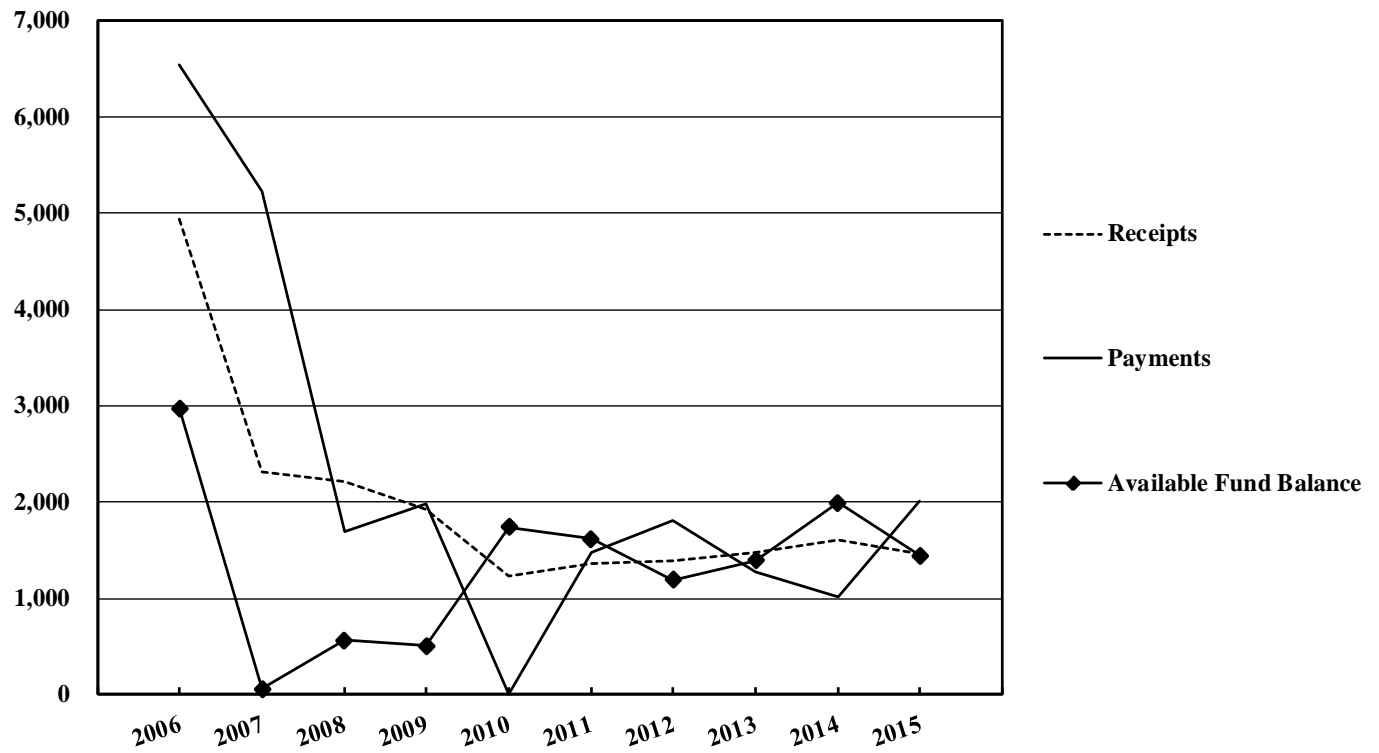
These are cash movements arising from changes in other assets and liabilities:

	2015 HK\$'000	2014 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	<u>551,098</u>	<u>(600,946)</u>

Capital Investment Fund

Receipts, Payments and Available Fund Balance for the years ended 31 March 2006 to 2015

HK\$Million



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Report of the Director of Audit



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 47 to 49, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>27,028,846</u>	<u>27,028,846</u>
Representing:			
Fund Balance			
Balance at beginning of year		27,028,846	25,741,758
Surplus for the year		-	1,287,088
Balance at end of year		<u>27,028,846</u>	<u>27,028,846</u>

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Civil Service Pension Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	4	-	1,287,088
Payments		-	-
Surplus for the year		-	1,287,088
Other cash movements	5	-	(1,287,088)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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.
- (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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$0.97 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

4. Receipts

	<u>2015</u>		<u>2014</u>
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund (Note (i) below)	973,000	-	1,287,088

- (i) The HK\$0.97 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

5. Other Cash Movements

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

	2015 HK\$'000	2014 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	-	1,287,088

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Report of the Director of Audit



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 53 to 58, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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

Disaster Relief Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>15,584</u>	<u>31,228</u>
Representing:			
Fund Balance			
Balance at beginning of year		31,228	5,514
(Deficit)/Surplus for the year		<u>(15,644)</u>	<u>25,714</u>
Balance at end of year		<u>15,584</u>	<u>31,228</u>

Notes 1 to 6 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Disaster Relief Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	4	31,520	196,966
Payments	5	(47,164)	(171,252)
(Deficit)/Surplus for the year		(15,644)	25,714
Other cash movements	6	15,644	(25,714)
Cash and bank balances at end of year		-	-

Notes 1 to 6 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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.
- (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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$1.06 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

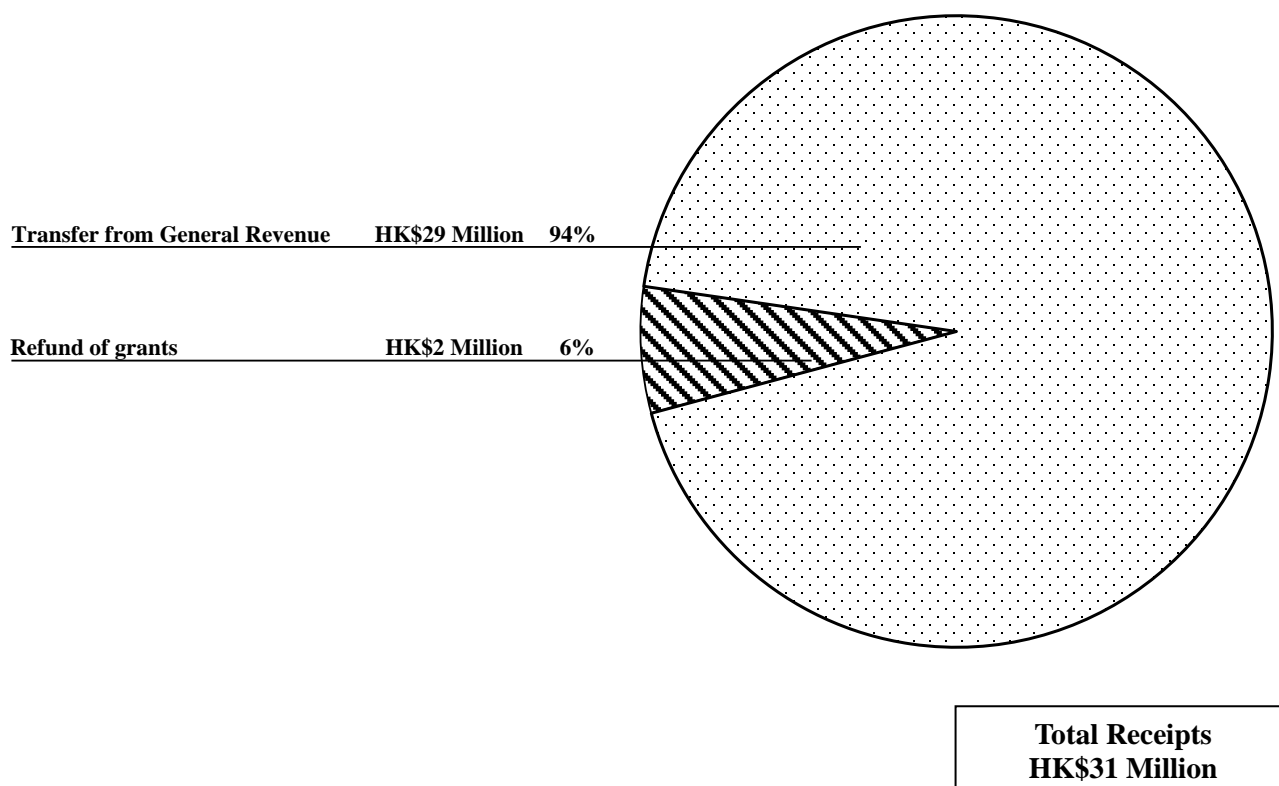
4. Receipts

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund (Note (i) below)	2,000	-	1,072
Transfer from General Revenue	19,000	29,000	193,000
Refund of grants	46	2,520	2,644
Donations	-	-	250
	<u>21,046</u>	<u>31,520</u>	<u>196,966</u>

- (i) The HK\$1.06 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

Disaster Relief Fund

Analysis of Receipts for the year ended 31 March 2015

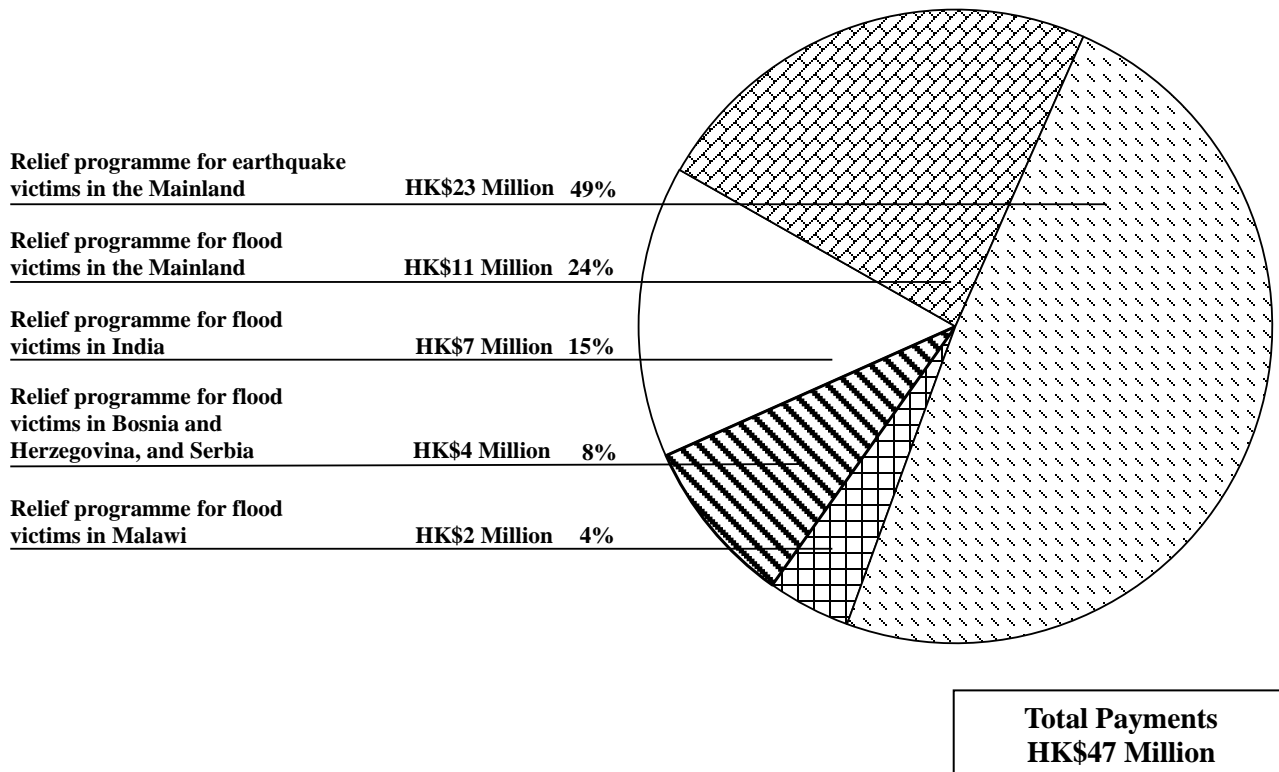


5. Payments

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Relief programmes for			
earthquake victims in the Mainland	-	23,068	137,638
flood victims in the Mainland	-	10,659	4,735
flood victims in India	-	6,803	1,164
flood victims in Bosnia and Herzegovina, and Serbia	-	4,134	-
flood victims in Malawi	-	2,500	-
typhoon victims in the Philippines	-	-	21,592
drought victims in the Mainland	-	-	6,123
	-	47,164	171,252

Disaster Relief Fund

Analysis of Payments for the year ended 31 March 2015



6. Other Cash Movements

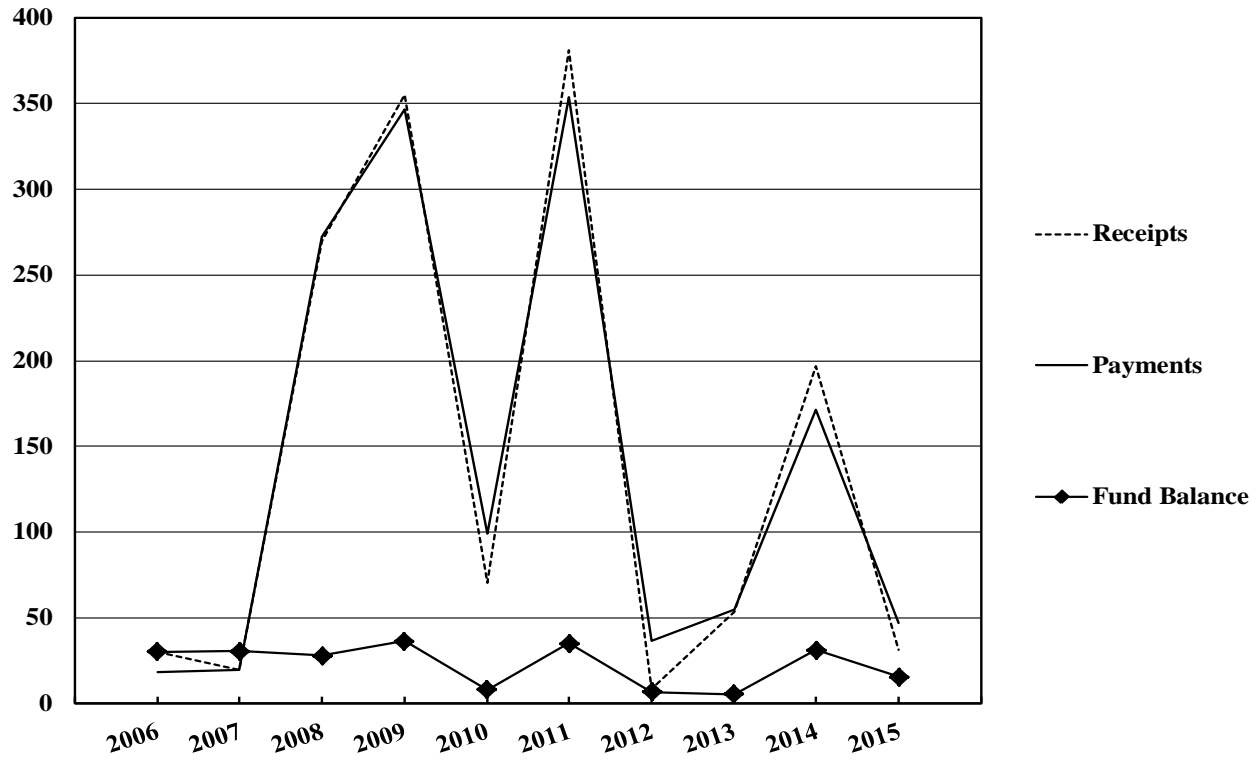
These are cash movements arising from changes in other assets and liabilities:

	2015 HK\$'000	2014 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	15,644	(25,714)

Disaster Relief Fund

Receipts, Payments and Fund Balance for the years ended 31 March 2006 to 2015

HK\$Million



Report of the Director of Audit



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 61 to 65, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	987,214	1,811,225
Cash and bank balances		183	591
		<u>987,397</u>	<u>1,811,816</u>
Representing:			
Fund Balance			
Balance at beginning of year		1,811,816	2,379,088
Deficit for the year		(824,419)	(567,272)
Balance at end of year	4	<u>987,397</u>	<u>1,811,816</u>

Notes 1 to 7 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Innovation and Technology Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		591	9,109
Receipts	5	57,022	165,140
Payments	6	(881,441)	(732,412)
Deficit for the year		(824,419)	(567,272)
Other cash movements	7	824,011	558,754
Cash and bank balances at end of year		183	591

Notes 1 to 7 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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.
- (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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$57 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

4. Commitments

The approved grants that were unpaid were as follows:

	2015	2014
	HK\$'000	HK\$'000
Grants	<u>1,438,377</u>	<u>1,232,445</u>

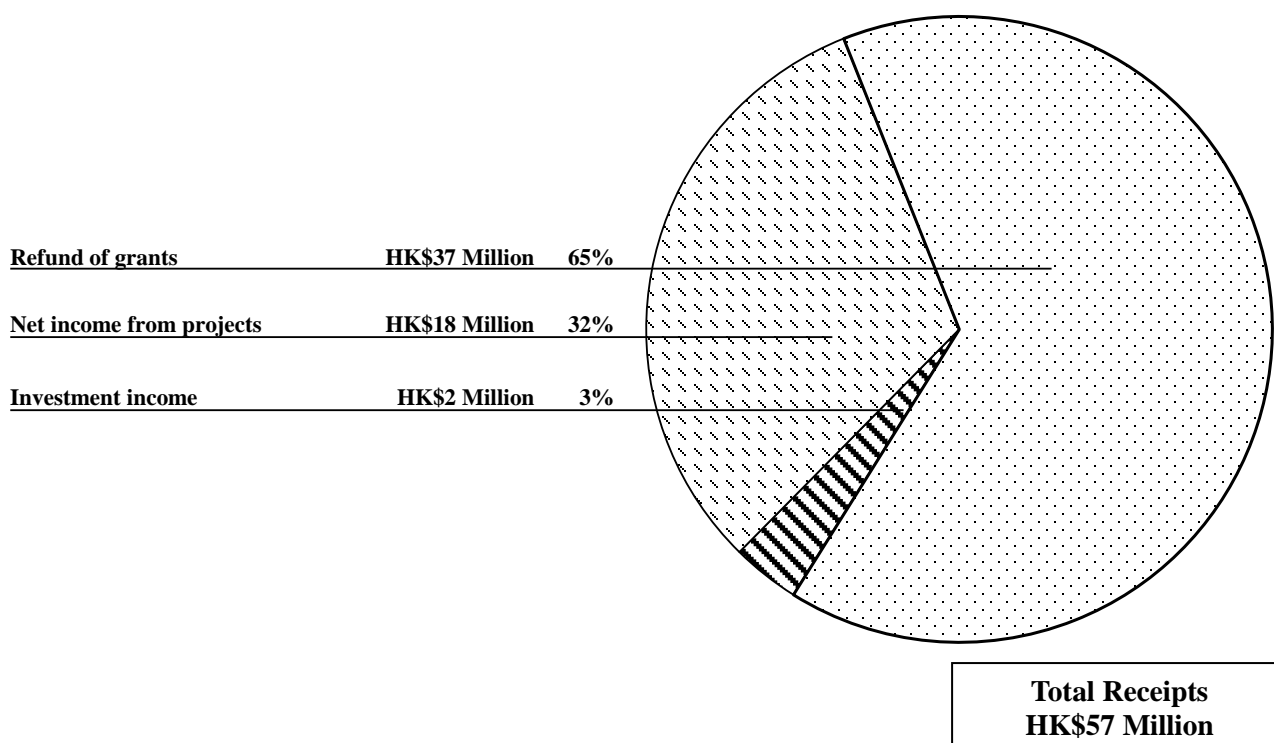
Innovation and Technology Fund

5. Receipts

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund (Note (i) below)	-	-	112,079
Others	-	1,536	1,808
	56,000	1,536	113,887
Net income from projects	14,925	18,446	8,424
Refund of grants	-	37,040	42,829
	70,925	57,022	165,140

- (i) The HK\$57 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

Analysis of Receipts for the year ended 31 March 2015



Innovation and Technology Fund

6. Payments

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	881,780	881,441	732,412

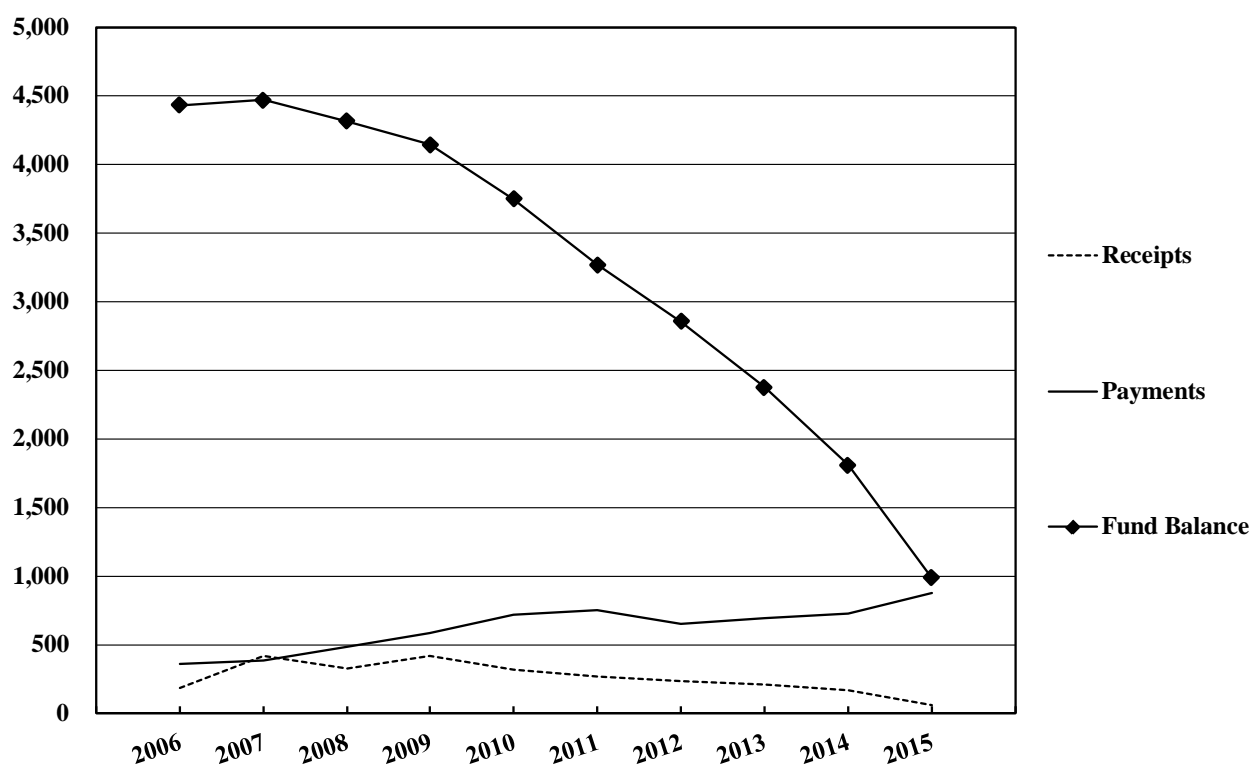
7. Other Cash Movements

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

	2015 HK\$'000	2014 HK\$'000
Reduction in Assets		
Investments with the Exchange Fund	824,011	558,754

Receipts, Payments and Fund Balance for the years ended 31 March 2006 to 2015

HK\$Million



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Report of the Director of Audit



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 69 to 71, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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

Land Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>219,729,659</u>	<u>219,729,659</u>
Representing:			
Fund Balance			
Balance at beginning of year		219,729,659	209,266,342
Surplus for the year		-	10,463,317
Balance at end of year		<u>219,729,659</u>	<u>219,729,659</u>

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Land Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	4	-	10,463,317
Payments		-	-
Surplus for the year		-	10,463,317
Other cash movements	5	-	(10,463,317)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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.
- (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 annual investment income is receivable on 31 December of each year.
- (iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$7.91 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

4. Receipts

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund (Note (i) below)	7,910,000	-	10,463,317

- (i) The HK\$7.91 billion investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

5. Other Cash Movements

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

	2015 HK\$'000	2014 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	-	10,463,317

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Report of the Director of Audit



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 75 to 82, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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

Loan Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Loans Outstanding	3		
Housing loans		3,121,128	3,053,320
Education loans		15,951,654	14,755,903
Other loans		3,804,839	3,405,872
		22,877,621	21,215,095
Net Current Assets			
Current Assets			
Investments with the Exchange Fund	4	2,472,200	1,374,043
Cash and bank balances		17,057	31,531
		2,489,257	1,405,574
Current Liabilities			
Deposits	5	(17,375)	(16,076)
		2,471,882	1,389,498
		25,349,503	22,604,593
Representing:			
Total Fund Balance			
Applied Fund	6	22,877,621	21,215,095
Available Fund	7		
Balance at beginning of year		1,389,498	2,186,351
Surplus/(Deficit) for the year		1,082,384	(796,853)
Balance at end of year		2,471,882	1,389,498
	8, 9	25,349,503	22,604,593

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Loan Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		31,531	16,384
Receipts	10	4,574,862	3,346,703
Payments	11	(3,492,478)	(4,143,556)
Surplus/(Deficit) for the year		1,082,384	(796,853)
Other cash movements	12	(1,096,858)	812,000
Cash and bank balances at end of year		17,057	31,531

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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

	2015			2014		
	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	3,053,320	14,755,903	3,405,872	3,115,810	12,911,039	3,323,327
Additions						
Loan payments	201,252	2,732,248	558,978	108,531	3,782,593	252,432
Capitalised interest	172	-	100,032	143	-	91,464
	201,424	2,732,248	659,010	108,674	3,782,593	343,896
Deductions						
Loan repayments	(25,385)	(1,532,704)	(253,843)	(20,152)	(1,933,216)	(256,122)
Loans written off	-	(3,793)	(6,200)	-	(4,513)	(5,229)
Proceeds from sale of loans	(108,231)	-	-	(151,012)	-	-
	(133,616)	(1,536,497)	(260,043)	(171,164)	(1,937,729)	(261,351)
Balance at end of year	3,121,128	15,951,654	3,804,839	3,053,320	14,755,903	3,405,872

Loan Fund

4. Investments with the Exchange Fund

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

	2015	2014
	HK\$'000	HK\$'000
Investments (Notes (ii) and (iii) below)	2,471,662	1,373,681
Deposits	538	362
	2,472,200	1,374,043

(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 annual investment income is receivable on 31 December of each year.

(iii) Pursuant to the Financial Secretary's directive in December 2014, the HK\$52 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in (ii) above and shall be receivable on a date as determined by the Financial Secretary.

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 for credit to the Fund:

	2015	2014
	HK\$'000	HK\$'000
Students	17,254	15,924
Others	121	152
	17,375	16,076

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 2015, the amount of contingent liabilities arising from guarantees provided under a commercial loan of the Ocean Park Corporation was HK\$1,388 million (2014: HK\$1,388 million).

Loan Fund

9. Commitments

Outstanding commitments under loan schemes operating on revolving and non-revolving bases were as follows:

	2015 HK\$'000	2014 HK\$'000
Approved loans under loan schemes operating on non-revolving basis that were unpaid	4,240,781	5,360,481
Balance of approved loans operating on revolving basis available for granting of new loans	11,880,769	11,328,467
	<u>16,121,550</u>	<u>16,688,948</u>

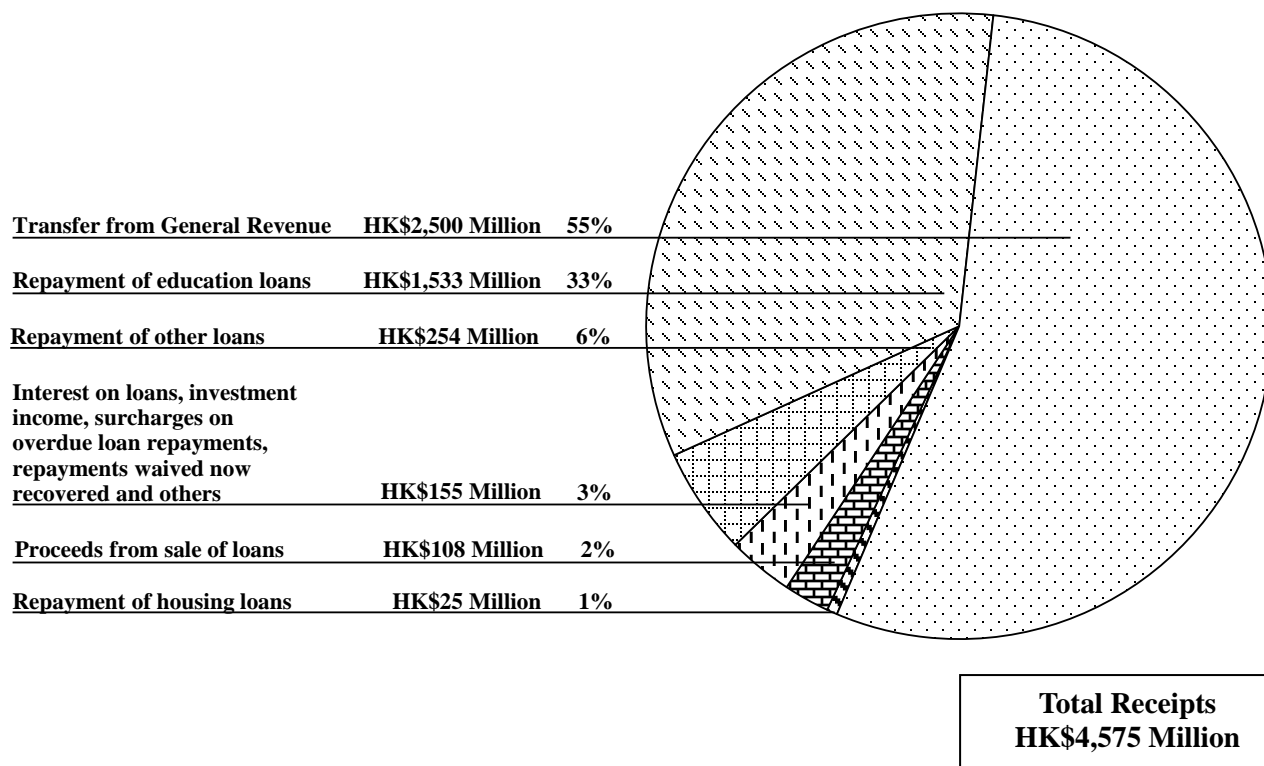
10. Receipts

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan repayments			
Housing loans	24,652	25,385	20,152
Education loans	1,632,085	1,532,704	1,933,216
Other loans	290,959	253,843	256,122
	1,947,696	1,811,932	2,209,490
Interest on loans	162,815	150,880	161,032
Investment income			
Investments with the Exchange Fund (Note (i) below)	-	-	122,296
Others	-	2	3
	29,000	2	122,299
Surcharges on overdue loan repayments	2,869	3,740	2,789
Proceeds from sale of loans	177,300	108,231	151,012
Repayments waived now recovered	-	64	65
Others	-	13	16
Transfer from General Revenue	2,500,000	2,500,000	700,000
	<u>4,819,680</u>	<u>4,574,862</u>	<u>3,346,703</u>

- (i) The HK\$52 million investment income for the calendar year 2014 was set aside and retained within the Exchange Fund as provision for the Housing Reserve, and not received on 31 December 2014.

Loan Fund

Analysis of Receipts for the year ended 31 March 2015

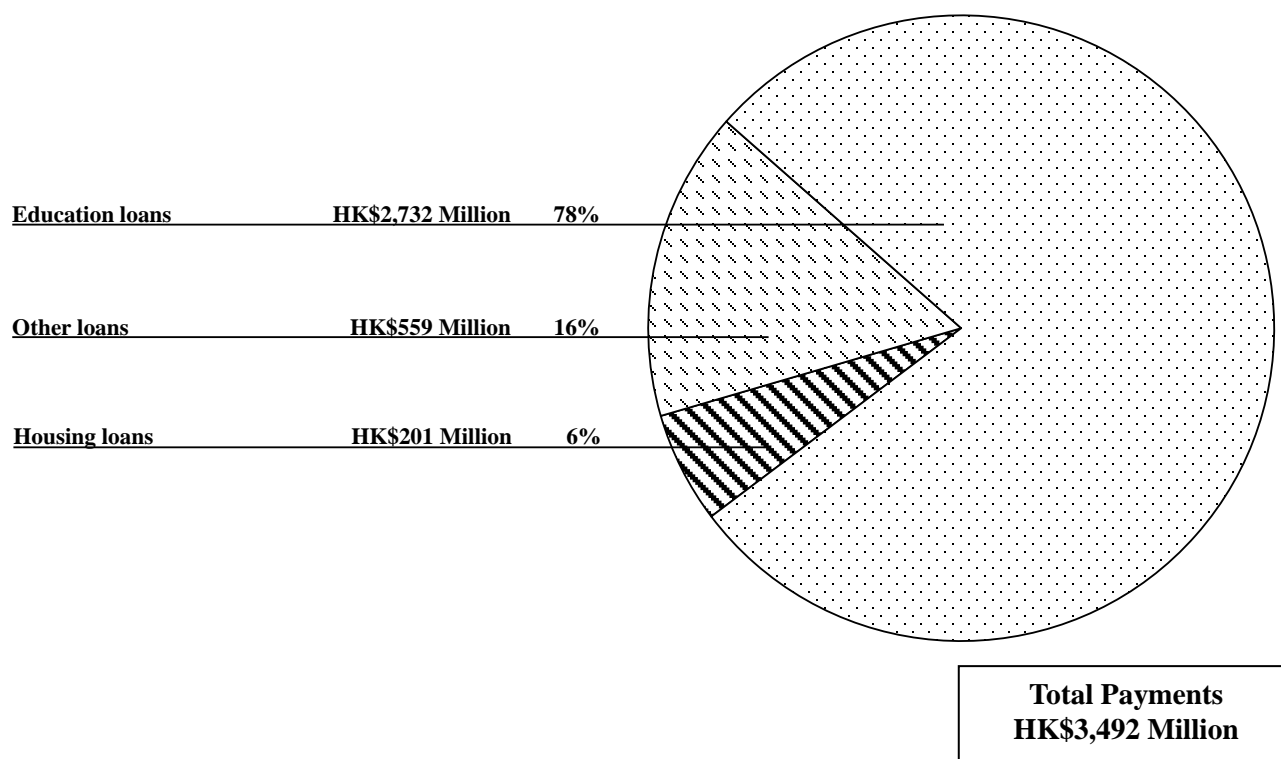


11. Payments

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan payments			
Housing loans	241,000	201,252	108,531
Education loans	2,877,252	2,732,248	3,782,593
Other loans	701,295	558,978	252,432
	3,819,547	3,492,478	4,143,556
Additional commitments	259,060	-	-
	4,078,607	3,492,478	4,143,556

Loan Fund

Analysis of Payments for the year ended 31 March 2015



12. Other Cash Movements

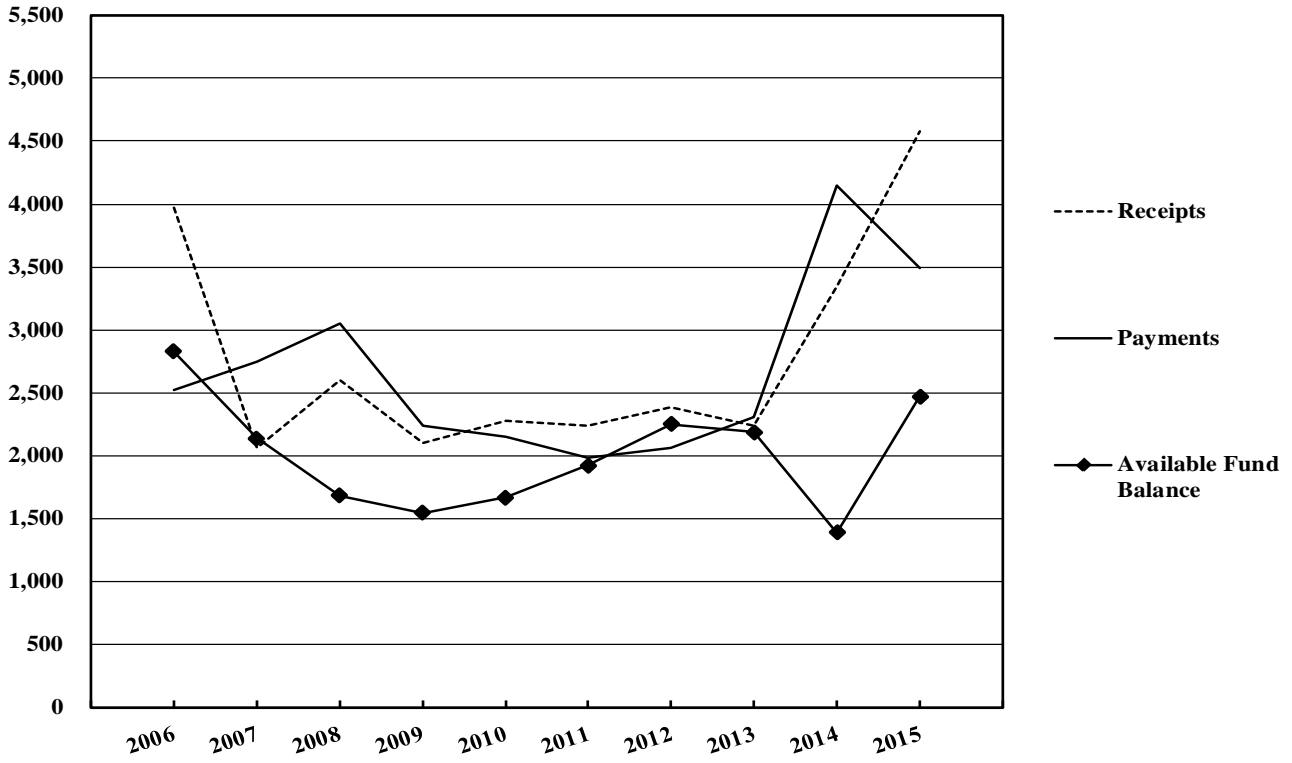
These are cash movements arising from changes in other assets and liabilities:

	2015 HK\$'000	2014 HK\$'000
(Increase)/Reduction in Assets		
Investments with the Exchange Fund	(1,098,157)	807,883
Increase in Liabilities		
Deposits	1,299	4,117
	<u>(1,096,858)</u>	<u>812,000</u>

Loan Fund

Receipts, Payments and Available Fund Balance for the years ended 31 March 2006 to 2015

HK\$ Million



Report of the Director of Audit



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 85 to 91, which comprise the statement of assets and liabilities as at 31 March 2015, 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 2015 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

27 October 2015

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

Bond Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Assets			
Investments with the Exchange Fund	3	120,060,223	100,682,122
Liabilities			
Deposits	4	(2,574)	(3,880)
		<u>120,057,649</u>	<u>100,678,242</u>
Representing:			
Fund Balance			
Balance at beginning of year		100,678,242	75,293,489
Surplus for the year		19,379,407	25,384,753
Balance at end of year	5, 6	<u>120,057,649</u>	<u>100,678,242</u>

Notes 1 to 9 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



Bond Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	7	42,611,937	34,320,157
Payments	8	(23,232,530)	(8,935,404)
Surplus for the year		19,379,407	25,384,753
Other cash movements	9	(19,379,407)	(25,384,753)
Cash and bank balances at end of year		-	-

Notes 1 to 9 form part of these financial statements.

Martin SIU
Director of Accounting Services
20 August 2015



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 Policies

- (i) 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 5 below, and debtors and creditors other than those deposits referred to in Note 4 below.
- (ii) Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates.

3. Investments with the Exchange Fund

- (i) These are investments made under paragraph (e)(ii) of the Resolution.
- (ii) The investments represent the cost of investments together with the investment income received in the year being reported. 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 2015 was HK\$3.78 billion (2014: HK\$4.19 billion).

4. Deposits

This represents the accrued interest received from successful bidders on reopened government bonds and is to be paid as part of bond interest on the next interest payment date of the bonds:

	2015 HK\$'000	2014 HK\$'000
Accrued interest received from successful bidders	<u>2,574</u>	<u>3,880</u>

5. 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 payments charged to the Fund under paragraphs (e)(i) and (ea)(i) of the Resolution. The liabilities totalling HK\$112.16 billion as at 31 March 2015 comprising the outstanding bonds with nominal value of HK\$104.4 billion and alternative bonds with nominal value of US\$1 billion (equivalent to HK\$7.76 billion as at 31 March 2015) are not included in the Statement of Assets and Liabilities (Note 6).

Bond Fund

6. Bonds Outstanding

In accordance with a resolution passed under section 3 of the Loans Ordinance in May 2013, the Government is authorized to borrow from any person from time to time for the purposes of the Bond Fund such sums not exceeding in total HK\$200 billion or equivalent, being the maximum amount of all borrowings made under paragraph (a) of this resolution that may be outstanding by way of principal at any time. The outstanding liabilities in respect of the sums borrowed under the Government Bond Programme are as follows:

	2015 HK\$'000	2014 HK\$'000
Bonds with nominal value in Hong Kong Dollars		
(Note (i) below)		
Balance at beginning of year	94,000,000	70,500,000
Issuance of bonds under		
Tender to institutional investors	20,400,000	20,500,000
Subscription to retail investors	10,000,000	10,000,000
Switch tender	800,000	-
Bond swap facility	-	42,200
	31,200,000	30,542,200
Repayment of bonds issued under		
Tender to institutional investors	(10,000,000)	(7,000,000)
Subscription to retail investors	(10,000,000)	-
Switch tender	(800,000)	-
Bond swap facility	-	(42,200)
	(20,800,000)	(7,042,200)
Balance at end of year	104,400,000	94,000,000
Alternative bonds with nominal value in United States Dollars		
(Note (ii) below)		
Balance at beginning of year	-	-
Issuance of bonds	7,751,100	-
Foreign currency translation difference	3,900	-
Balance at end of year (Note (iii) below)	7,755,000	-
Total outstanding bonds	112,155,000	94,000,000

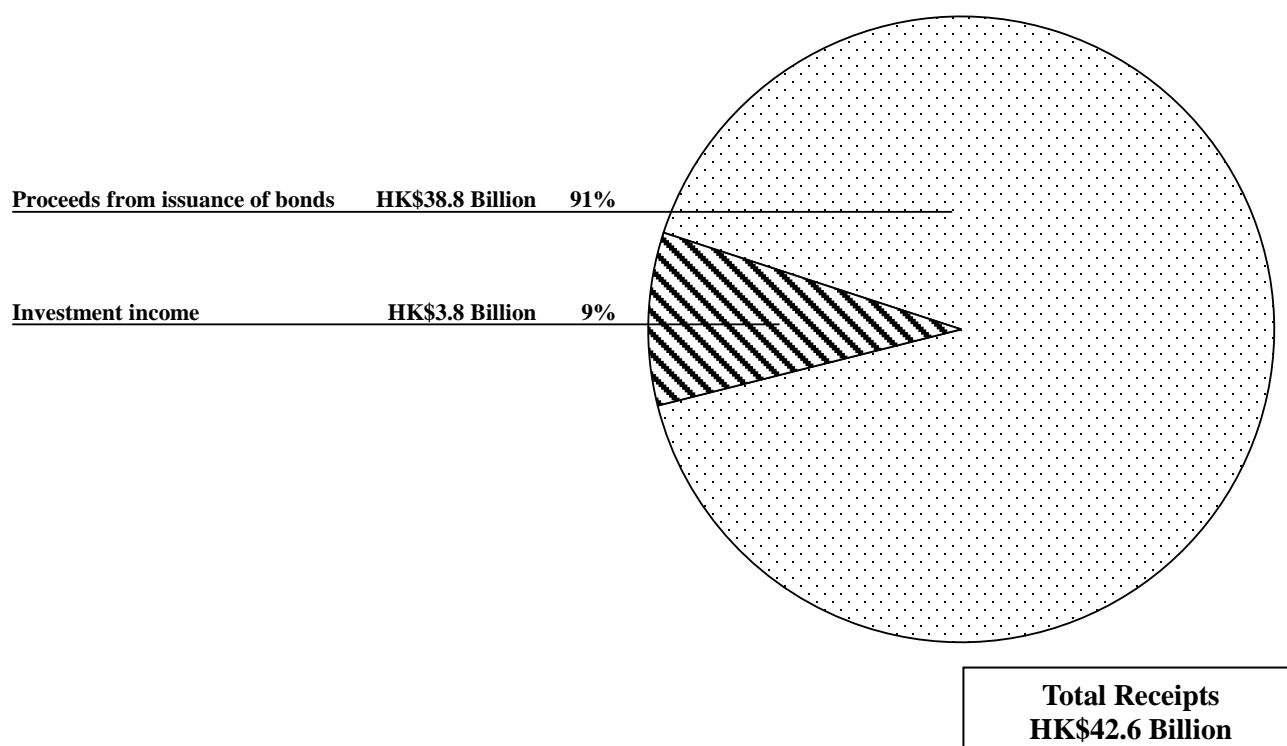
- (i) Under the institutional part of the Government Bond Programme, the Government has introduced the switch tender and the bond swap facility to enhance the liquidity of relevant bonds. Of the outstanding bond balance of HK\$104.4 billion, HK\$16.5 billion was repaid upon maturity during April 2015 to July 2015. For the rest, HK\$11.5 billion will mature within the period from August 2015 to March 2016 and HK\$76.4 billion within the period from April 2016 to August 2024.
- (ii) During the financial year, alternative bonds with nominal value of US\$1 billion were issued to institutional investors under section 2A of the Loans Ordinance.
- (iii) The outstanding alternative bonds are translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period. The outstanding balance of these bonds with nominal value of US\$1 billion (HK\$7.76 billion) will mature in September 2019.

Bond Fund

7. Receipts

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Proceeds from bonds issued under			
Tender or subscription	30,500,000	30,363,540	30,094,191
Switch tender	-	718,773	-
Bond swap facility	770,700,000	-	40,628
	801,200,000	31,082,313	30,134,819
Proceeds from issuance of alternative bonds	-	7,751,100	-
Investment income			
Investments with the Exchange Fund	-	3,778,332	4,185,069
Others	-	192	269
	3,345,000	3,778,524	4,185,338
	<u>804,545,000</u>	<u>42,611,937</u>	<u>34,320,157</u>

Analysis of Receipts for the year ended 31 March 2015

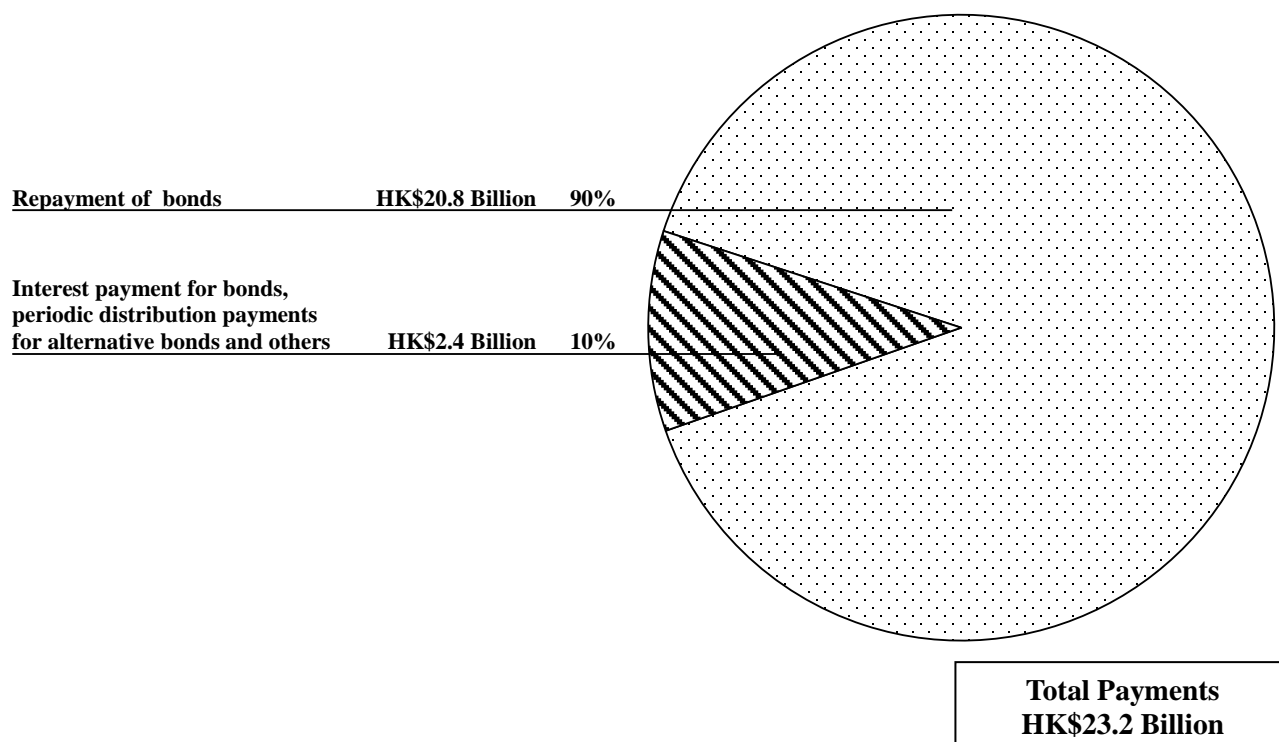


Bond Fund

8. Payments

	2015		2014
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Repayment of bonds issued under			
Tender or subscription	20,000,000	20,000,000	7,000,000
Switch tender	-	846,960	-
Bond swap facility	770,700,000	-	40,628
	790,700,000	20,846,960	7,040,628
Interest payment for bonds	2,394,417	2,274,339	1,868,805
Periodic distribution payments for alternative bonds	-	77,840	-
Others	26,002	33,391	25,971
	<u>793,120,419</u>	<u>23,232,530</u>	<u>8,935,404</u>

Analysis of Payments for the year ended 31 March 2015



Bond Fund

9. Other Cash Movements

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

	2015 HK\$'000	2014 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	19,378,101	25,383,560
Reduction in Liabilities		
Deposits	1,306	1,193
	<u>19,379,407</u>	<u>25,384,753</u>

Receipts, Payments and Fund Balance for the years ended 31 March 2010 to 2015

HK\$Billion

