

Audit Commission
The Government of the Hong Kong Special Administrative Region

Loan 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 Loan Fund set out on pages 84 to 90, 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 Loan 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 Loan 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
Queensway Government Offices
66 Queensway
Hong Kong

Loan Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2026
(Expressed in Hong Kong dollars)

	Note	2026 $'000	2025 $'000
Assets			
Loans Outstanding	**3**		
Housing loans		**1,427,166**	1,403,179
Education loans		**25,965,869**	26,317,013
Other loans		**10,480,236**	10,540,238
		37,873,271	38,260,430
Net Current Assets			
Current Assets			
Investments with the Exchange Fund	**4**	**6,355,163**	5,412,312
Cash and bank balances		**7,044**	4,188
		6,362,207	5,416,500
Current Liabilities			
Deposits	**5**	**(94,278)**	(178,024)
		6,267,929	5,238,476
		44,141,200	43,498,906
Representing:			
Total Fund Balance			
Applied Fund	**6**	**37,873,271**	38,260,430
Available Fund	**7**		
Balance at beginning of year		**5,238,476**	6,027,440
Surplus/(Deficit) for the year		**1,029,453**	(788,964)
Balance at end of year		**6,267,929**	5,238,476
	8	**44,141,200**	43,498,906

Notes 1 to 11 form part of these financial statements.

Raymond NG
Director of Accounting Services
28 August 2026

Loan 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		**4,188**	1,296
Receipts	**9**	**3,819,055**	1,684,975
Payments	**10**	**(2,789,602)**	(2,473,939)
Surplus/(Deficit) for the year		**1,029,453**	(788,964)
Other cash movements	**11**	**(1,026,597)**	791,856
Cash and bank balances at end of year		**7,044**	4,188

Notes 1 to 11 form part of these financial statements.

Raymond NG
Director of Accounting Services
28 August 2026

Loan Fund

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

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.

3. Loans Outstanding

	2026			2025		
	Housing Loans $'000	**Education Loans $'000**	**Other Loans $'000**	Housing Loans $'000	Education Loans $'000	Other Loans $'000
Balance at beginning of year	**1,403,179**	**26,317,013**	**10,540,238**	1,355,178	25,248,942	10,543,997
Additions						
Loan payments	**181,219**	**2,416,302**	**191,989**	192,397	2,091,327	190,172
Capitalised interest	**-**	**639**	**-**	-	16	-
	181,219	**2,416,941**	**191,989**	192,397	2,091,343	190,172
Deductions						
Loan repayments	**(157,232)**	**(2,766,534)**	**(247,402)**	(144,396)	(1,021,445)	(193,710)
Loans written off	**-**	**(1,551)**	**(4,589)**	-	(1,827)	(221)
	(157,232)	**(2,768,085)**	**(251,991)**	(144,396)	(1,023,272)	(193,931)
Balance at end of year	**1,427,166**	**25,965,869**	**10,480,236**	1,403,179	26,317,013	10,540,238

Loan Fund

4. Investments with the Exchange Fund

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

	2026 **$'000**	2025 $'000
Investments (Notes (ii) and (iii) below)	**6,354,298**	5,409,313
Deposits	**865**	2,999
	6,355,163	5,412,312

(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.

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:

	2026 **$'000**	2025 $'000
Students	**94,179**	177,925
Others	**99**	99
	94,278	178,024

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. Commitments

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

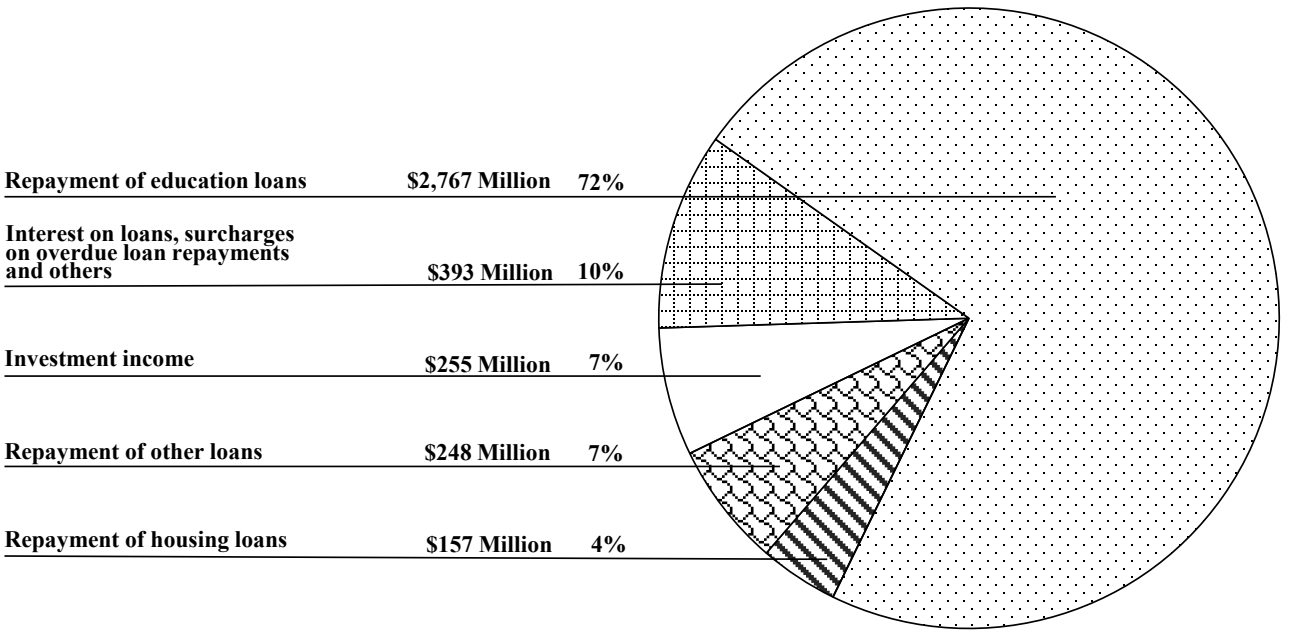
	2026 **$'000**	2025 $'000
Approved loans under loan schemes operating on non-revolving basis that were unpaid	**1,075,231**	1,317,481
Balance of approved loans operating on revolving basis available for granting of new loans	**10,183,380**	10,159,872
	11,258,611	11,477,353

Loan Fund

9. Receipts

	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Loan repayments			
Housing loans	150,120	**157,232**	144,396
Education loans	2,146,707	**2,766,534**	1,021,445
Other loans	258,098	**247,402**	193,710
	2,554,925	**3,171,168**	1,359,551
Interest on loans	469,823	**386,122**	94,086
Investment income			
Investments with the Exchange Fund	-	**255,280**	224,816
Others	-	**100**	81
	214,000	**255,380**	224,897
Surcharges on overdue loan repayments	6,325	**6,341**	6,381
Loans written off now recovered	-	**-**	7
Others	-	**44**	53
	3,245,073	**3,819,055**	1,684,975

Analysis of Receipts for the year ended 31 March 2026



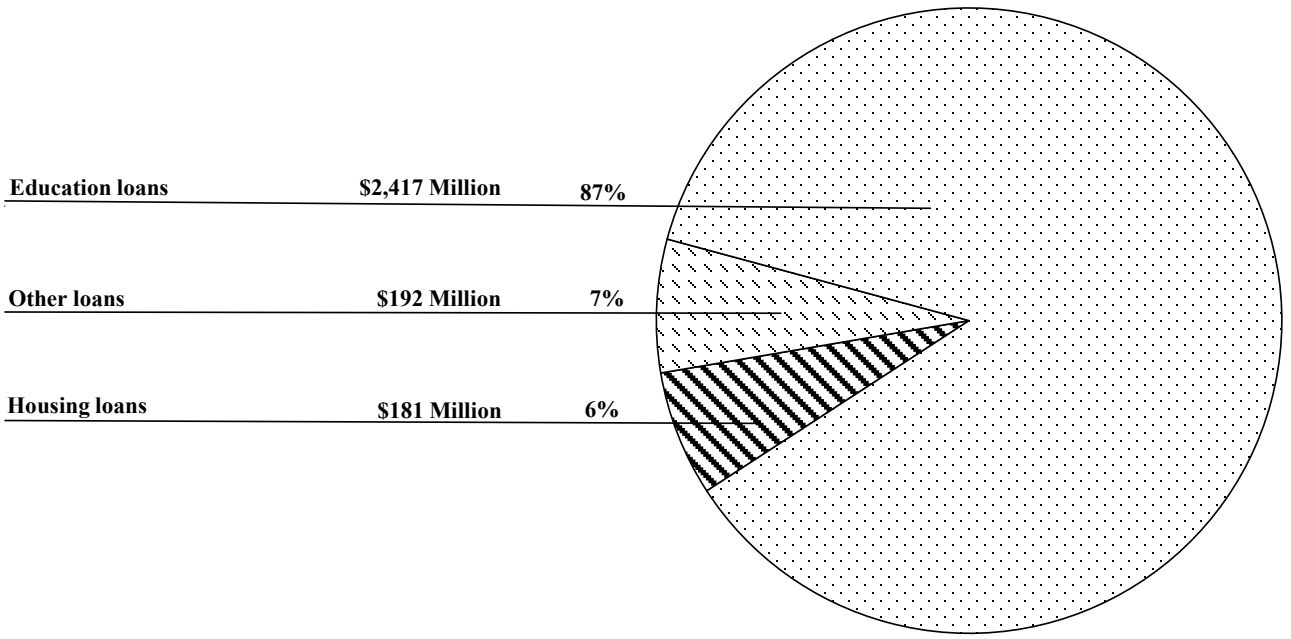
Total Receipts
$3,820 Million

Loan Fund

10. Payments

	2026		2025
	Original Estimate $'000	**Actual $'000**	Actual $'000
Loan payments			
Housing loans	441,600	**181,219**	192,397
Education loans	2,361,143	**2,416,302**	2,091,327
Other loans	241,507	**191,989**	190,172
	3,044,250	**2,789,510**	2,473,896
Others	-	**92**	43
	3,044,250	**2,789,602**	2,473,939

Analysis of Payments for the year ended 31 March 2026



Total Payments $2,790 Million

Loan Fund

11. Other Cash Movements

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

	2026	2025
	$'000	$'000
(Increase)/Reduction in Assets		
Investments with the Exchange Fund	**(942,851)**	790,393
(Reduction)/Increase in Liabilities		
Deposits	**(83,746)**	1,463
	(1,026,597)	791,856

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

