

Audit Commission
The Government of the Hong Kong Special Administrative Region

Bond 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 Bond Fund set out on pages 94 to 100, which comprise the statement of assets and liabilities as at 31 March 2026, 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 Bond 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 2026 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 Bond Fund's internal control; and

— evaluate the appropriateness of accounting policies used by the Director of Accounting Services.

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

28 October 2026

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

Bond Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2026

(Expressed in Hong Kong dollars)

	Note	2026 $'000	2025 $'000
Assets			
Investments with the Exchange Fund	**3**	**153,360,976**	225,261,288
Representing:			
Fund Balance			
Balance at beginning of year		**225,261,288**	291,593,768
Deficit for the year		**(71,900,312)**	(66,332,480)
Balance at end of year	**4, 5**	**153,360,976**	225,261,288

Notes 1 to 8 form part of these financial statements.

Raymond NG
Director of Accounting Services
28 August 2026

Bond Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2026
(Expressed in Hong Kong dollars)

	Note	**2026** **$'000**	2025 $'000
Cash and bank balances at beginning of year		**-**	-
Receipts	**6**	**9,057,566**	12,626,431
Payments	**7**	**(80,957,878)**	(78,958,911)
Deficit for the year		**(71,900,312)**	(66,332,480)
Other cash movements	**8**	**71,900,312**	66,332,480
Cash and bank balances at end of year		**-**	-

Notes 1 to 8 form part of these financial statements.

Raymond NG
Director of Accounting Services
28 August 2026

Bond Fund

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars, unless otherwise stated)

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 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, in accordance with a Memorandum of Understanding entered into with the Hong Kong Monetary Authority in 2014, 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The rate of return for the calendar year 2025 was 4.4% *(2024: 3.7%)*. The annual investment income is receivable on 31 December each year.

4. Fund Balance

(i) 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 $108.37 billion as at 31 March 2026 comprising the outstanding bonds with nominal value of $100.53 billion and alternative bonds with nominal value of US$1 billion (equivalent to $7.84 billion as at 31 March 2026) are not included in the Statement of Assets and Liabilities (Note 5).

(ii) On 24 June 2026, the Legislative Council resolved to have paragraph (g) to the Resolution substituted to the effect that the Financial Secretary may transfer from the Bond Fund to the general revenue the balance held in the Bond Fund if sufficient funds have been set aside to meet all financial obligations and liabilities in relation to any sums that have been borrowed under section 3 of the Loans Ordinance (Cap. 61) for the purposes of the Bond Fund. On 25 August 2026, $37.7 billion was transferred from the Bond Fund to the general revenue.

5. Bonds Outstanding

In accordance with a resolution passed under section 3 of the Loans Ordinance in July 2021, 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 $300 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:

	2026 **$'000**	2025 $'000
Bonds		
Balance at beginning of year	**176,339,870**	245,230,190
Issuance of bonds under		
Tender to institutional investors	**-**	3,000,000
Subscription to retail investors	**-**	-
Switch tender	**-**	-
	-	3,000,000
Repayment of bonds issued under		
Tender to institutional investors	**(32,900,000)**	(23,500,000)
Subscription to retail investors	**(42,909,280)**	(48,390,320)
Switch tender	**-**	-
	(75,809,280)	(71,890,320)
Balance at end of year	**100,530,590**	176,339,870
Alternative bonds (Note (i) below)		
Balance at beginning of year	**7,778,000**	7,823,500
Foreign currency translation difference	**57,750**	(45,500)
Balance at end of year (Note (ii) below)	**7,835,750**	7,778,000
Total outstanding bonds	**108,366,340**	184,117,870

(i) Alternative bonds are denominated in United States dollars.

(ii) The outstanding alternative bonds are translated into Hong Kong dollars at the exchange rate ruling at the reporting date.

Bond Fund

5. Bonds Outstanding *(Continued)*

(iii) The maturities of the outstanding bonds are as follows:

	2026 **$'000**	2025 $'000
Bonds		
Within one year (Note (iv) below)	**53,430,590**	75,089,560
After one year but within two years (Note (v) below)	**16,600,000**	54,150,310
After two years but within five years	**9,900,000**	21,300,000
After five years	**20,600,000**	25,800,000
	100,530,590	176,339,870
Alternative bonds (Notes (i) and (ii) above)		
Within one year	**7,835,750**	**-**
After one year but within two years	**-**	7,778,000
	7,835,750	7,778,000
Total outstanding bonds	**108,366,340**	184,117,870

(iv) The outstanding bonds included Silver Bonds with nominal value of $53.43 billion *(2025: $42.19 billion)* which might be redeemed before maturity upon request from bond holders.

(v) There were no Silver Bonds *(2025: $54.15 billion)* in the outstanding bonds.

6. Receipts

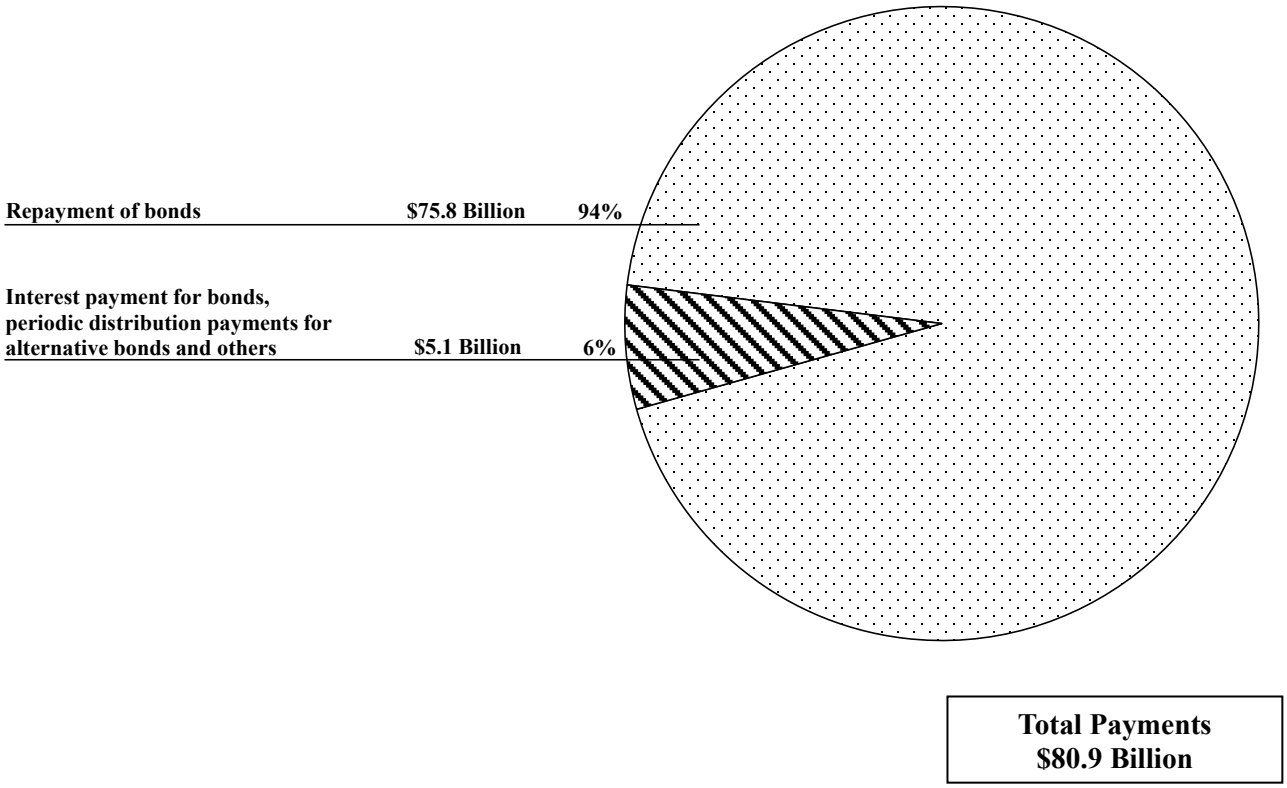
	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Proceeds from bonds issued under			
Tender or subscription	-	**-**	3,000,000
Switch tender	2,000,000	**-**	-
Bond swap facility	1,000,000	**-**	-
	3,000,000	**-**	3,000,000
Investment income			
Investments with the Exchange Fund	-	**9,057,566**	9,626,431
Others	-	**-**	-
	8,924,000	**9,057,566**	9,626,431
	11,924,000	**9,057,566**	12,626,431

Bond Fund

7. Payments

	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Repayment of bonds issued under			
Tender or subscription	73,868,320	**75,809,280**	71,890,320
Switch tender	2,000,000	**-**	-
Bond swap facility	1,000,000	**-**	-
	76,868,320	**75,809,280**	71,890,320
Interest payment for bonds	5,801,939	**4,903,532**	6,824,644
Periodic distribution payments for alternative bonds	246,000	**244,828**	243,728
Others	451	**238**	219
	82,916,710	**80,957,878**	78,958,911

Analysis of Payments for the year ended 31 March 2026



8. Other Cash Movements

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

	2026	2025
	$'000	$'000
Reduction in Assets		
Investments with the Exchange Fund	**71,900,312**	66,337,362
Reduction in Liabilities		
Deposits	**-**	(4,882)
	71,900,312	66,332,480

Receipts, Payments and Fund Balance for the years ended 31 March 2017 to 2026

