

# *Report of the Director of Audit*



## **Audit Commission**

The Government of the Hong Kong Special Administrative Region

### **Capital Works Reserve Fund**

### **Independent Auditor's Report**

### **To the President of the Legislative Council**

#### *Opinion*

I certify that I have examined and audited the financial statements of the Capital Works Reserve Fund set out on pages 28 to 38, which comprise the statement of assets and liabilities as at 31 March 2025, and the statement of receipts and payments for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the financial statements of the Capital Works Reserve Fund are prepared, in all material respects, in accordance with the Public Finance Ordinance (Cap. 2) and section 11(1) of the Audit Ordinance (Cap. 122).

#### *Basis for opinion*

I conducted my audit in accordance with section 12(1) of the Audit Ordinance and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I have fulfilled the independence and other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Other information*

The Director of Accounting Services is responsible for the other information. The other information comprises all the information included in the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2025 published by the Treasury, other than the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### ***Director of Accounting Services' responsibilities for the financial statements***

In accordance with section 16(1) of the Public Finance Ordinance, 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 responsibilities for the audit of the financial statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Capital Works Reserve Fund's internal control; and

- evaluate the appropriateness of accounting policies used by the Director of Accounting Services and the reasonableness of accounting estimates and related disclosures.

I communicate with the Director of Accounting Services regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Prof. LAM Chi Yuen Nelson  
Director of Audit

11 September 2025

Audit Commission  
6th Floor, High Block  
Queensway Government Offices  
66 Queensway  
Hong Kong

# Capital Works Reserve Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2025

(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	96,463,999	100,839,526
Cash and bank balances		1	1
		96,464,000	100,839,527
<b>Liabilities</b>			
Deposits	4	(2,863,878)	(2,648,633)
		93,600,122	98,190,894
<b>Representing:</b>			
<b>Fund Balance</b>			
Balance at beginning of year		98,190,894	149,505,627
Deficit for the year		(4,590,772)	(51,314,733)
Balance at end of year	5, 6, 7	93,600,122	98,190,894

Notes 1 to 10 form part of these financial statements.

**Raymond NG**  
Director of Accounting Services  
22 July 2025



# Capital Works Reserve Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2025

(Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Cash and bank balances at beginning of year</b>		<b>1</b>	<b>3,426</b>
Receipts	8	147,364,047	98,927,348
Payments	5, 9	(151,954,819)	(150,242,081)
<b>Deficit for the year</b>		<b>(4,590,772)</b>	<b>(51,314,733)</b>
<b>Other cash movements</b>	10	<b>4,590,772</b>	<b>51,311,308</b>
<b>Cash and bank balances at end of year</b>		<b>1</b>	<b>1</b>

Notes 1 to 10 form part of these financial statements.

**Raymond NG**  
Director of Accounting Services  
22 July 2025



# Capital Works Reserve Fund

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars, unless otherwise stated)

### 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 subsequently deemed to have been established under section 29(3) of the Public Finance Ordinance (Cap. 2). Since 1 January 1998, it has been reconstituted 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.
- (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:

	2025 \$'000	2024 \$'000
Investments (Notes (ii) and (iii) below)	96,413,995	100,789,520
Deposits	50,004	50,006
	<u>96,463,999</u>	<u>100,839,526</u>

- (ii) The investments represent the cost of investments together with the investment income received in the year being reported.
- (iii) The investment income is calculated, in accordance with an arrangement entered into with the Hong Kong Monetary Authority in 2007, 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 government bond (replacing the three-year Exchange Fund Notes with effect from 1 January 2016) for the previous year subject to a minimum of zero percent, whichever is the higher. The rate of return for the calendar year 2024 was 3.7% (2023: 3.7%). The annual investment income is receivable on 31 December each year.

# 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:

	2025 \$'000	2024 \$'000
Contract retention money	2,009,057	1,912,205
Others	854,821	736,428
	<b>2,863,878</b>	<b>2,648,633</b>

## 5. Fund Balance

- (i) 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.
- (ii) Following a resolution passed under section 3(1) of the Loans Ordinance, the Government issued:
  - (a) The Green Bonds of US\$1 billion in May 2019; US\$2.5 billion in February 2021; US\$1 billion, EUR1.75 billion and RMB5 billion in November 2021; HK\$20 billion in May 2022; US\$3 billion, EUR1.25 billion and RMB10 billion in January 2023; HK\$0.8 billion in February 2023; US\$2.25 billion, EUR1.5 billion and RMB15 billion in June 2023; HK\$20 billion in October 2023; US\$0.2 billion, EUR0.08 billion, RMB1.5 billion and HK\$2 billion in February 2024; US\$1 billion, EUR0.75 billion and RMB10 billion in July 2024 under the Government Sustainable Bond Programme to provide funding for sustainable projects of the Government;
  - (b) The Infrastructure Bonds of RMB1 billion and HK\$5.5 billion in October 2024; RMB2.5 billion and HK\$1.5 billion in November 2024; RMB2.5 billion and HK\$21.2 billion in December 2024; RMB1.5 billion and HK\$2 billion in January 2025; RMB2.5 billion and HK\$3.5 billion in February 2025; RMB3.5 billion and HK\$2 billion in March 2025 under the Infrastructure Bond Programme to provide funding for infrastructure projects of the Government; and
  - (c) The Silver Bonds of HK\$55 billion in October 2024 under the Infrastructure Bond Programme to provide funding for infrastructure projects of the Government.
- (iii) The outstanding liabilities, not included in the Statement of Assets and Liabilities, in respect of sums borrowed are as follows:

	2025 \$'000	2024 \$'000
Government Bonds		
Green Bonds (Notes (iii)(a) and (iii)(d) below)	194,375,295	192,528,875
Infrastructure Bonds (Notes (iii)(b) and (iii)(d) below)	50,177,375	-
Silver Bonds (Notes (iii)(c) below)	54,791,670	-
	<b>299,344,340</b>	<b>192,528,875</b>

# Capital Works Reserve Fund

## 5. Fund Balance *(Continued)*

- (a) The Green Bonds were denominated in United States dollars (US\$9.95 billion will mature between January 2026 and January 2053), Euros (EUR4.58 billion will mature between February 2026 and November 2041), Renminbi (RMB34 billion will mature between June 2025 and July 2054) and Hong Kong dollars (HK\$42 billion will mature between May 2025 and October 2026). During the financial year, payments of interest on the Green Bonds amounted to \$6,123 million *(2024: \$3,767 million)* and there was repayment of principal with nominal value of HK\$21,785 million *(2024: HK\$800 million)*.
- (b) The Infrastructure Bonds were denominated in Renminbi (RMB13.5 billion will mature between December 2025 and November 2034) and Hong Kong dollars (HK\$35.73 billion will mature between November 2025 and March 2045). During the financial year, payments of interest on the Infrastructure Bonds amounted to \$15 million *(2024: Nil)*.
- (c) The Silver Bonds were denominated in Hong Kong dollars (HK\$54.79 billion will mature in October 2027 and which may be redeemed before maturity upon request from bond holders). During the financial year, payments of interest on the Silver Bonds amounted to \$2 million *(2024: Nil)* and there was repayment of principal with nominal value of HK\$208 million *(2024: Nil)*.
- (d) The outstanding Government Bonds are translated into Hong Kong dollars at the exchange rate ruling at the reporting date.

## 6. Contingent Liabilities

As at 31 March 2025, the amount of contingent liabilities arising from legal claims, disputes and proceedings was \$3,275 million *(2024: \$9,725 million)*.

# Capital Works Reserve Fund

## 7. Commitments

The balances of the approved project estimates that were unspent were as follows:

<b>Head</b>		<b>2025 \$'000</b>	<b>2024 \$'000</b>
<b>Land acquisition</b>			
701	Land acquisition	<b>91,745,215</b>	131,181,580
	<b>Sub-total</b>	<b>91,745,215</b>	131,181,580
<b>Capital works – Public Works Programme</b>			
702	Port and airport development	<b>11,700</b>	78,299
703	Buildings	<b>220,804,413</b>	241,604,521
704	Drainage	<b>63,275,104</b>	61,388,997
705	Civil engineering	<b>93,827,729</b>	96,799,222
706	Highways	<b>55,613,395</b>	66,176,009
707	New towns and urban area development	<b>183,735,886</b>	106,113,882
709	Waterworks	<b>25,612,418</b>	26,539,524
711	Housing	<b>44,631,568</b>	50,052,171
	<b>Sub-total</b>	<b>687,512,213</b>	648,752,625
<b>Capital subventions</b>			
708 (part)	Capital subventions	<b>69,291,986</b>	67,754,635
	<b>Sub-total</b>	<b>69,291,986</b>	67,754,635
<b>Systems and equipment</b>			
708 (part)	Major systems and equipment	<b>6,166,069</b>	6,834,281
710	Computerisation	<b>16,143,352</b>	14,733,362
	<b>Sub-total</b>	<b>22,309,421</b>	21,567,643
		<b>870,858,835</b>	869,256,483

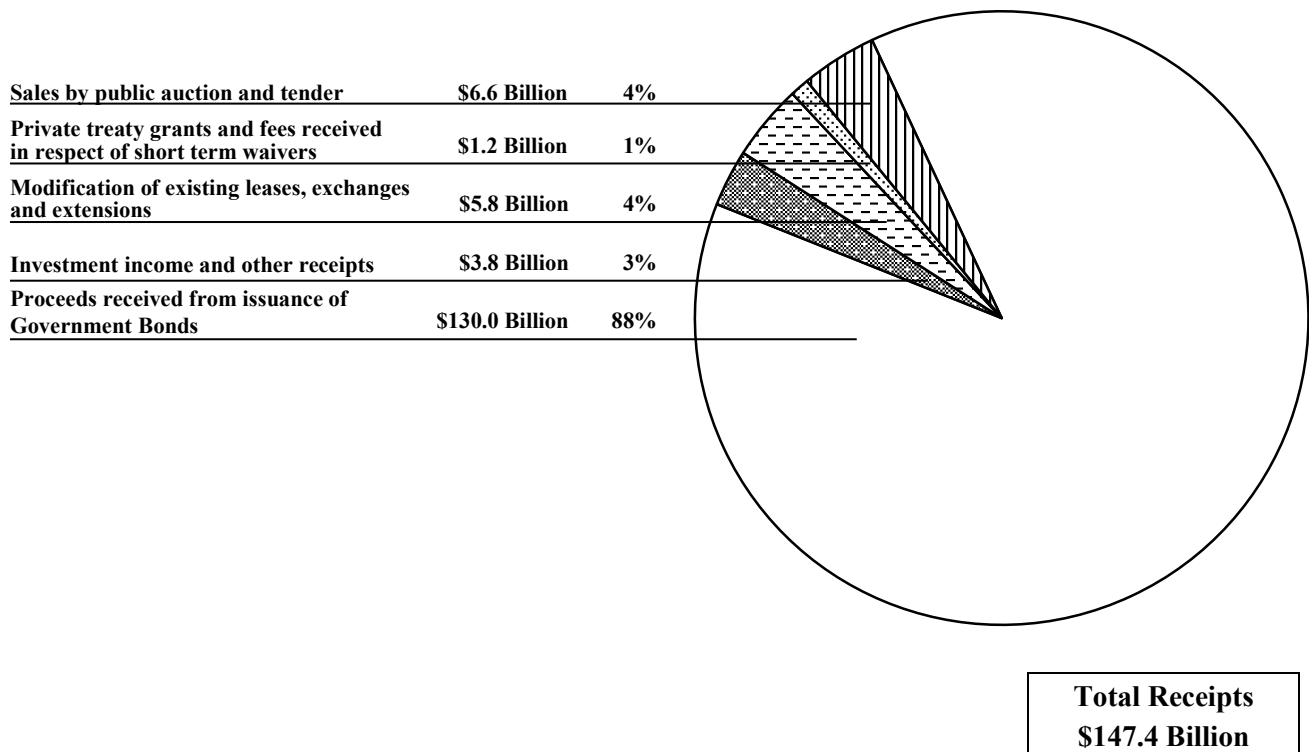
# Capital Works Reserve Fund

## 8. Receipts

	2025		2024
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Land premium			
Sales by public auction and tender	-	6,629,628	7,273,888
Private treaty grants	-	257,964	133,781
Modification of existing leases, exchanges and extensions	-	5,834,885	11,560,144
Fees received in respect of short term waivers	-	879,271	612,946
	33,000,000	13,601,748	19,580,759
Investment income			
Investments with the Exchange Fund	-	3,599,621	6,686,917
Others	-	40,327	23,176
	4,296,000	3,639,948	6,710,093
Other receipts			
Donations and contributions	7,956	-	13,740
Others	-	86,327	132,869
	7,956	86,327	146,609
Proceeds received from issuance of Government Bonds	120,000,000	130,036,024	72,489,887
	157,303,956	147,364,047	98,927,348

# Capital Works Reserve Fund

## Analysis of Receipts for the year ended 31 March 2025



# Capital Works Reserve Fund

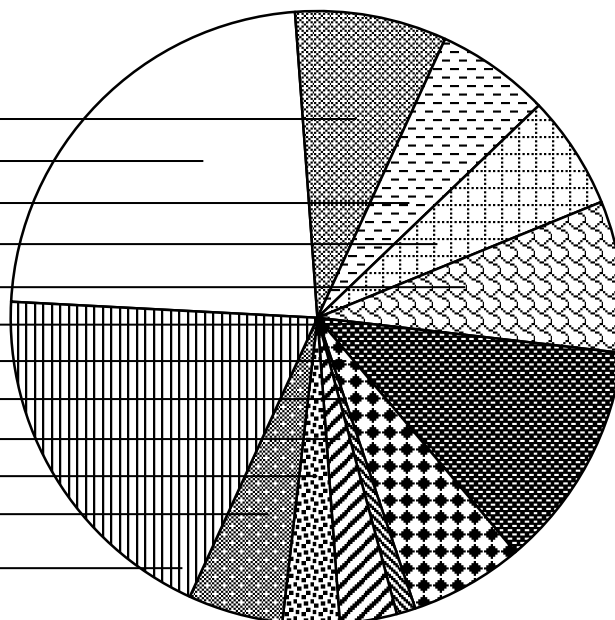
## 9. Payments

	2025		2024
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Land acquisition	24,866,290	12,890,158	5,545,000
Public Works Programme			
Port and airport development	136	-	-
Buildings	31,877,940	35,767,296	28,429,924
Drainage	7,862,003	8,989,574	7,455,392
Civil engineering	7,873,812	8,774,963	7,058,148
Highways	7,972,740	12,933,628	9,981,248
New towns and urban area development	15,401,313	17,966,142	17,196,881
Waterworks	4,377,961	4,692,807	4,820,864
Housing	5,068,794	7,494,962	3,224,369
	80,434,699	96,619,372	78,166,826
Capital subventions and major systems and equipment			
Capital subventions	9,716,304	8,709,691	7,674,545
Major systems and equipment	1,560,823	902,536	782,640
	11,277,127	9,612,227	8,457,185
Computerisation	4,558,340	4,557,372	3,440,813
Government Bonds			
Repayment	24,217,000	21,992,988	800,000
Interest and other expenses	9,017,000	6,271,518	3,804,006
	33,234,000	28,264,506	4,604,006
Transfer to General Revenue	-	-	50,000,000
Other payments			
Refund of overpayment of land premium	-	11,184	28,251
	154,370,456	151,954,819	150,242,081

# Capital Works Reserve Fund

## Analysis of Payments for the year ended 31 March 2025 \*

Land acquisition	\$12.9 Billion	8%
Buildings	\$35.8 Billion	23%
Drainage	\$9.0 Billion	6%
Civil engineering	\$8.8 Billion	6%
Highways	\$12.9 Billion	8%
New towns and urban area development	\$18.0 Billion	12%
Capital subventions	\$8.7 Billion	6%
Major systems and equipment	\$0.9 Billion	1%
Waterworks	\$4.7 Billion	3%
Computerisation	\$4.5 Billion	3%
Housing	\$7.5 Billion	5%
Repayment, interest and other expenses on Government Bonds	\$28.3 Billion	19%



**Total Payments  
\$152.0 Billion**

\* Payments on "Refund of overpayment of land premium" is not shown as it is less than \$0.1 billion.

## 10. Other Cash Movements

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

	2025 \$'000	2024 \$'000
<b>Reduction in Assets</b>		
Investments with the Exchange Fund	4,375,527	50,560,905
<b>Increase in Liabilities</b>		
Deposits	215,245	750,403
	<u>4,590,772</u>	<u>51,311,308</u>

# Capital Works Reserve Fund

Receipts, Payments and Fund Balance for the years ended 31 March 2016 to 2025

\$Billion

