

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 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 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 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 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

28 October 2026

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 2026
(Expressed in Hong Kong dollars)

	Note	2026 $'000	2025 $'000
Assets			
Investments with the Exchange Fund	**3**	**64,273,739**	96,463,999
Cash and bank balances		**1**	1
		64,273,740	96,464,000
Liabilities			
Deposits	**4**	**(3,282,347)**	(2,863,878)
		60,991,393	93,600,122
Representing:			
Fund Balance			
Balance at beginning of year		**93,600,122**	98,190,894
Deficit for the year		**(32,608,729)**	(4,590,772)
Balance at end of year	**5, 6, 7**	**60,991,393**	93,600,122

Notes 1 to 10 form part of these financial statements.

Raymond NG
Director of Accounting Services
28 August 2026

Capital Works Reserve 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		**1**	1
Receipts	**8**	**179,082,914**	147,364,047
Payments	**5, 9**	**(211,691,643)**	(151,954,819)
Deficit for the year		**(32,608,729)**	(4,590,772)
Other cash movements	**10**	**32,608,729**	4,590,772
Cash and bank balances at end of year		**1**	1

Notes 1 to 10 form part of these financial statements.

Raymond NG
Director of Accounting Services
28 August 2026

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:

	2026 **$'000**	2025 $'000
Investments (Notes (ii) and (iii) below)	**64,225,158**	96,413,995
Deposits	**48,581**	50,004
	64,273,739	96,463,999

(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 2025 was 4.4% *(2024: 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:

	2026 **$'000**	2025 $'000
Contract retention money	**2,246,712**	2,009,057
Others	**1,035,635**	854,821
	3,282,347	2,863,878

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; US$1 billion, EUR1 billion and RMB4 billion in June 2025; US$0.3 billion, EUR0.3 billion, RMB2.5 billion and HK$2.5 billion in November 2025 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$21.23 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; RMB1.5 billion and HK$4.5 billion in April 2025; RMB4 billion and HK$5 billion in May 2025; RMB4 billion and HK$4 billion in June 2025; RMB2.75 billion and HK$4 billion in July 2025; RMB5.5 billion and HK$3.25 billion in August 2025; RMB3.25 billion and HK$4.75 billion in November 2025; RMB2 billion and HK$2.5 billion in December 2025; RMB1.25 billion and HK$1 billion in January 2026; RMB2.25 billion and HK$4 billion in February 2026; RMB2.25 billion and HK$4.5 billion in March 2026 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 and HK$55 billion in October 2025 under the Infrastructure Bond Programme to provide funding for infrastructure projects of the Government.

Capital Works Reserve Fund

5. Fund Balance *(Continued)*

(iii) The outstanding liabilities, not included in the Statement of Assets and Liabilities, in respect of sums borrowed are as follows:

	2026 **$'000**	2025 $'000
Government Bonds		
Green Bonds (Notes (iii)(a) and (iii)(d) below)	**186,769,063**	194,375,295
Infrastructure Bonds (Notes (iii)(b) and (iii)(d) below)	**114,114,725**	50,177,375
Silver Bonds (Note (iii)(c) below)	**108,947,800**	54,791,670
	409,831,588	299,344,340

(a) The Green Bonds were denominated in United States dollars (US$9.55 billion will mature between June 2026 and January 2053), Euros (EUR5.8 billion will mature between November 2026 and November 2041), Renminbi (RMB33 billion will mature between July 2026 and July 2054) and Hong Kong dollars (HK$22.5 billion will mature between October 2026 and November 2027). During the financial year, payments of interest on the Green Bonds amounted to $6,068 million *(2025: $6,123 million)* and there was repayment of principal with nominal value of HK$44,196 million *(2025: HK$21,785 million)*.

(b) The Infrastructure Bonds were denominated in Renminbi (RMB38.75 billion will mature between April 2026 and June 2055) and Hong Kong dollars (HK$70.23 billion will mature between May 2026 and June 2055). During the financial year, payments of interest on the Infrastructure Bonds amounted to $1,911 million *(2025: $15 million)* and there was repayment of principal with nominal value of HK$6,911 million *(2025: Nil)*.

(c) The Silver Bonds were denominated in Hong Kong dollars (HK$108.95 billion will mature in October 2027 and October 2028 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 $2,193 million *(2025: $2 million)* and there was repayment of principal with nominal value of HK$844 million *(2025: HK$208 million)*.

(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 2026, the amount of contingent liabilities arising from legal claims, disputes and proceedings was $37 million *(2025: $3,275 million)*.

Capital Works Reserve Fund

7. Commitments

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

Head			**2026** **$'000**	2025 $'000
Land acquisition				
701	Land acquisition		**93,544,815**	91,745,215
		Sub-total	**93,544,815**	91,745,215
Capital works – Public Works Programme				
702	Port and airport development		**11,700**	11,700
703	Buildings		**176,369,601**	220,804,413
704	Drainage		**73,735,127**	63,275,104
705	Civil engineering		**84,987,855**	93,827,729
706	Highways		**46,969,617**	55,613,395
707	New towns and urban area development		**175,547,747**	183,735,886
709	Waterworks		**33,030,726**	25,612,418
711	Housing		**32,413,486**	44,631,568
		Sub-total	**623,065,859**	687,512,213
Capital subventions				
708 (part)	Capital subventions		**56,096,445**	69,291,986
		Sub-total	**56,096,445**	69,291,986
Systems and equipment				
708 (part)	Major systems and equipment		**7,717,219**	6,166,069
710	Computerisation		**17,194,199**	16,143,352
		Sub-total	**24,911,418**	22,309,421
			797,618,537	870,858,835

Capital Works Reserve Fund

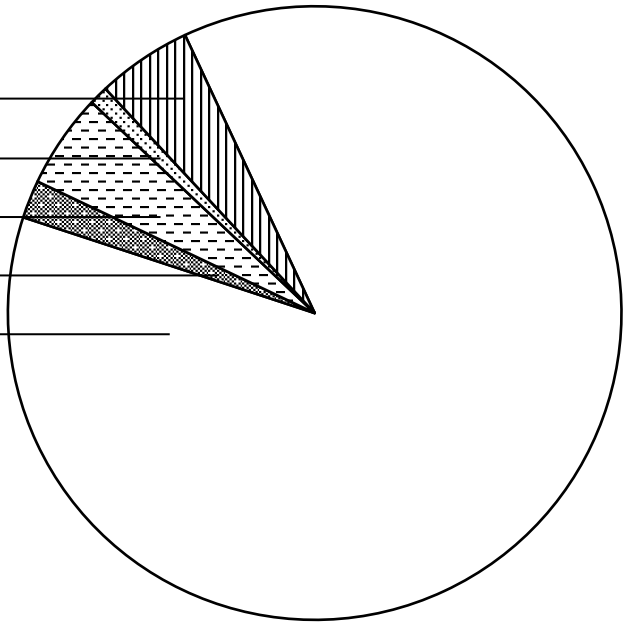
8. Receipts

	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Land premium			
Sales by public auction and tender	-	**8,980,229**	6,629,628
Private treaty grants	-	**426,625**	257,964
Modification of existing leases, exchanges and extensions	-	**8,308,067**	5,834,885
Fees received in respect of short term waivers	-	**853,640**	879,271
	21,000,000	**18,568,561**	13,601,748
Investment income			
Investments with the Exchange Fund	-	**4,112,168**	3,599,621
Others	-	**62,659**	40,327
	3,330,000	**4,174,827**	3,639,948
Other receipts			
Donations and contributions	7,644	**-**	-
Others	-	**303,150**	86,327
	7,644	**303,150**	86,327
Proceeds received from issuance of Government Bonds	150,000,000	**156,036,376**	130,036,024
	174,337,644	**179,082,914**	147,364,047

Capital Works Reserve Fund

Analysis of Receipts for the year ended 31 March 2026

Sales by public auction and tender	$9.0 Billion	5%
Private treaty grants and fees received in respect of short term waivers	$1.3 Billion	1%
Modification of existing leases, exchanges and extensions	$8.3 Billion	5%
Investment income and other receipts	$4.5 Billion	2%
Proceeds received from issuance of Government Bonds	$156.0 Billion	87%



Total Receipts
$179.1 Billion

Capital Works Reserve Fund

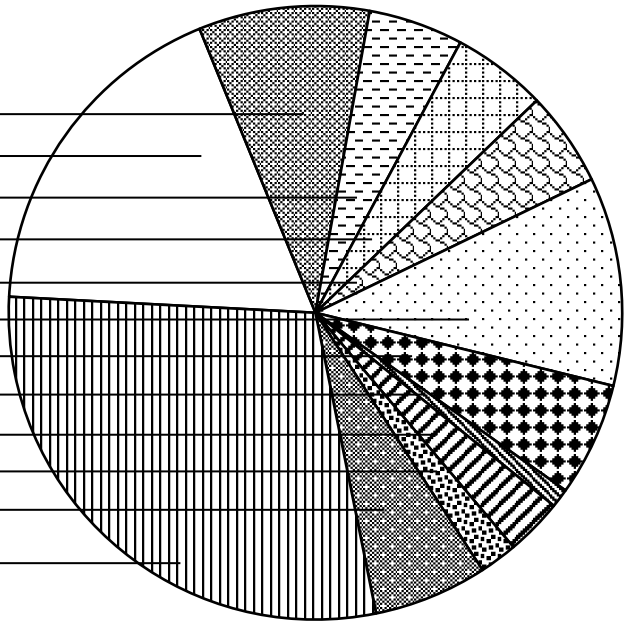
9. Payments

	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Land acquisition	24,829,120	**20,089,776**	12,890,158
Public Works Programme			
Port and airport development	108	**-**	-
Buildings	37,661,410	**38,904,791**	35,767,296
Drainage	9,149,959	**9,999,935**	8,989,574
Civil engineering	13,808,269	**11,669,342**	8,774,963
Highways	8,287,985	**9,778,347**	12,933,628
New towns and urban area development	21,614,730	**22,775,392**	17,966,142
Waterworks	5,120,371	**5,739,998**	4,692,807
Housing	11,364,417	**12,296,635**	7,494,962
	107,007,249	**111,164,440**	96,619,372
Capital subventions and major systems and equipment			
Capital subventions	12,792,377	**12,836,619**	8,709,691
Major systems and equipment	1,557,873	**1,059,951**	902,536
	14,350,250	**13,896,570**	9,612,227
Computerisation	4,901,169	**4,291,850**	4,557,372
Government Bonds			
Repayment	54,148,000	**51,950,907**	21,992,988
Interest and other expenses	12,983,000	**10,284,313**	6,271,518
	67,131,000	**62,235,220**	28,264,506
Other payments			
Refund of overpayment of land premium	-	**13,787**	11,184
	218,218,788	**211,691,643**	151,954,819

Capital Works Reserve Fund

Analysis of Payments for the year ended 31 March 2026 *

Land acquisition	**$20.1 Billion**	**9%**
Buildings	**$38.9 Billion**	**18%**
Drainage	**$10.0 Billion**	**5%**
Civil engineering	**$11.7 Billion**	**5%**
Highways	**$9.8 Billion**	**5%**
New towns and urban area development	**$22.8 Billion**	**11%**
Capital subventions	**$12.8 Billion**	**6%**
Major systems and equipment	**$1.1 Billion**	**1%**
Waterworks	**$5.7 Billion**	**3%**
Computerisation	**$4.3 Billion**	**2%**
Housing	**$12.3 Billion**	**6%**
Repayment, interest and other expenses on Government Bonds	**$62.2 Billion**	**29%**



Total Payments
$211.7 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:

	2026	2025
	$'000	$'000
Reduction in Assets		
Investments with the Exchange Fund	**32,190,260**	4,375,527
Increase in Liabilities		
Deposits	**418,469**	215,245
	32,608,729	4,590,772

Capital Works Reserve Fund

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

