

Audit Commission
The Government of the Hong Kong Special Administrative Region

Land 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 Land Fund set out on pages 76 to 80, 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 Land 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 Land 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
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Hong Kong

Land 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**	**226,635,200**	268,981,992
Other investments	**4**	**23,194,282**	11,786,082
		249,829,482	280,768,074
Representing:			
Fund Balance			
Balance at beginning of year		**280,768,074**	364,957,107
Deficit for the year		**(30,938,592)**	(84,189,033)
Balance at end of year	**5**	**249,829,482**	280,768,074

Notes 1 to 8 form part of these financial statements.

Raymond NG
Director of Accounting Services
28 August 2026

Land 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**	**18,561,676**	32,825,372
Payments	**7**	**(49,500,268)**	(117,014,405)
Deficit for the year		**(30,938,592)**	(84,189,033)
Other cash movements	**8**	**30,938,592**	84,189,033
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

Land Fund

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

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. From 1 November 1998 to 31 December 2015, the assets of the Fund were merged into the Exchange Fund and invested in the same way as the other fiscal reserves placed with the Exchange Fund. With effect from 1 January 2016, the assets of the Fund have been held as a notional savings account within the fiscal reserves called the Future Fund for placement with the Exchange Fund for securing higher investment returns over a ten-year investment period. In October 2022, the investment period was further extended for five years (Note 3(iv)). Since 2020-21, part of the Future Fund has been allocated for other investments (Note 4).

2. Accounting Policy

The accounts of the Land Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid. The Statement of Assets and Liabilities includes investments made under the Resolution.

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.

(iii) Between 1 April 2007 and 31 December 2015, the investment income was 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 Exchange Fund Notes (replaced by three-year government bond with effect from 1 January 2016) for the previous year subject to a minimum of zero percent, whichever was the higher.

(iv) With effect from 1 January 2016, the assets of the Land Fund have been held as a notional savings account within the fiscal reserves called the Future Fund. The Future Fund balance (other than the part mentioned in Note 4) is placed with the Exchange Fund for securing higher investment returns over a ten-year investment period in accordance with an arrangement entered into with the Hong Kong Monetary Authority in December 2015. In October 2022, the arrangement was extended for a further five-year period. Investment return on the Future Fund placement with the Exchange Fund is determined annually based on a composite rate (7.0% and 3.9% for the calendar years 2025 and 2024 respectively) computed on a weighted average basis with reference to the agreed rate under the Investment Portfolio (Note (iii) above) and the annual rate of return linked with the performance of the Long-Term Growth Portfolio. The Future Fund, together with investment return not received and compounded on an annual basis, is retained within the Exchange Fund until 31 December 2030 or upon decision of the Financial Secretary for withdrawal, whichever is the earlier. In respect of the Land Fund portion of $226.64 billion as at 31 March 2026 *(2025: $268.98 billion),* such accumulated investment return not received as revenue amounted to $44.06 billion as at 31 December 2025 *(2024: $72.91 billion)*, including the investment return for the calendar year 2025 of $20.65 billion *(2024: $15.76 billion)*.

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

As announced in the 2021-22 Budget Speech, the accumulated investment return on the Future Fund would be brought back to the Government's accounts and recorded as investment income on a progressive basis starting from 2021-22. During the financial year 2025-26, $18.5 billion *(2025: $31 billion)*, being part of the accumulated investment return on the Future Fund attributable to the Land Fund was brought back and recorded as investment income of the Land Fund. As at 31 March 2026, the total accumulated investment return brought back to the Land Fund was $166.5 billion. Such amount was placed with the Exchange Fund as the principal balance of the Future Fund and subject to the same term as the outstanding tenure of the Future Fund.

(v) On 22 May 2024, the Legislative Council resolved to add a new paragraph 8 to the Resolution so that the Financial Secretary may from time to time transfer from the Land Fund to the general revenue any amount of the accumulated investment return brought back from the Future Fund. For the financial year 2025-26, $49.5 billion *(2025: $117 billion)* was transferred from the Land Fund to the general revenue.

4. Other Investments

(i) The Financial Secretary announced in the 2020-21 Budget Speech that part of the Future Fund, with an initial allocation of $22 billion, would be used to establish the Hong Kong Growth Portfolio (HKGP) to make strategic investments in projects with a Hong Kong nexus. The objectives of HKGP are to reinforce Hong Kong's status as a financial, commercial and innovation centre, as well as raising Hong Kong's productivity and competitiveness in the long run, while seeking reasonable risk-adjusted returns. In the 2022-23 Budget Speech, the Financial Secretary announced an increase in funding allocated to HKGP to set up the Strategic Tech Fund (STF) and the Greater Bay Area Investment Fund (GBAIF), with an allocation of $5 billion for each fund.

In the 2022 Policy Address, the Chief Executive announced the establishment of the Co-Investment Fund (CIF), with an allocation of $30 billion, for attracting enterprises to set up operations in Hong Kong and investing in their business.

The investments are held by dedicated companies and managed by Hong Kong Investment Corporation Limited (HKIC). HKIC and the dedicated companies are wholly-owned by The Financial Secretary Incorporated via Hong Kong Investment Corporation Holdings Limited (HKICH). Any undrawn balance of Future Fund placement with the Exchange Fund for the account of the Land Fund earmarked for HKGP, STF, GBAIF and CIF was held for the benefit of HKICH with effect from 1 January 2024. Subsequent to the year end, HKICH withdrew a total of $33.3 billion from the undrawn balance of Future Fund in August 2026.

(ii) In October 2023, the Financial Secretary exercised his authority under the Resolution to draw $1,263 million from the assets of the Land Fund placed with the Exchange Fund for investment in Hong Kong Cyberport Management Company Limited in the form of an interest-bearing term loan facility to finance its development of the Artificial Intelligence Supercomputing Centre in Hong Kong. During the financial year 2025-26, $550 million of the principal was settled by Hong Kong Cyberport Management Company Limited. Subsequent to the year end, the loan was fully repaid by Hong Kong Cyberport Management Company Limited in July 2026.

5. Commitments

As at 31 March 2026, the approved investments that were unpaid amounted to $21.2 billion *(2025: $21.8 billion)*.

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6. Receipts

	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Investment income			
Investments with the Exchange Fund	37,000,000	**18,500,000**	31,000,000
Dividends, interest and other receipts from investments/loans	66,308	**61,676**	1,825,372
	37,066,308	**18,561,676**	32,825,372

7. Payments

	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Operating expenses	305	**268**	14,405
Transfer to General Revenue	71,000,000	**49,500,000**	117,000,000
	71,000,305	**49,500,268**	117,014,405

8. Other Cash Movements

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

	2026 $'000	2025 $'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	**42,346,792**	81,989,736
Other investments	**(11,408,200)**	2,199,297
	30,938,592	84,189,033