



Report of the Director of Audit
on the Accounts of the Government of
the Hong Kong Special Administrative Region
for the year ended 31 March 2013

October 2013

REPORT
OF
THE DIRECTOR OF AUDIT
ON THE ACCOUNTS OF THE GOVERNMENT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
FOR THE YEAR ENDED
31 MARCH 2013



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31 October 2013

The President of the Legislative Council,
Legislative Council Complex,
Hong Kong.

Sir,

In accordance with section 12(1) of the Audit Ordinance, I have the honour to submit the Report on my examination and audit of the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2013, and on matters relating to the performance of my duties and the exercise of my powers under the Ordinance, together with a copy of the following statements duly certified by me:

- the Statement of Assets and Liabilities of the Government and the Statement of Receipts and Payments by the Government; and
- the Statement of Assets and Liabilities of each fund, and the Statement of Receipts and Payments by each fund, other than the Lotteries Fund, established in accordance with section 29 of the Public Finance Ordinance.

Yours faithfully,

David Sun

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Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

General Revenue Account

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the General Revenue Account set out on pages 9 to 20, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the General Revenue Account for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments with the Exchange Fund	3	415,738,275	372,704,340
Deposits with banks	4	379,494	283,157
Cash and bank balances	5	3,273,636	3,228,912
Advances	6	2,519,239	2,415,177
		421,910,644	378,631,586
Liabilities			
Deposits	7	(17,110,200)	(17,847,586)
Suspense Accounts	8	(80,410)	(124,462)
		(17,190,610)	(17,972,048)
		404,720,034	360,659,538
Representing:			
General Revenue Balance			
Balance at beginning of year		360,659,538	327,557,282
Surplus for the year		44,060,496	33,102,256
Balance at end of year	9	404,720,034	360,659,538

Notes 1 to 12 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



General Revenue Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		3,228,912	2,552,907
Revenue	10	350,200,032	332,621,019
Expenditure	11	(306,139,536)	(299,518,763)
Surplus for the year		44,060,496	33,102,256
Other cash movements	12	(44,015,772)	(32,426,251)
Cash and bank balances at end of year		3,273,636	3,228,912

Notes 1 to 12 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



General Revenue Account

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

- (i) The Public Finance Ordinance (Cap. 2) provides for the control and management of the public finances of Hong Kong and for incidental and connected purposes. The General Revenue Account records moneys raised or received for the purposes of the Government (except where provided otherwise in other Ordinances) and appropriations of expenditure in accordance with the Appropriation Ordinance and the Supplementary Appropriation Ordinance.
- (ii) The Statement of Assets and Liabilities and the Statement of Receipts and Payments of the General Revenue Account constitute the statement of the assets and liabilities and the annual statement of the receipts and payments of the Government as specified in section 11(1)(a) and (b) of the Audit Ordinance (Cap. 122). These Statements exclude the assets and liabilities and the receipts and payments of the Funds established under section 29 of the Public Finance Ordinance, viz Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund, Lotteries Fund and Bond Fund, for which separate financial statements are prepared.

2. Accounting Policies

- (i) The General Revenue Account is kept on a cash basis. Transactions are recorded when moneys are received or paid. The Statement of Assets and Liabilities does not include fixed assets, loans, investments other than those made under section 26 of the Public Finance Ordinance, and debtors and creditors other than those covered by sections 20, 21, 22, 23, 24, 27 and 30 of the Public Finance Ordinance.
- (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. Foreign currency balances are translated into Hong Kong dollars at weighted average cost.

3. Investments with the Exchange Fund

- (i) These are investments and deposits held under section 26 of the Public Finance Ordinance:

	2013 HK\$'000	2012 HK\$'000
Investments (Note (ii) below)	415,471,751	372,446,696
Deposits	266,524	257,644
	<u>415,738,275</u>	<u>372,704,340</u>

General Revenue Account

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

- (ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$19.78 billion (2012: HK\$19.82 billion).

4. Deposits with Banks

These are Hong Kong dollar and foreign currency deposits placed with licensed banks in Hong Kong for investment under section 26 of the Public Finance Ordinance:

	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	97,925	97,752
Foreign currency	281,569	185,405
	379,494	283,157

5. Cash and Bank Balances

These balances cover cash in hand, in transit, with banks and agents, and with public officers for operating standing or special imprest accounts as provided under section 22 of the Public Finance Ordinance.

6. Advances

Advances are paid under the authority of warrants issued under section 20 of the Public Finance Ordinance for a variety of reasons and are either recoverable or chargeable to expenditure upon authority being given:

	2013 HK\$'000	2012 HK\$'000
Expenditure on Vietnamese migrants (Note (i) below)	1,161,991	1,161,991
Advances to Government officers	718,249	683,111
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	370,797	336,114
Others	268,202	233,961
	2,519,239	2,415,177

- (i) The sum of HK\$1,161.991 million is the outstanding balance of expenditure on Vietnamese migrants recoverable from the United Nations High Commissioner for Refugees (UNHCR). The last repayment, amounting to HK\$3.865 million, was received in February 1998. In January 1998, the High Commissioner for Refugees informed the Government of the Hong Kong Special Administrative Region (HKSAR) that in the absence of further funding prospects, the repayment in February 1998 was the last reimbursement that the UNHCR could realistically foresee. If the UNHCR defaults on repayment of the outstanding advances, the Government of the HKSAR will not be able to enforce repayment through legal means as the UNHCR is immune from suit under the International Organisations and Diplomatic Privileges Ordinance (Cap. 190). Consequently, the full recovery of the amount due is doubtful.

During the financial year 2012-13, the Government of the HKSAR continued to pursue the repayment of the outstanding advances from the UNHCR and to urge it to make renewed efforts to look for donations with a view to settling the amount. So far, the Government of the HKSAR has not received any further repayments.

Efforts to press the UNHCR for early settlement of the outstanding advances will continue.

General Revenue Account

7. Deposits

These are moneys received from time to time from individuals or organisations under sections 23 and 24 of the Public Finance Ordinance for a variety of reasons and are in due course either repayable or transferable to General Revenue:

	2013 HK\$'000	2012 HK\$'000
Tax reserve certificates	10,559,825	11,672,627
Water deposits	1,602,738	1,557,609
Tenancy deposits	1,264,486	1,167,957
Tax overpayments	842,653	629,734
Legal aid deposits	578,235	513,810
Private works	242,452	221,697
Others	2,019,811	2,084,152
	17,110,200	17,847,586

8. Suspense Accounts

These Suspense Accounts are established under Resolutions passed by the Legislative Council under section 30 of the Public Finance Ordinance:

	2013 HK\$'000	2012 HK\$'000
Correctional Services Industries (Note (i) below)	14,281	20,329
Government Logistics Department — Unallocated Stores (Note (i) below)	9,195	8,374
The Special Coin (Note (ii) below)	(96,041)	(95,867)
The Financial Secretary Incorporated (Note (iii) below)	(7,845)	(57,298)
	(80,410)	(124,462)

- (i) The balances on the Correctional Services Industries Suspense Account and the Government Logistics Department — Unallocated Stores Suspense Account represent the cost of stocks in hand.
- (ii) The balance on The Special Coin Suspense Account represents the unutilised balance of net proceeds arising from issuing and dealing with special and commemorative coins.
- (iii) The balance on The Financial Secretary Incorporated Suspense Account represents the net amount arising from dealing with the regrant or renewal of Government Leases and managing the properties comprised therein.

General Revenue Account

9. Contingent Liabilities

As at 31 March 2013, the Government had the following contingent liabilities:

- (i) guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance amounting to HK\$29,475 million (2012: HK\$23,751 million);
- (ii) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$7,452 million (2012: HK\$7,012 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$50,955 million (2012: HK\$62,751 million);
- (iv) guarantees provided under the Special Concessionary Measures under the SME Financing Guarantee Scheme amounting to HK\$20,924 million (2012: Nil); and
- (v) legal claims, disputes and proceedings amounting to HK\$4,009 million (2012: HK\$3,168 million).

10. Revenue

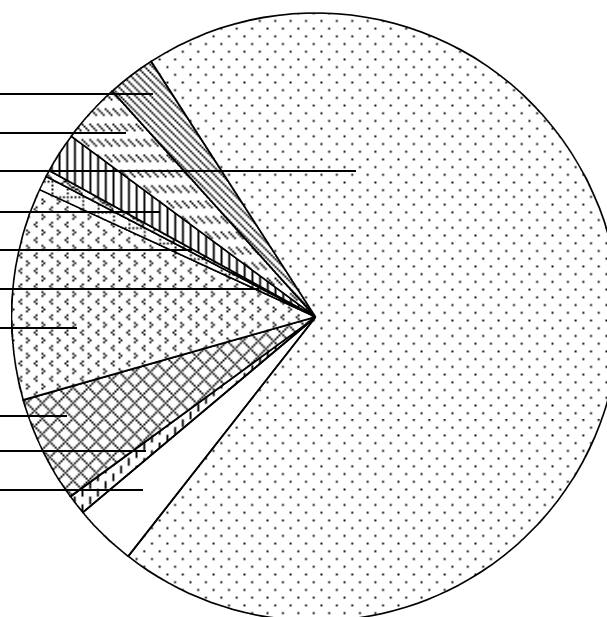
Analysis of total revenue by Head:

Head	2013				2012
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
1 Duties	8,331,645	8,976,510	644,865	7.7	7,724,742
2 General Rates	10,471,000	11,204,421	733,421	7.0	9,722,268
3 Internal Revenue					
Profits tax	105,580,000	125,638,364	20,058,364	19.0	118,599,871
Salaries tax	49,340,000	50,466,999	1,126,999	2.3	51,761,323
Stamp duties	37,000,000	42,879,744	5,879,744	15.9	44,355,853
Other internal revenue	24,584,833	25,068,003	483,170	2.0	24,263,088
	216,504,833	244,053,110	27,548,277	12.7	238,980,135
4 Motor Vehicle Taxes	7,360,111	7,466,089	105,978	1.4	7,070,073
5 Fines, Forfeitures and Penalties	998,279	1,208,474	210,195	21.1	2,659,647
6 Royalties and Concessions	3,096,410	2,736,265	(360,145)	(11.6)	4,849,249
7 Properties and Investments					
Income from Investments with the Exchange Fund	-	19,782,999	-	-	19,821,475
Others	-	19,738,660	-	-	17,417,497
	36,909,720	39,521,659	2,611,939	7.1	37,238,972
9 Loans, Reimbursements, Contributions and Other Receipts	9,281,546	19,756,500	10,474,954	112.9	7,583,523
10 Utilities	3,733,808	3,686,858	(46,950)	(1.3)	3,573,203
11 Fees and Charges	11,408,719	11,590,146	181,427	1.6	13,219,207
Total	308,096,071	350,200,032	42,103,961	13.7	332,621,019

General Revenue Account

Analysis of Revenue for the year ended 31 March 2013

Duties	HK\$9.0 Billion	2%
General Rates	HK\$11.2 Billion	3%
Internal Revenue	HK\$244.0 Billion	70%
Motor Vehicle Taxes	HK\$7.5 Billion	2%
Fines, Forfeitures and Penalties	HK\$1.2 Billion	1%
Royalties and Concessions	HK\$2.7 Billion	1%
Properties and Investments	HK\$39.5 Billion	11%
Loans, Reimbursements, Contributions and Other Receipts (Including Transfers from Funds)	HK\$19.8 Billion	6%
Utilities	HK\$3.7 Billion	1%
Fees and Charges	HK\$11.6 Billion	3%



**Total Revenue
HK\$350.2 Billion**

11. Expenditure

Analysis of total expenditure by Head:

Head	2013				2012
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	93,070	92,388	(682)	(0.7)	90,155
22 Agriculture, Fisheries and Conservation Department	2,211,842	1,964,540	(247,302)	(11.2)	951,814
25 Architectural Services Department	1,643,927	1,673,413	29,486	1.8	1,616,696
24 Audit Commission	129,568	132,968	3,400	2.6	124,754
23 Auxiliary Medical Service	71,970	71,961	(9)	-	66,577
82 Buildings Department	1,085,700	1,029,782	(55,918)	(5.2)	872,062
26 Census and Statistics Department	576,367	550,625	(25,742)	(4.5)	776,343
27 Civil Aid Service	88,374	88,351	(23)	-	81,611
28 Civil Aviation Department	820,331	832,351	12,020	1.5	767,095
33 Civil Engineering and Development Department	1,905,979	1,799,825	(106,154)	(5.6)	1,791,973
30 Correctional Services Department	3,058,900	3,140,130	81,230	2.7	2,983,617
31 Customs and Excise Department	2,779,156	2,768,626	(10,530)	(0.4)	2,549,770
37 Department of Health	5,301,176	4,991,733	(309,443)	(5.8)	4,393,525
92 Department of Justice	1,250,519	1,272,067	21,548	1.7	1,119,862
39 Drainage Services Department	1,903,557	1,939,166	35,609	1.9	1,880,413

General Revenue Account

11. Expenditure (Continued)

Head	2013				2012
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	384,903	379,035	(5,868)	(1.5)	355,702
44 Environmental Protection Department	2,765,575	2,732,201	(33,374)	(1.2)	2,969,843
45 Fire Services Department	4,398,921	4,482,731	83,810	1.9	4,173,274
49 Food and Environmental Hygiene Department	4,937,174	5,004,521	67,347	1.4	4,668,970
46 General Expenses of the Civil Service	2,902,608	2,699,636	(202,972)	(7.0)	2,655,867
166 Government Flying Service	686,509	641,940	(44,569)	(6.5)	530,194
48 Government Laboratory	375,228	380,116	4,888	1.3	347,306
59 Government Logistics Department	539,454	504,657	(34,797)	(6.5)	445,210
51 Government Property Agency	1,768,829	1,735,985	(32,844)	(1.9)	1,652,976
143 Government Secretariat: Civil Service Bureau	459,574	464,775	5,201	1.1	440,344
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,380,483	1,326,011	(54,472)	(3.9)	1,269,448
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	298,214	307,486	9,272	3.1	246,753
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	459,632	451,033	(8,599)	(1.9)	387,434
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	800,664	622,041	(178,623)	(22.3)	689,601
159 Government Secretariat: Development Bureau (Works Branch)	350,511	329,303	(21,208)	(6.1)	301,553
156 Government Secretariat: Education Bureau	43,193,527	50,534,721	7,341,194	17.0	44,662,190
137 Government Secretariat: Environment Bureau	67,171	58,580	(8,591)	(12.8)	65,292
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	218,136	216,852	(1,284)	(0.6)	190,341

General Revenue Account

11. Expenditure (Continued)

Head	2013				2012
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
147 Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)	13,240,890	14,486,536	1,245,646	9.4	30,147,821
139 Government Secretariat: Food and Health Bureau (Food Branch)	78,531	58,414	(20,117)	(25.6)	58,852
140 Government Secretariat: Food and Health Bureau (Health Branch)	41,705,880	53,249,857	11,543,977	27.7	38,969,146
53 Government Secretariat: Home Affairs Bureau	1,319,803	1,302,385	(17,418)	(1.3)	14,764,515
155 Government Secretariat: Innovation and Technology Commission	515,467	533,963	18,496	3.6	502,660
141 Government Secretariat: Labour and Welfare Bureau	679,878	619,977	(59,901)	(8.8)	554,997
47 Government Secretariat: Office of the Government Chief Information Officer	626,478	627,154	676	0.1	655,161
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	694,789	669,577	(25,212)	(3.6)	594,407
96 Government Secretariat: Overseas Economic and Trade Offices	303,546	306,355	2,809	0.9	302,112
151 Government Secretariat: Security Bureau	310,451	251,931	(58,520)	(18.8)	233,543
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	145,786	146,961	1,175	0.8	134,407
60 Highways Department	2,360,274	2,361,588	1,314	0.1	2,263,032
63 Home Affairs Department	1,893,058	1,865,952	(27,106)	(1.4)	1,723,426
168 Hong Kong Observatory	238,750	239,103	353	0.1	225,606
122 Hong Kong Police Force	14,059,209	14,598,280	539,071	3.8	13,750,863
62 Housing Department	173,196	2,074,459	1,901,263	1,097.8	2,050,378
70 Immigration Department	3,312,198	3,380,067	67,869	2.0	3,124,877
72 Independent Commission Against Corruption	875,545	861,921	(13,624)	(1.6)	821,245
121 Independent Police Complaints Council	37,919	46,685	8,766	23.1	36,089

General Revenue Account

11. Expenditure (Continued)

Head	2013				2012
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	395,702	382,516	(13,186)	(3.3)	362,080
76 Inland Revenue Department	1,375,873	1,265,192	(110,681)	(8.0)	1,188,457
78 Intellectual Property Department	115,177	113,448	(1,729)	(1.5)	100,556
79 Invest Hong Kong	113,679	113,675	(4)	-	112,055
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	30,214	27,537	(2,677)	(8.9)	20,409
80 Judiciary	1,209,562	1,147,414	(62,148)	(5.1)	1,057,691
90 Labour Department	2,930,303	1,436,590	(1,493,713)	(51.0)	1,270,314
91 Lands Department	1,943,909	1,992,005	48,096	2.5	1,849,683
94 Legal Aid Department	794,523	870,972	76,449	9.6	704,706
112 Legislative Council Commission	585,785	642,090	56,305	9.6	568,927
95 Leisure and Cultural Services Department	6,146,782	6,240,150	93,368	1.5	5,825,415
100 Marine Department	1,013,991	1,017,935	3,944	0.4	974,509
106 Miscellaneous Services	34,542,507	107,451	(34,435,056)	(99.7)	115,525
* 180 Office for Film, Newspaper and Article Administration	41,117	41,251	134	0.3	78,926
114 Office of The Ombudsman	94,655	99,085	4,430	4.7	94,164
116 Official Receiver's Office	148,181	133,875	(14,306)	(9.7)	126,082
120 Pensions	23,093,310	21,843,494	(1,249,816)	(5.4)	19,737,349
118 Planning Department	528,503	523,549	(4,954)	(0.9)	490,754
136 Public Service Commission Secretariat	18,114	18,329	215	1.2	18,932
160 Radio Television Hong Kong	618,020	615,328	(2,692)	(0.4)	539,904
162 Rating and Valuation Department	444,019	434,085	(9,934)	(2.2)	405,033
163 Registration and Electoral Office	605,648	548,589	(57,059)	(9.4)	352,839
169 Secretariat, Commissioner on Interception of Communications and Surveillance	16,967	15,928	(1,039)	(6.1)	16,096
170 Social Welfare Department	43,479,215	44,476,987	997,772	2.3	42,189,135
173 Student Financial Assistance Agency	4,742,951	4,589,213	(153,738)	(3.2)	4,085,407
181 Trade and Industry Department	651,788	707,043	55,255	8.5	647,792
186 Transport Department	1,334,342	1,558,120	223,778	16.8	1,270,453
188 Treasury	349,694	338,614	(11,080)	(3.2)	327,411

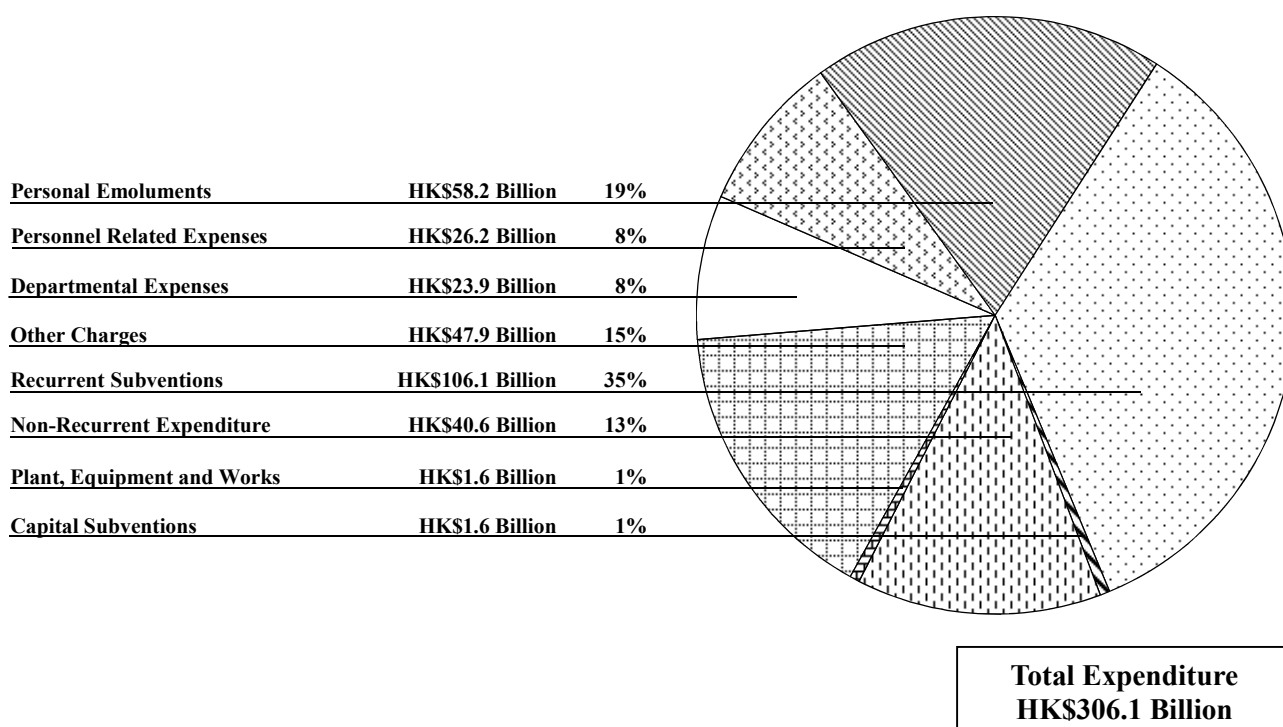
General Revenue Account

11. Expenditure (Continued)

Head	2013				2012
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
190 University Grants Committee	13,304,129	15,315,776	2,011,647	15.1	11,707,549
194 Water Supplies Department	6,487,026	6,570,580	83,554	1.3	6,248,908
	318,634,883	306,087,536	(12,547,347)	(3.9)	299,518,763
184 Transfers to Funds	1,042,000	52,000	(990,000)	(95.0)	-
Total	319,676,883	306,139,536	(13,537,347)	(4.2)	299,518,763

* With effect from 2012-13, Head 180 — Television and Entertainment Licensing Authority has been re-titled Head 180 — Office for Film, Newspaper and Article Administration.

Analysis of Expenditure for the year ended 31 March 2013 *



* Actual expenditure on "Transfers to Funds" is not shown as it is less than HK\$0.1 billion.

General Revenue Account

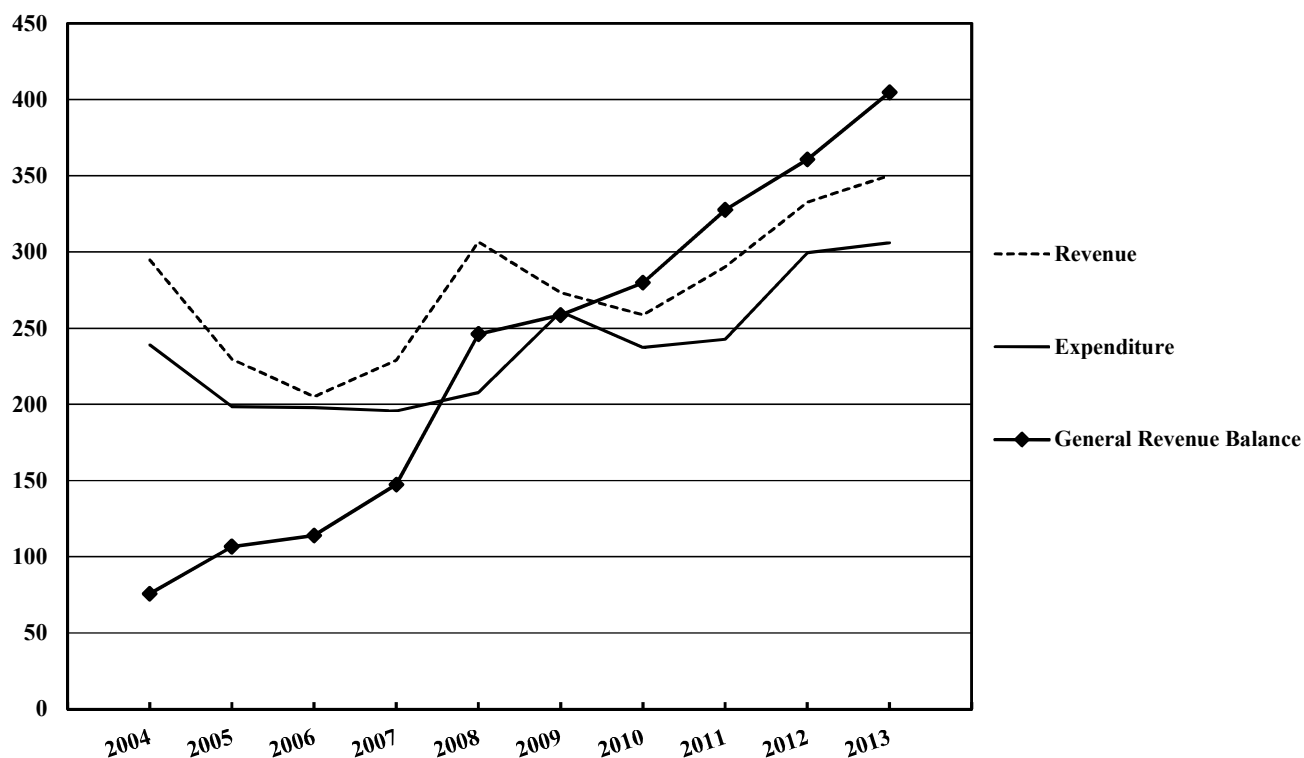
12. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	(43,033,935)	(31,189,270)
Deposits with banks	(96,337)	14,453
Advances	(104,062)	(844)
	(43,234,334)	(31,175,661)
Increase/(Reduction) in Liabilities		
Deposits	(737,386)	(1,303,335)
Suspense Accounts	(44,052)	52,745
	(781,438)	(1,250,590)
	(44,015,772)	(32,426,251)

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2004 to 2013

HK\$Billion



Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Capital Works Reserve Fund

Independent Audit Report

To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Capital Works Reserve Fund set out on pages 23 to 30, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Capital Works Reserve Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Capital Works Reserve Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments with the Exchange Fund	3	79,033,643	71,198,004
Cash and bank balances		1,710	887
		79,035,353	71,198,891
Liabilities			
Deposits	4	(1,044,769)	(918,854)
		77,990,584	70,280,037
Representing:			
Fund Balance			
Balance at beginning of year		70,280,037	42,650,956
Surplus for the year		7,710,547	27,629,081
Balance at end of year	5, 6	77,990,584	70,280,037

Notes 1 to 9 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Capital Works Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		887	300
Revenue	7	74,237,782	88,466,275
Expenditure	8	(66,527,235)	(60,837,194)
Surplus for the year before repayment of government bonds and notes		7,710,547	27,629,081
Repayment of government bonds and notes	5	-	-
Surplus for the year after repayment of government bonds and notes		7,710,547	27,629,081
Other cash movements	9	(7,709,724)	(27,628,494)
Cash and bank balances at end of year		1,710	887

Notes 1 to 9 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Capital Works Reserve Fund

NOTES TO THE FINANCIAL STATEMENTS

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 on 20 January 1982 and has been reconstituted since 1 January 1998 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 the Note below.
- (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. Foreign currency balances are translated into Hong Kong dollars at weighted average cost.

3. Investments with the Exchange Fund

- (i) These are investments and deposits held under paragraph (d)(iii) of the Resolution:

	2013	2012
	HK\$'000	HK\$'000
Investments	78,985,953	71,150,504
(Note (ii) below)		
Deposits	47,690	47,500
	79,033,643	71,198,004

- (ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$4.57 billion (2012: HK\$3.61 billion).

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 to revenue:

	2013 HK\$'000	2012 HK\$'000
Contract retention money	837,362	721,983
Others	207,407	196,871
	<u>1,044,769</u>	<u>918,854</u>

5. Fund Balance

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 expenditure charged to the Fund under paragraph (d)(ii) of the Resolution.

Following a resolution passed under section 3(1) of the Loans Ordinance, the Government issued in July 2004 bonds and notes totalling HK\$20 billion to retail and institutional investors. These include institutional notes of US\$1.25 billion denominated in United States dollar. The outstanding liabilities, not included in the Statement of Assets and Liabilities, in respect of sums borrowed are as follows:

	2013 HK\$'000	2012 HK\$'000
Outstanding government bonds and notes	<u>11,203,688</u>	<u>11,207,500</u>

The outstanding amount will mature within the period from August 2014 to July 2019. During the financial year, there were payments of interest of HK\$573 million on the notes but no repayment of principal.

The institutional notes denominated in United States dollar are translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period.

6. Contingent Liabilities

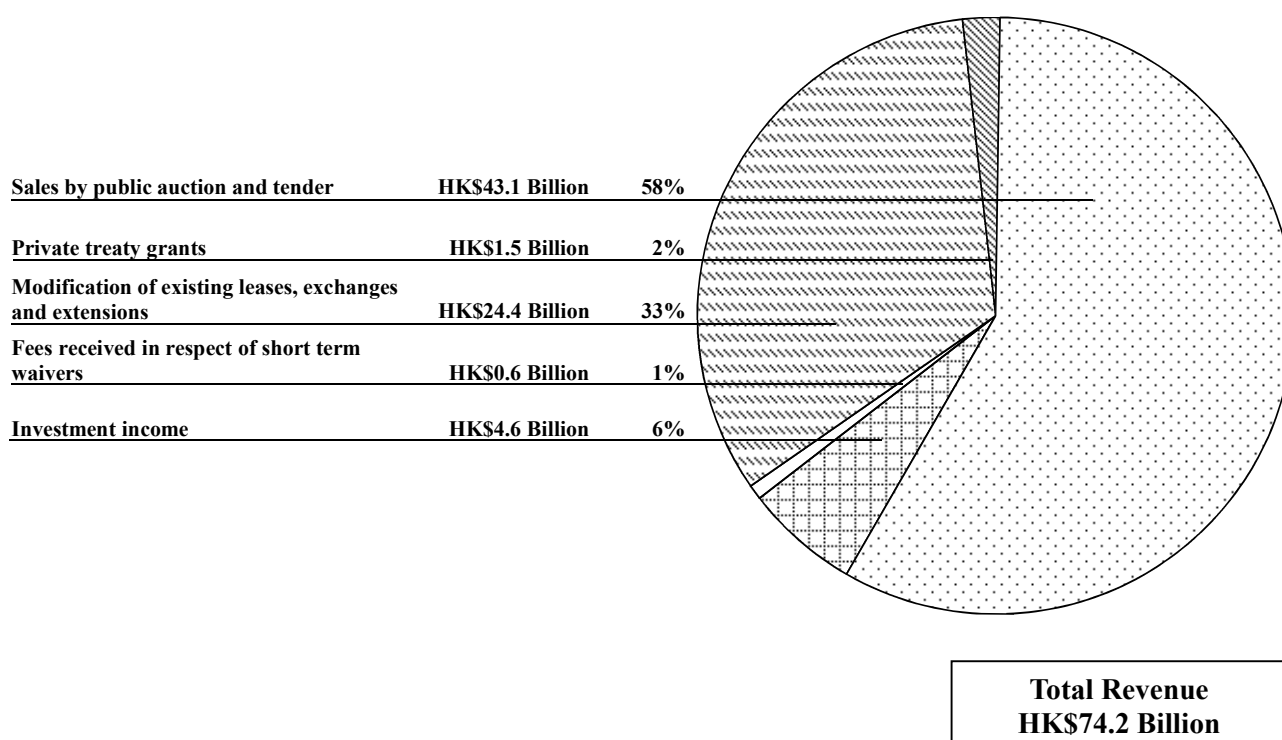
As at 31 March 2013, the amount of contingent liabilities arising from legal claims, disputes and proceedings was HK\$3,812 million (2012: Nil).

Capital Works Reserve Fund

7. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land premium			
Sales by public auction and tender	-	43,125,157	63,722,624
Private treaty grants	-	1,510,807	331,238
Modification of existing leases, exchanges and extensions	-	24,357,205	19,999,555
Fees received in respect of short term waivers	-	569,458	591,001
	60,000,000	69,562,627	84,644,418
Investment income			
Investments with the Exchange Fund	-	4,571,991	3,607,109
Others	-	2,032	2,275
	4,111,000	4,574,023	3,609,384
Other revenue			
Recovery from MTR Corporation Ltd.	131,000	-	-
Donations and contributions	33,469	30,331	106,000
Others	-	70,801	106,473
	164,469	101,132	212,473
	64,275,469	74,237,782	88,466,275

Analysis of Revenue for the year ended 31 March 2013 *



* Actual revenue on "Donations and contributions" and "Others" is not shown as it is less than HK\$0.1 billion each.

Capital Works Reserve Fund

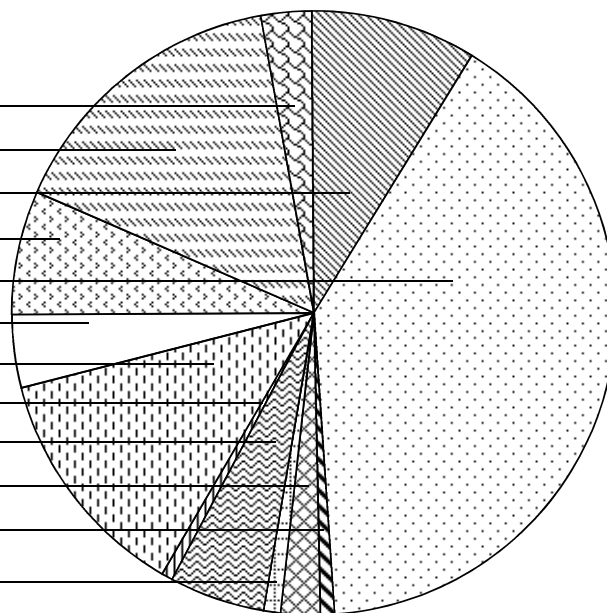
8. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land acquisition	2,634,575	1,810,446	329,366
Public Works Programme			
Port and airport development	5,300	3,309	1,505
Buildings	10,586,214	10,416,968	11,990,125
Drainage	5,192,975	5,901,583	5,965,515
Civil engineering	4,368,506	4,439,937	3,545,999
Highways	27,356,216	26,682,392	20,358,764
New towns and urban area development	2,276,950	2,597,050	2,833,517
Waterworks	3,315,829	3,354,633	3,368,184
Housing	544,912	529,160	475,269
	53,646,902	53,925,032	48,538,878
Capital subventions and major systems and equipment			
Capital subventions	8,679,553	8,447,221	9,816,678
Major systems and equipment	1,207,986	393,323	390,022
	9,887,539	8,840,544	10,206,700
Computerisation	1,802,839	1,374,343	1,183,199
Interest and other expenses on government bonds and notes	576,159	573,455	575,348
Other payments			
Refund of overpayment of land premium	-	3,415	3,703
	68,548,014	66,527,235	60,837,194

Capital Works Reserve Fund

Analysis of Expenditure for the year ended 31 March 2013 *

Land acquisition	HK\$1.8 Billion	3%
Buildings	HK\$10.4 Billion	16%
Drainage	HK\$5.9 Billion	9%
Civil engineering	HK\$4.4 Billion	6%
Highways	HK\$26.7 Billion	40%
New towns and urban area development	HK\$2.6 Billion	4%
Capital subventions	HK\$8.4 Billion	12%
Major systems and equipment	HK\$0.4 Billion	1%
Waterworks	HK\$3.4 Billion	5%
Computerisation	HK\$1.4 Billion	2%
Housing	HK\$0.5 Billion	1%
Interest and other expenses on government bonds and notes	HK\$0.6 Billion	1%



**Total Expenditure
HK\$66.5 Billion**

* Actual expenditure on "Port and airport development" and "Refund of overpayment of land premium" is not shown as it is less than HK\$0.1 billion each.

9. Other Cash Movements

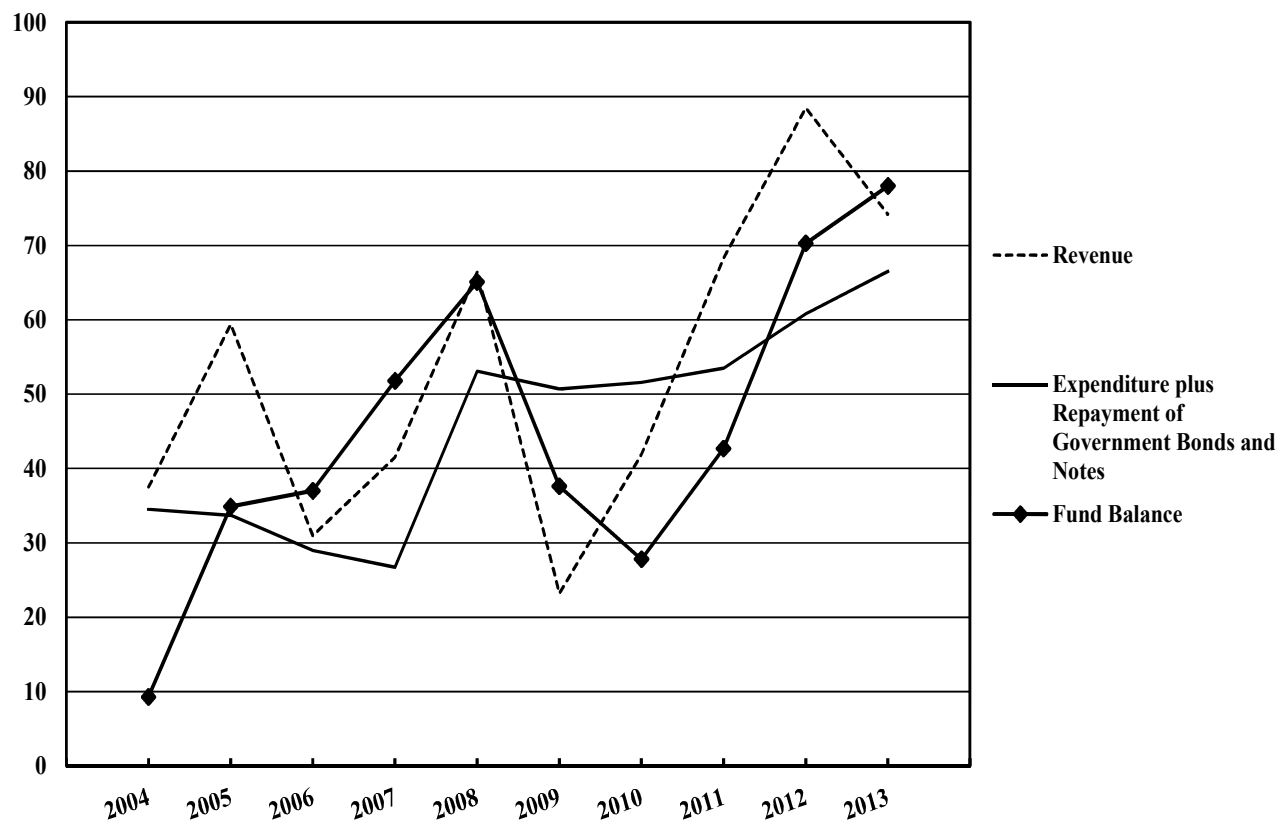
These are cash movements arising from changes in other assets and liabilities:

	2013 HK\$'000	2012 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	(7,835,639)	(27,718,537)
Deposits with banks	-	68
Advances	-	77,362
	(7,835,639)	(27,641,107)
Increase in Liabilities		
Deposits	125,915	12,613
	(7,709,724)	(27,628,494)

Capital Works Reserve Fund

Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2004 to 2013

HK\$Billion



Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Capital Investment Fund

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Capital Investment Fund set out on pages 33 to 39, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Capital Investment Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Capital Investment Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments	3		
Equity Holdings		123,054,913	122,879,572
Other Investments		419,792,297	416,364,974
		542,847,210	539,244,546
Loans Outstanding	4	2,824,132	2,275,177
		545,671,342	541,519,723
Current Assets			
Investments with the Exchange Fund	5	1,393,239	1,193,350
Cash and bank balances		2,925	1
		1,396,164	1,193,351
		547,067,506	542,713,074
Representing:			
Total Fund Balance			
Applied Fund	6	545,671,342	541,519,723
Available Fund	7		
Balance at beginning of year		1,193,351	1,618,939
Surplus/(Deficit) for the year		202,813	(425,588)
Balance at end of year		1,396,164	1,193,351
	8	547,067,506	542,713,074

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Capital Investment Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		1	2
Revenue	9	1,482,036	1,385,971
Expenditure	10	(1,279,223)	(1,811,559)
Surplus/(Deficit) for the year		202,813	(425,588)
Other cash movements	11	(199,889)	425,587
Cash and bank balances at end of year		2,925	1

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Capital Investment Fund

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

The Capital Investment Fund finances investments in and loans to public sector bodies which are not part of the Government structure and such other bodies as the Finance Committee may specify. It was established with effect from 1 April 1990 by a Resolution passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on 14 March 1990. Amendments to this Resolution were passed by the Legislative Council on 6 November 1991. (The Resolution as amended is hereinafter referred to as the Resolution.)

2. Accounting Policies

- (i) Subject to (ii) below, the accounts of the Capital Investment 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 include investments acquired and loans made by way of cash, waived land premium, donated works or other similar transactions.
- (iii) 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.

3. Investments (at cost/original valuation)

	2013			2012		
	Equity Holdings HK\$'000	Other Investments HK\$'000	Total HK\$'000	Equity Holdings HK\$'000	Other Investments HK\$'000	Total HK\$'000
Balance at beginning of year	122,879,572	416,364,974	539,244,546	122,118,451	405,220,504	527,338,955
Additions						
Cash acquisitions	11,534	-	11,534	11,559	-	11,559
Non-cash acquisitions	182,942	3,475,286	3,658,228	749,562	11,144,470	11,894,032
	194,476	3,475,286	3,669,762	761,121	11,144,470	11,905,591
Deductions						
Cash disposal/refund	(19,135)	(20,000)	(39,135)	-	-	-
Non-cash disposal/refund	-	(27,963)	(27,963)	-	-	-
	(19,135)	(47,963)	(67,098)	-	-	-
Balance at end of year	123,054,913	419,792,297	542,847,210	122,879,572	416,364,974	539,244,546

Capital Investment Fund

4. Loans Outstanding

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of year	2,275,177	2,977,299
Additions		
Loan payments	767,689	-
Capitalised interest	60,675	65,448
	828,364	65,448
Deductions		
Loan repayments	(96,467)	(18,008)
Loan conversion to equity	(182,942)	(749,562)
	(279,409)	(767,570)
Balance at end of year	2,824,132	2,275,177

5. 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. Effective from 1 April 2007, the investment income is calculated 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$79 million (2012: HK\$99 million).

6. Applied Fund

This represents the sum of investments acquired and loans made for the purposes of the Fund under paragraph 5 of the Resolution.

7. Available Fund

This represents funds available for acquiring investments or making loans for the purposes of the Fund under paragraph 5 of the Resolution.

8. Contingent Liabilities

As at 31 March 2013, the amount of possible capital subscriptions to the Asian Development Bank was HK\$6,391 million (2012: HK\$6,607 million).

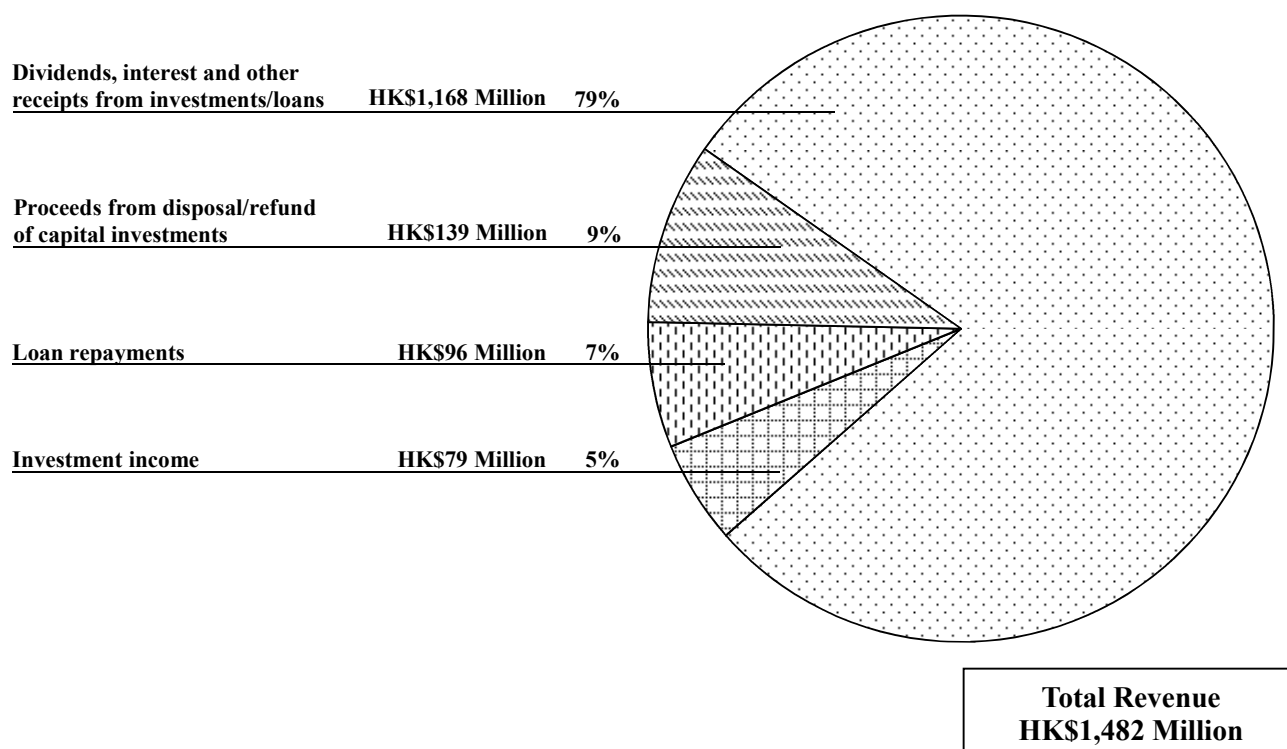
Capital Investment Fund

9. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Dividends, interest and other receipts from investments/loans	1,096,987	1,167,596	1,269,441
Loan repayments	101,743	96,467	18,008
Investment income			
Investments with the Exchange Fund	84,000	78,860	98,522
Proceeds from disposal/refund of capital investments*	-	139,113	-
	<u>1,282,730</u>	<u>1,482,036</u>	<u>1,385,971</u>

* These include proceeds of HK\$119.113 million from disposal of equity holdings in Tradelink Electronic Commerce Ltd. (Cost of Investment: HK\$19.135 million) and refund of capital investment at cost of HK\$20 million from Hong Kong Export Credit Insurance Corporation.

Analysis of Revenue for the year ended 31 March 2013

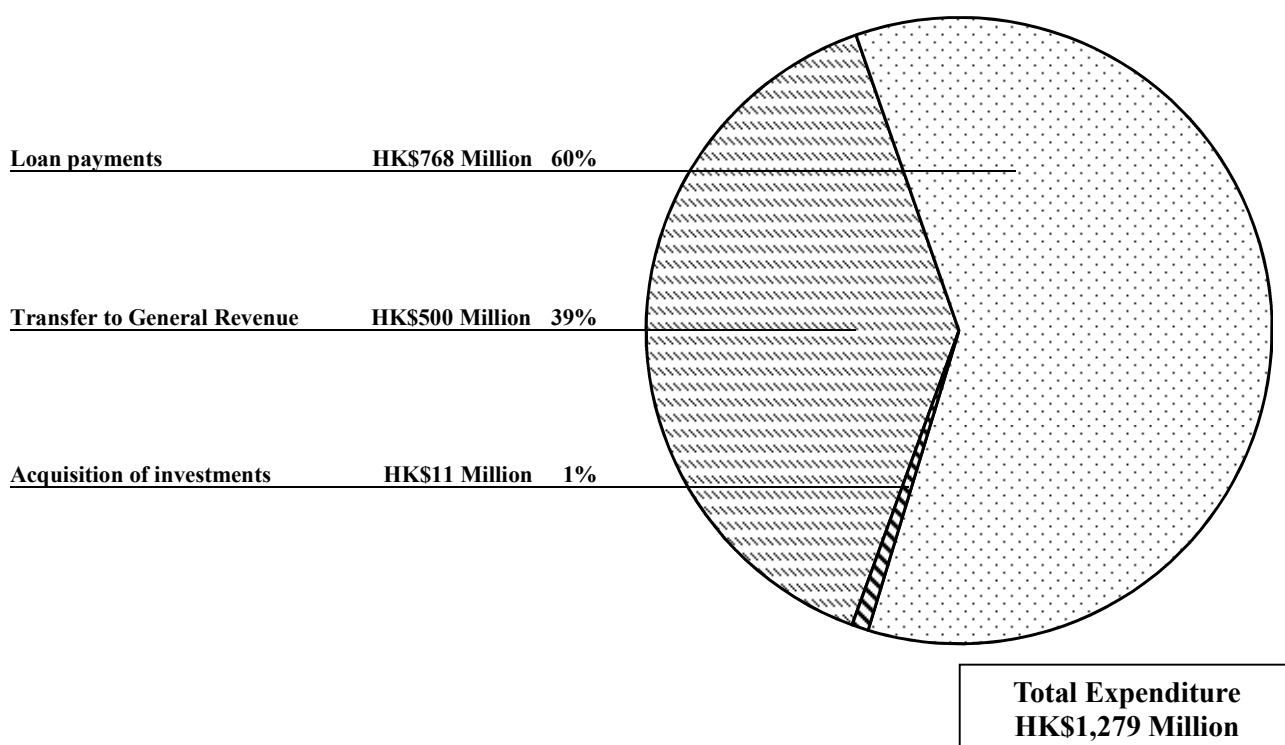


Capital Investment Fund

10. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Acquisition of investments			
Equity holdings	11,684	11,534	11,559
Loan payments	767,689	767,689	-
Transfer to General Revenue	500,000	500,000	1,800,000
	<u>1,279,373</u>	<u>1,279,223</u>	<u>1,811,559</u>

Analysis of Expenditure for the year ended 31 March 2013



Capital Investment Fund

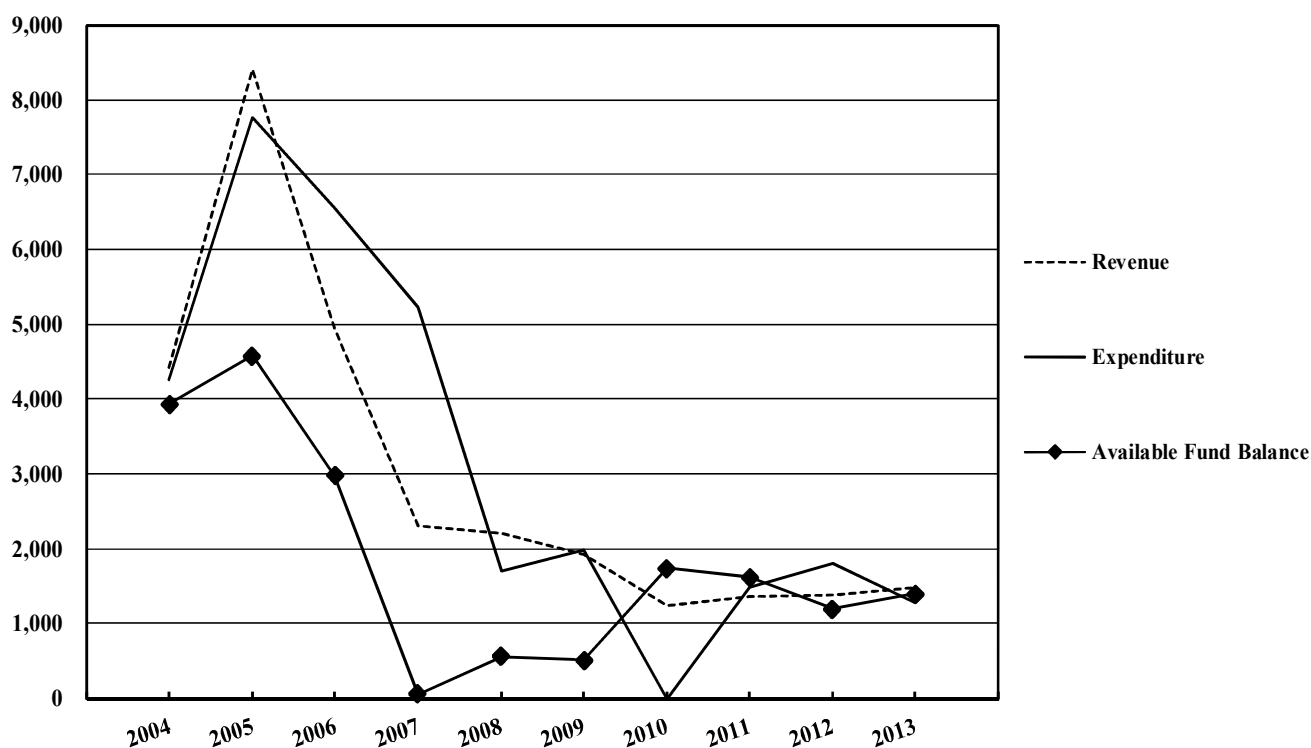
11. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
(Increase)/Reduction in Assets		
Investments with the Exchange Fund	<u>(199,889)</u>	<u>425,587</u>

Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2004 to 2013

HK\$Million



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Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Civil Service Pension Reserve Fund

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Civil Service Pension Reserve Fund set out on pages 43 to 45, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Civil Service Pension Reserve Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Civil Service Pension Reserve Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>25,741,758</u>	<u>24,373,123</u>
Representing:			
Fund Balance			
Balance at beginning of year		24,373,123	22,993,513
Surplus for the year		<u>1,368,635</u>	<u>1,379,610</u>
Balance at end of year		<u>25,741,758</u>	<u>24,373,123</u>

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013

Civil Service Pension Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	4	1,368,635	1,379,610
Expenditure		-	-
Surplus for the year		1,368,635	1,379,610
Other cash movements	5	(1,368,635)	(1,379,610)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Civil Service Pension Reserve Fund

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

The Civil Service Pension Reserve Fund is intended to meet payment of civil service pensions in the most unlikely event that the Government cannot meet such liabilities from the General Revenue. It was established with effect from 27 January 1995 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 25 January 1995.

2. Accounting Policy

The accounts of the Civil Service Pension Reserve Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

- (i) These are investments made under paragraph (f) of the Resolution.
- (ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$1.37 billion (2012: HK\$1.38 billion).

4. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	1,365,000	1,368,635	1,379,610

5. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	1,368,635	1,379,610

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Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Disaster Relief Fund

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Disaster Relief Fund set out on pages 49 to 54, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Disaster Relief Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Disaster Relief Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>5,514</u>	<u>6,651</u>
Representing:			
Fund Balance			
Balance at beginning of year		6,651	35,071
Deficit for the year		<u>(1,137)</u>	<u>(28,420)</u>
Balance at end of year		<u>5,514</u>	<u>6,651</u>

Notes 1 to 6 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Disaster Relief Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	4	53,380	8,340
Expenditure	5	(54,517)	(36,760)
Deficit for the year		(1,137)	(28,420)
Other cash movements	6	1,137	28,420
Cash and bank balances at end of year		-	-

Notes 1 to 6 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Disaster Relief Fund

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

The Disaster Relief Fund provides a ready mechanism for Hong Kong to respond swiftly to international appeals for humanitarian aid in relief of disasters that occur outside Hong Kong. It was established with effect from 1 December 1993 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 the same date.

2. Accounting Policy

The accounts of the Disaster Relief Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

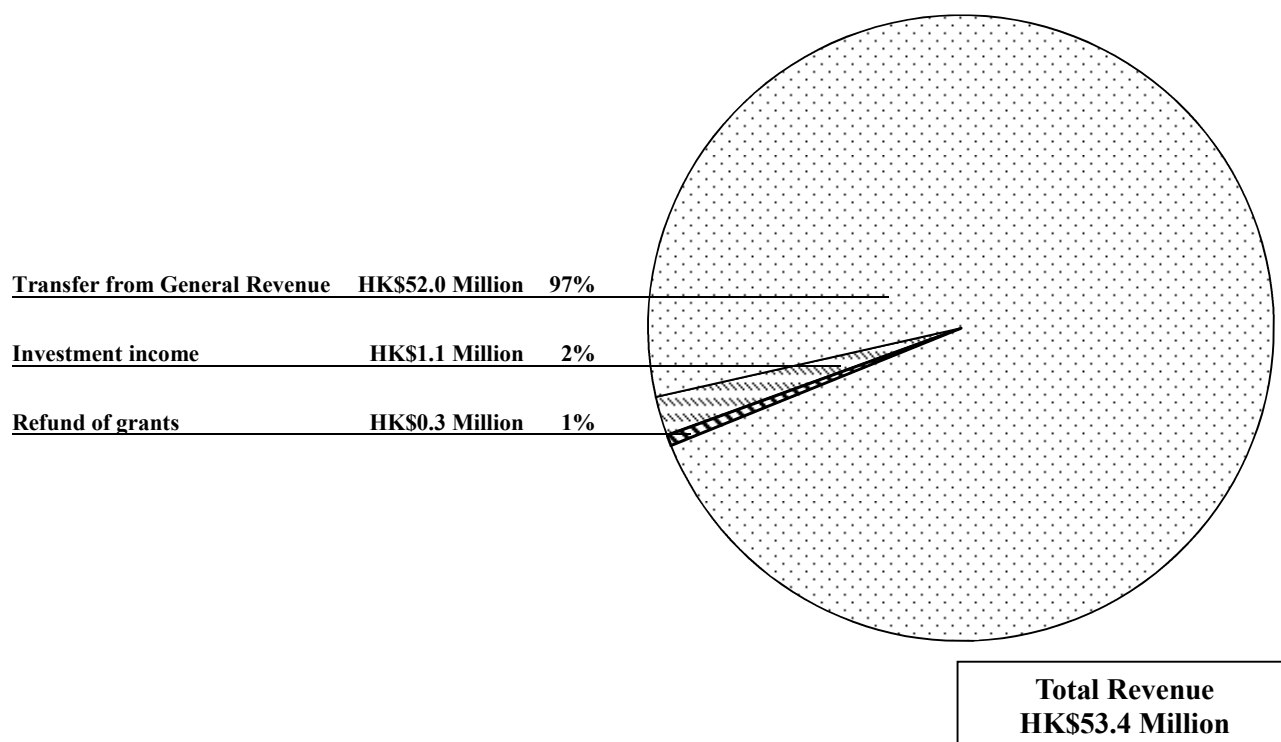
- (i) These are investments made under paragraph (i) of the Resolution.
- (ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated on the basis of the average annual 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$1.08 million (2012: HK\$1.61 million).

4. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	2,000	1,076	1,608
Transfer from General Revenue	42,000	52,000	-
Refund of grants	46	304	6,732
	<u>44,046</u>	<u>53,380</u>	<u>8,340</u>

Disaster Relief Fund

Analysis of Revenue for the year ended 31 March 2013

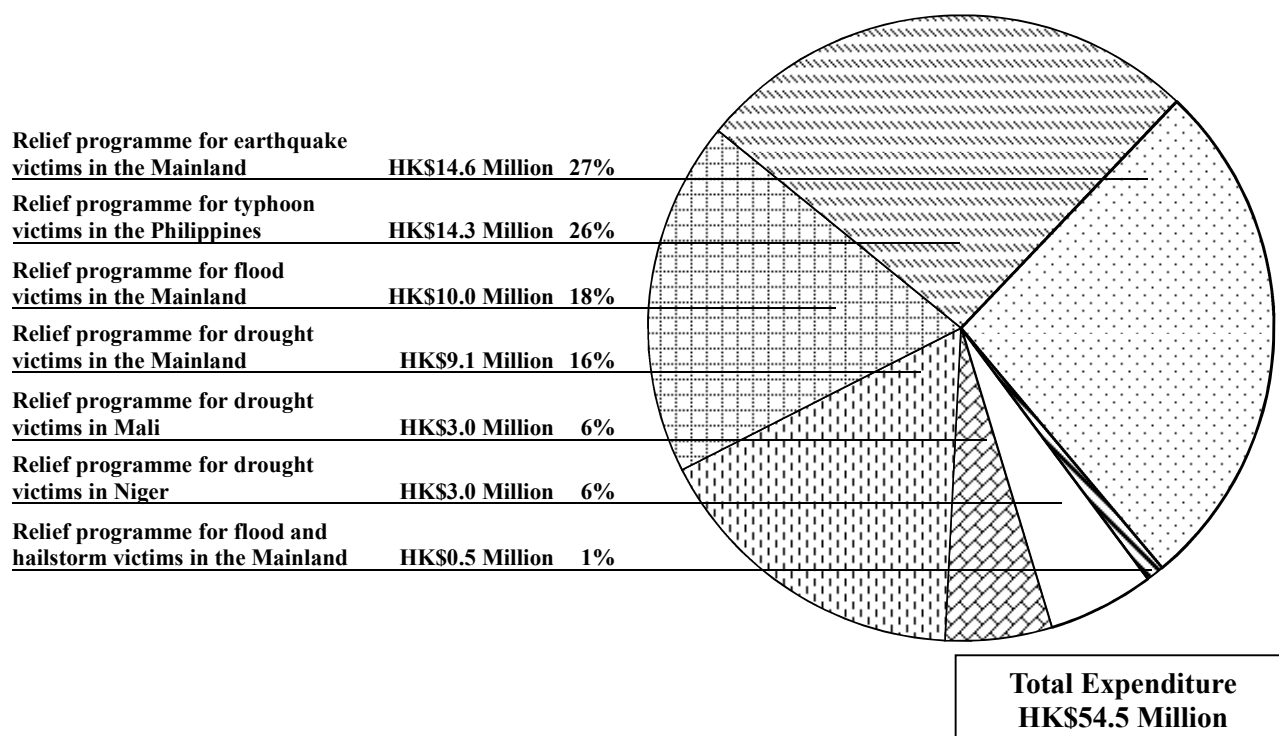


5. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Relief programme for			
earthquake victims in the Mainland	-	14,555	-
typhoon victims in the Philippines	-	14,332	4,500
flood victims in the Mainland	-	10,040	8,808
drought victims in the Mainland	-	9,090	7,720
drought victims in Mali	-	3,000	-
drought victims in Niger	-	3,000	-
flood and hailstorm victims in the Mainland	-	500	-
drought victims in Ethiopia	-	-	6,000
flood victims in Thailand	-	-	3,000
drought victims in Kenya	-	-	3,000
earthquake victims in Myanmar	-	-	2,000
earthquake victims in Japan	-	-	1,232
flood victims in Cambodia	-	-	500
	-	54,517	36,760

Disaster Relief Fund

Analysis of Expenditure for the year ended 31 March 2013



6. Other Cash Movements

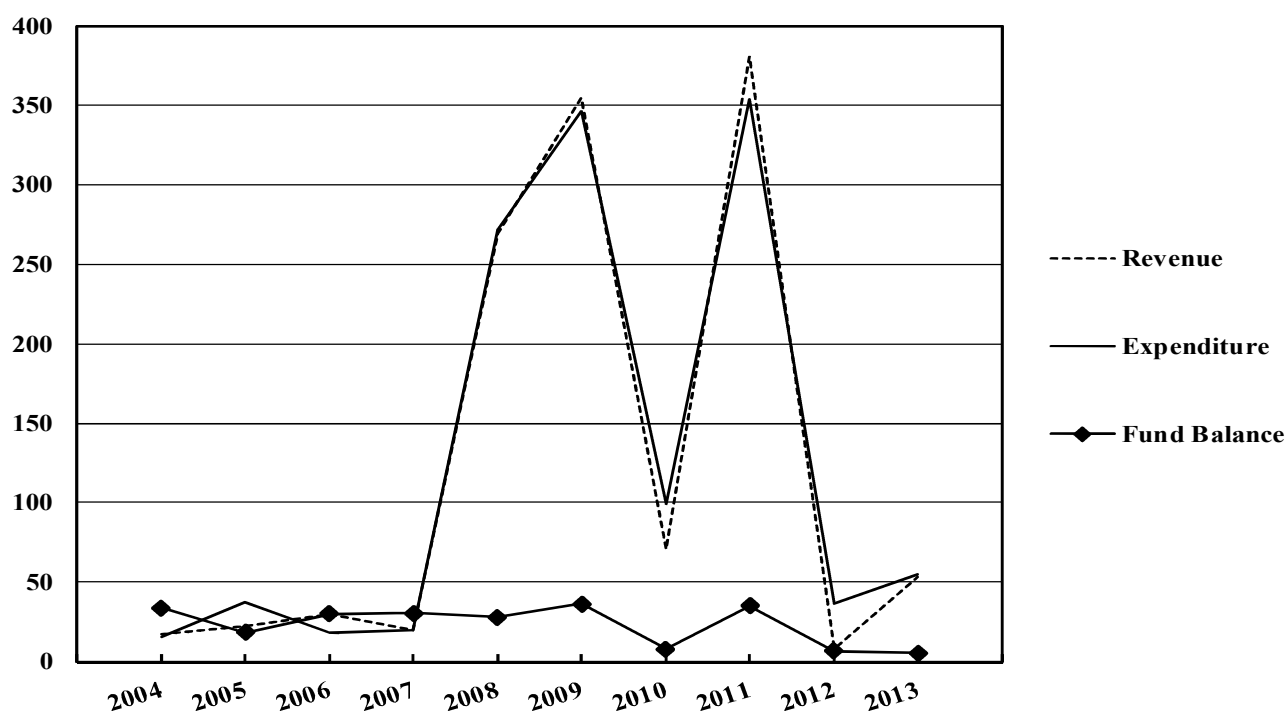
These are cash movements arising from changes in other assets and liabilities:

	2013 HK\$'000	2012 HK\$'000
Reduction in Assets		
Investments with the Exchange Fund	<u>1,137</u>	<u>28,420</u>

Disaster Relief Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2004 to 2013

HK\$Million



Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Innovation and Technology Fund

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Innovation and Technology Fund set out on pages 57 to 61, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Innovation and Technology Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Innovation and Technology Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments with the Exchange Fund	3	2,369,979	2,847,444
Cash and bank balances		9,109	9,111
		<u>2,379,088</u>	<u>2,856,555</u>
Representing:			
Fund Balance			
Balance at beginning of year		2,856,555	3,271,811
Deficit for the year		(477,467)	(415,256)
Balance at end of year	4	<u>2,379,088</u>	<u>2,856,555</u>

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Innovation and Technology Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		9,111	11
Revenue	5	214,245	240,018
Expenditure	6	(691,712)	(655,274)
Deficit for the year		(477,467)	(415,256)
Other cash movements	7	477,465	424,356
Cash and bank balances at end of year		9,109	9,111

Notes 1 to 7 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013

Innovation and Technology Fund

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose and Legislation

The Innovation and Technology Fund finances projects that contribute to innovation and technology upgrading in the manufacturing and service industries, as well as those that contribute to the upgrading and development of the manufacturing and service industries. It was established with effect from 30 June 1999 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 the same date.

2. Accounting Policy

The accounts of the Innovation and Technology Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

3. Investments with the Exchange Fund

- (i) These are investments made under paragraph 6 of the Resolution.
- (ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$153 million (2012: HK\$188 million).

4. Commitments

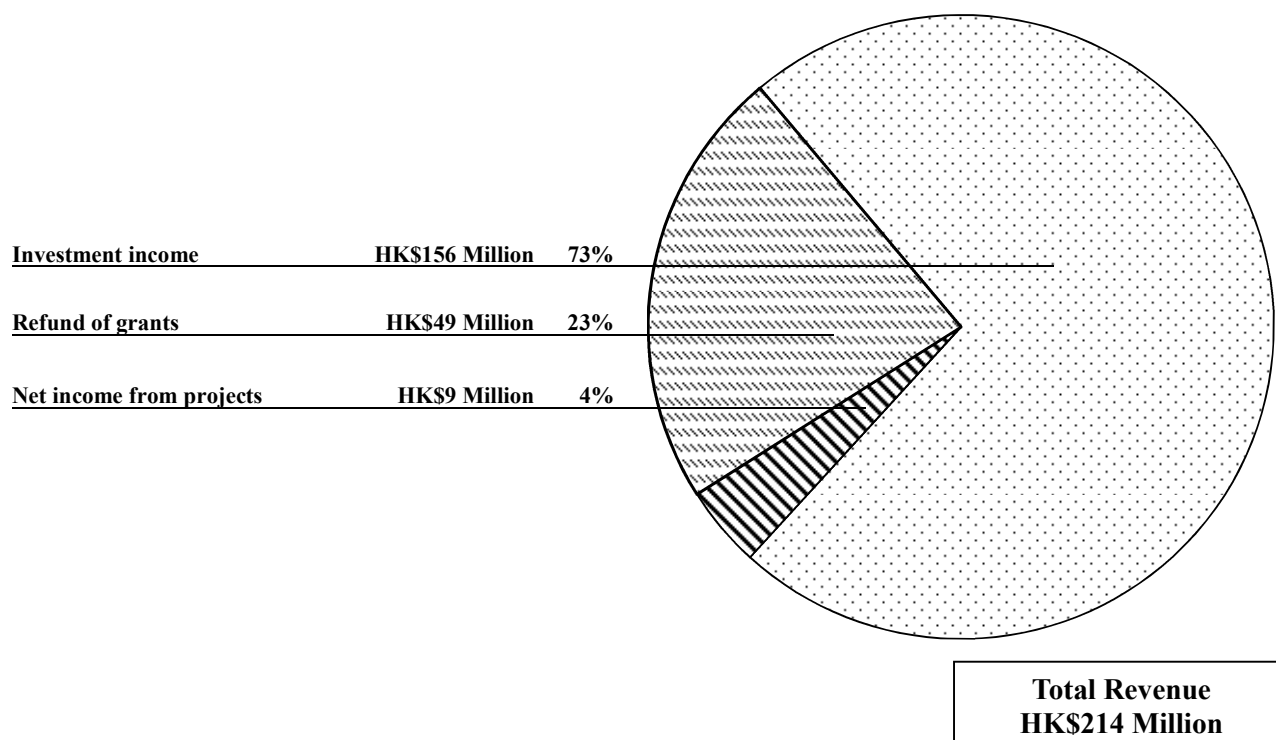
The approved grants that were unpaid as at 31 March 2013 amounted to HK\$1,164 million (2012: HK\$877 million).

5. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	-	153,198	188,346
Others	-	2,953	2,090
	142,000	156,151	190,436
Net income from projects	10,433	9,235	10,139
Refund of grants	-	48,859	39,443
	152,433	214,245	240,018

Innovation and Technology Fund

Analysis of Revenue for the year ended 31 March 2013



6. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	783,381	691,712	655,274

7. Other Cash Movements

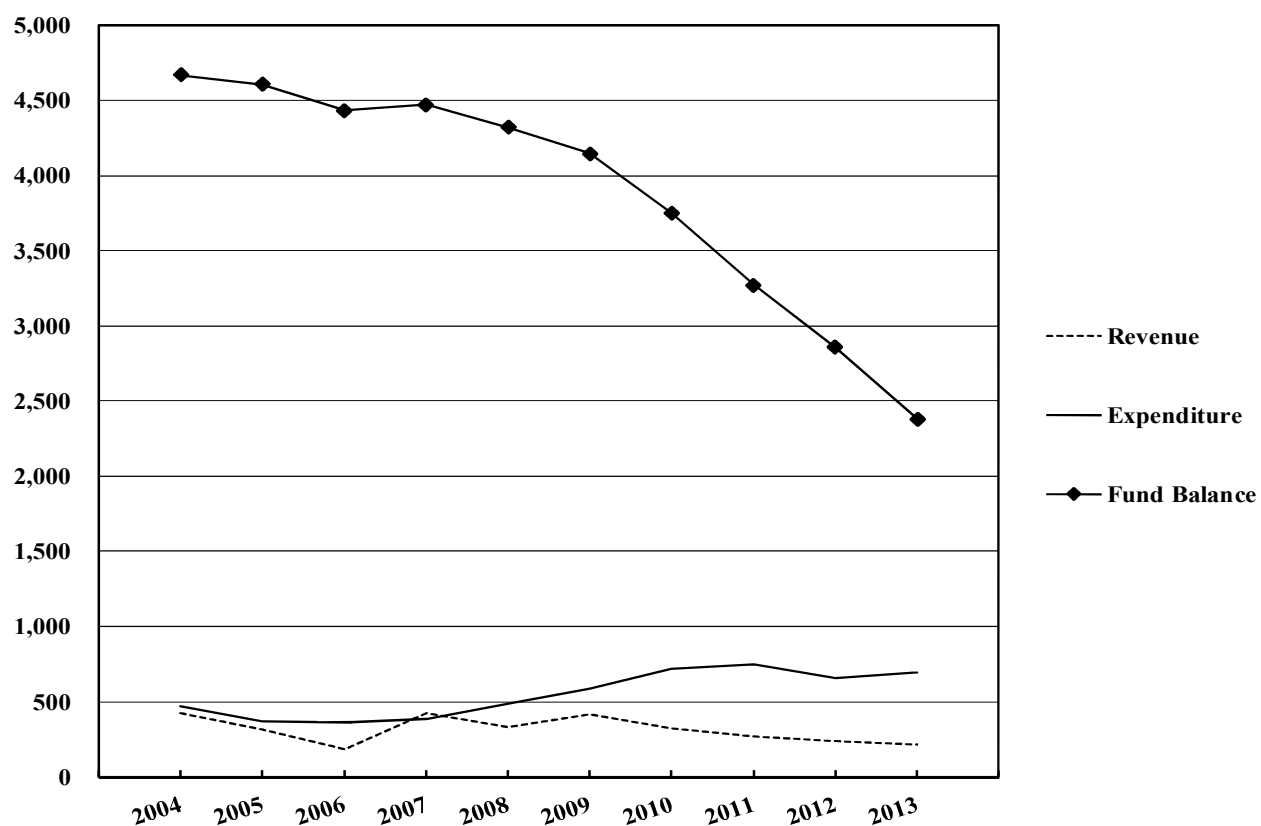
These are cash movements arising from changes in other assets and liabilities:

	2013 HK\$'000	2012 HK\$'000
Reduction in Assets		
Investments with the Exchange Fund	477,465	424,356

Innovation and Technology Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2004 to 2013

HK\$Million



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Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Land Fund

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Land Fund set out on pages 65 to 67, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Land Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Land Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>209,266,342</u>	<u>198,140,097</u>
Representing:			
Fund Balance			
Balance at beginning of year		198,140,097	186,924,620
Surplus for the year		<u>11,126,245</u>	<u>11,215,477</u>
Balance at end of year		<u>209,266,342</u>	<u>198,140,097</u>

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Land Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	4	11,126,245	11,215,477
Expenditure		-	-
Surplus for the year		11,126,245	11,215,477
Other cash movements	5	(11,126,245)	(11,215,477)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Land Fund

NOTES TO THE FINANCIAL STATEMENTS

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. With effect from 1 November 1998, the assets of the Fund have been merged into the Exchange Fund and invested in the same way as the other fiscal reserves placed with the Exchange Fund.

2. Accounting Policy

The accounts of the Land Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.

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. Effective from 1 April 2007, the investment income is calculated 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$11.13 billion (2012: HK\$11.22 billion).

4. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	11,096,000	11,126,245	11,215,477

5. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	11,126,245	11,215,477

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Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Loan Fund

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Loan Fund set out on pages 71 to 77, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Loan Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Loan Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Loans Outstanding	3		
Housing Loans		3,115,810	3,084,860
Education Loans		12,911,039	12,361,535
Other Loans		3,323,327	3,434,893
		19,350,176	18,881,288
Net Current Assets			
Current Assets			
Investments with the Exchange Fund	4	2,181,926	2,235,441
Cash and bank balances		16,384	24,655
		2,198,310	2,260,096
Current Liabilities			
Deposits	5	(11,959)	(10,350)
		2,186,351	2,249,746
		21,536,527	21,131,034
Representing:			
Total Fund Balance			
Applied Fund	6	19,350,176	18,881,288
Available Fund	7		
Balance at beginning of year		2,249,746	1,922,076
(Deficit)/Surplus for the year		(63,395)	327,670
Balance at end of year		2,186,351	2,249,746
	8	21,536,527	21,131,034

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Loan Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		24,655	20,396
Revenue	9	2,239,979	2,388,641
Expenditure	10	(2,303,374)	(2,060,971)
(Deficit)/Surplus for the year		(63,395)	327,670
Other cash movements	11	55,124	(323,411)
Cash and bank balances at end of year		16,384	24,655

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Loan Fund

NOTES TO THE FINANCIAL STATEMENTS

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.
- (iii) 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.

3. Loans Outstanding

	2013			2012		
	Housing Loans HK\$'000	Education Loans HK\$'000	Other Loans HK\$'000	Housing Loans HK\$'000	Education Loans HK\$'000	Other Loans HK\$'000
Balance at beginning of year	3,084,860	12,361,535	3,434,893	3,136,946	12,119,397	3,504,463
Additions						
Loan payments	179,459	2,041,079	82,836	94,243	1,874,893	91,835
Capitalised interest	160	-	87,059	74	-	82,862
	179,619	2,041,079	169,895	94,317	1,874,893	174,697
Deductions						
Loan repayments	(21,250)	(1,489,384)	(268,595)	(28,530)	(1,630,760)	(238,967)
Loans written off	(608)	(2,191)	(12,866)	-	(1,995)	(5,300)
Proceeds from sale of loans	(126,811)	-	-	(117,873)	-	-
	(148,669)	(1,491,575)	(281,461)	(146,403)	(1,632,755)	(244,267)
Balance at end of year	3,115,810	12,911,039	3,323,327	3,084,860	12,361,535	3,434,893

Loan Fund

4. Investments with the Exchange Fund

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

	2013 HK\$'000	2012 HK\$'000
Investments (Note (ii) below)	2,181,903	2,235,291
Deposits	23	150
	<u>2,181,926</u>	<u>2,235,441</u>

(ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$136 million (2012: HK\$131 million).

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 to revenue:

	2013 HK\$'000	2012 HK\$'000
Students	11,823	10,225
Others	136	125
	<u>11,959</u>	<u>10,350</u>

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. Contingent Liabilities

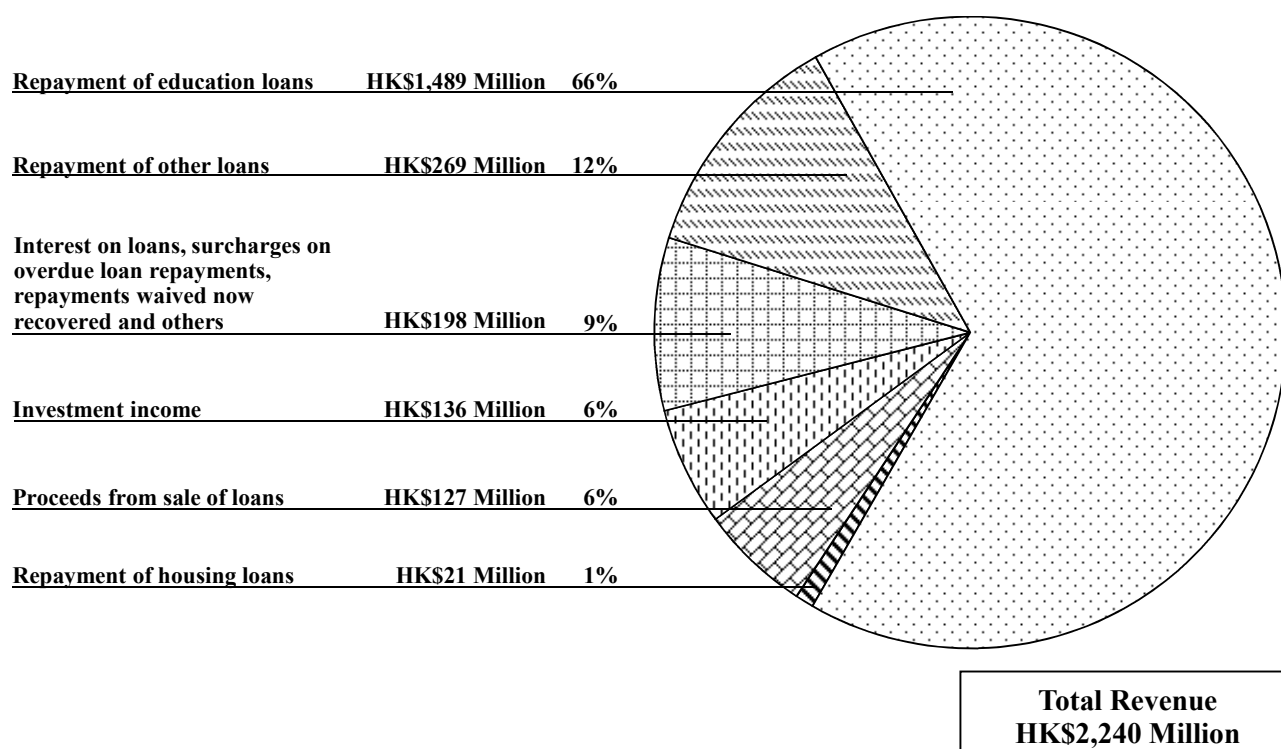
As at 31 March 2013, the amount of guarantees provided for a commercial loan of the Ocean Park Corporation was HK\$1,388 million (2012: HK\$1,388 million).

Loan Fund

9. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan repayments			
Housing loans	27,756	21,250	28,530
Education loans	1,790,550	1,489,384	1,630,760
Other loans	260,199	268,595	238,967
	2,078,505	1,779,229	1,898,257
Interest on loans	274,130	194,664	238,657
Investment income			
Investments with the Exchange Fund	-	136,148	131,282
Others	-	4	3
	96,000	136,152	131,285
Surcharges on overdue loan repayments	2,800	3,050	2,536
Proceeds from sale of loans	110,515	126,811	117,873
Repayments waived now recovered	-	49	8
Others	-	24	25
Transfer from General Revenue	1,000,000	-	-
	3,561,950	2,239,979	2,388,641

Analysis of Revenue for the year ended 31 March 2013

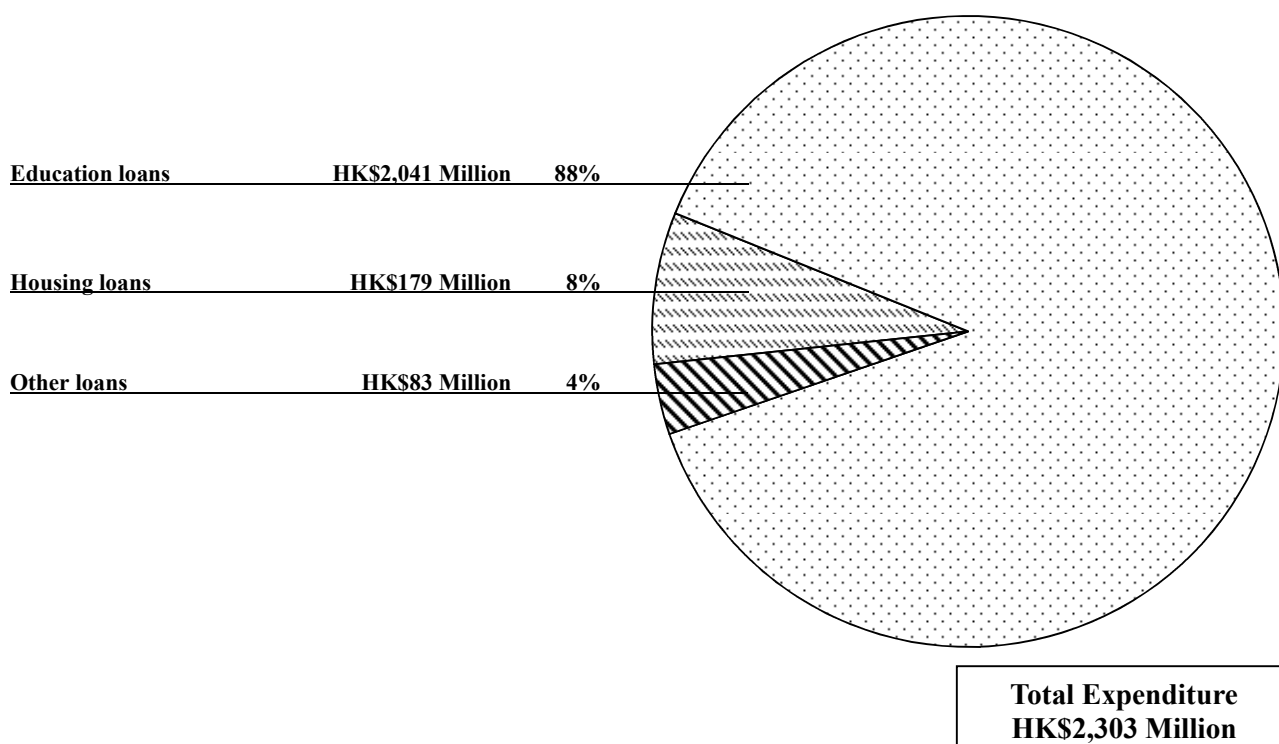


Loan Fund

10. Expenditure

	2013	2012
	Original Estimate HK\$'000	Actual HK\$'000
Loan payments		Actual HK\$'000
Housing loans	156,400	94,243
Education loans	2,743,332	1,874,893
Other loans	124,595	91,835
	3,024,327	2,060,971
Additional commitments	771,654	-
	3,795,981	2,060,971

Analysis of Expenditure for the year ended 31 March 2013



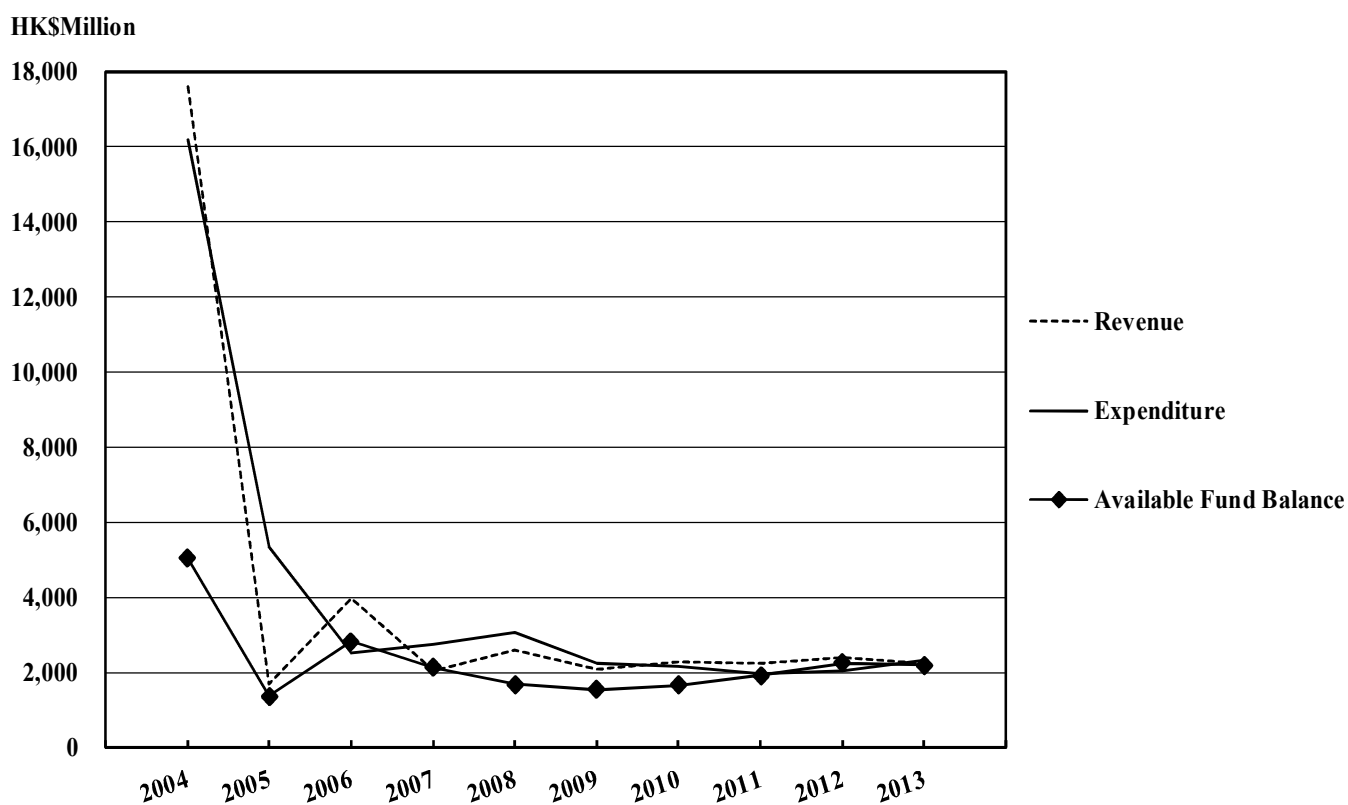
Loan Fund

11. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	53,515	(326,017)
Increase in Liabilities		
Deposits	1,609	2,606
	<u>55,124</u>	<u>(323,411)</u>

Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2004 to 2013



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Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Bond Fund

Independent Audit Report To the President of the Legislative Council

I certify that I have examined and audited the financial statements of the Bond Fund set out on pages 81 to 87, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director of Accounting Services' responsibility for the financial statements

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), 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 responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of the Bond Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun
Director of Audit

28 October 2013

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Bond Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Assets			
Investments with the Exchange Fund	3	75,298,562	52,019,013
Liabilities			
Deposits	4	(5,073)	-
		<u>75,293,489</u>	<u>52,019,013</u>
Representing:			
Fund Balance			
Balance at beginning of year		52,019,013	28,452,075
Surplus for the year		23,274,476	23,566,938
Balance at end of year	5	<u>75,293,489</u>	<u>52,019,013</u>

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Bond Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash and bank balances at beginning of year		-	-
Revenue	6	31,541,188	31,384,643
Expenditure	7	(8,266,712)	(7,817,705)
Surplus for the year		23,274,476	23,566,938
Other cash movements	8	(23,274,476)	(23,566,938)
Cash and bank balances at end of year		-	-

Notes 1 to 8 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
15 August 2013



Bond Fund

NOTES TO THE FINANCIAL STATEMENTS

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 Policy

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 5 below, and debtors and creditors other than those deposits referred to in Note 4 below.

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 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 for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$3.38 billion (2012: HK\$2.12 billion).

4. Deposits

This is the accrued interest paid by successful bidders on government bonds reopened in March 2013 and is to be paid as part of bond interest on the next interest payment date of the bonds:

	2013 HK\$'000	2012 HK\$'000
Accrued interest paid by successful bidders	5,073	-

Bond Fund

5. Fund Balance

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 expenditure charged to the Fund under paragraph (e)(i) of the Resolution.

Following a resolution passed under section 3(1) of the Loans Ordinance in July 2009, the Government issued bonds totalling HK\$84.5 billion to institutional and retail investors as at 31 March 2013. These include a total of HK\$18 billion bonds issued to institutional investors and a total of HK\$10 billion bonds issued to retail investors during the year. The outstanding liabilities, not included in the Statement of Assets and Liabilities, in respect of sums borrowed are as follows:

	2013 HK\$'000	2012 HK\$'000
Outstanding government bonds	70,500,000	49,500,000

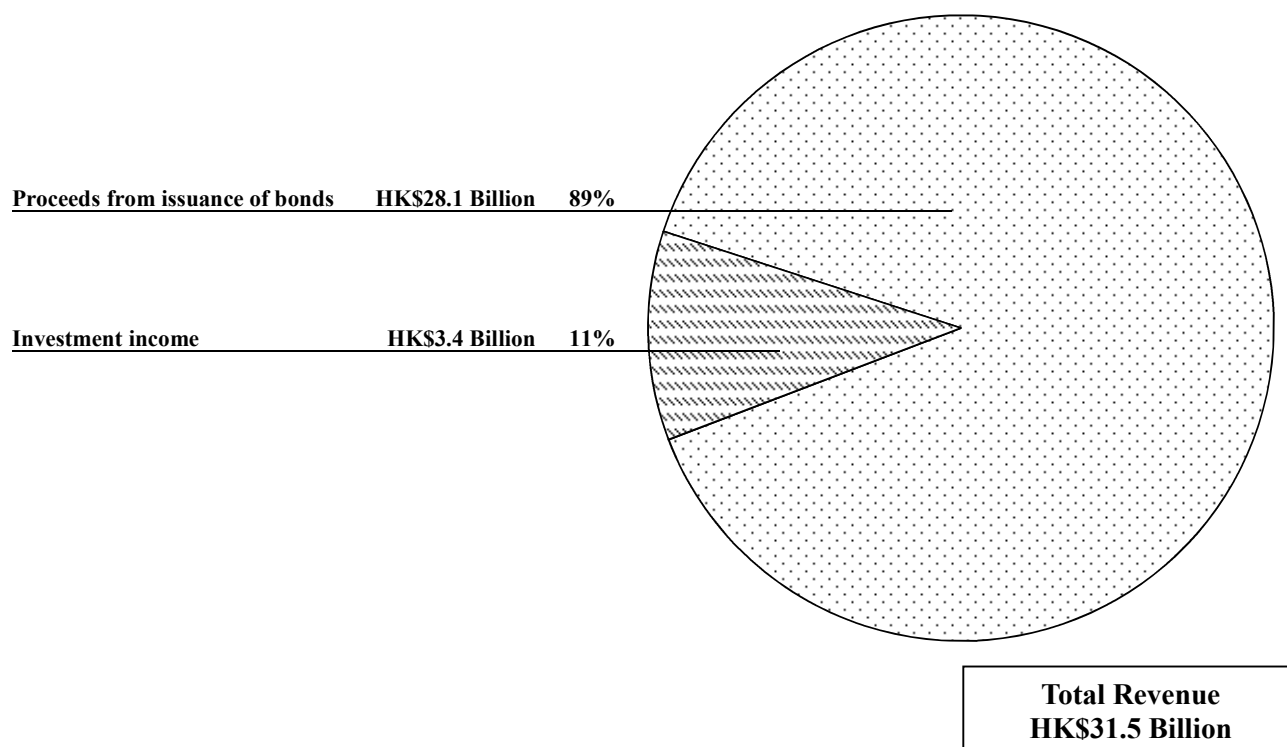
Of the outstanding bonds, HK\$7 billion will mature within the period from April 2013 to March 2014, and the rest within the period from April 2014 to January 2023. During the financial year, repayments of principal of HK\$7 billion and payments of interest of HK\$1.24 billion were made.

6. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Proceeds from issuance of bonds	30,000,000	28,160,543	29,260,991
Investment income			
Investments with the Exchange Fund	-	3,380,357	2,123,589
Others	-	288	63
	3,365,063	3,380,645	2,123,652
	33,365,063	31,541,188	31,384,643

Bond Fund

Analysis of Revenue for the year ended 31 March 2013

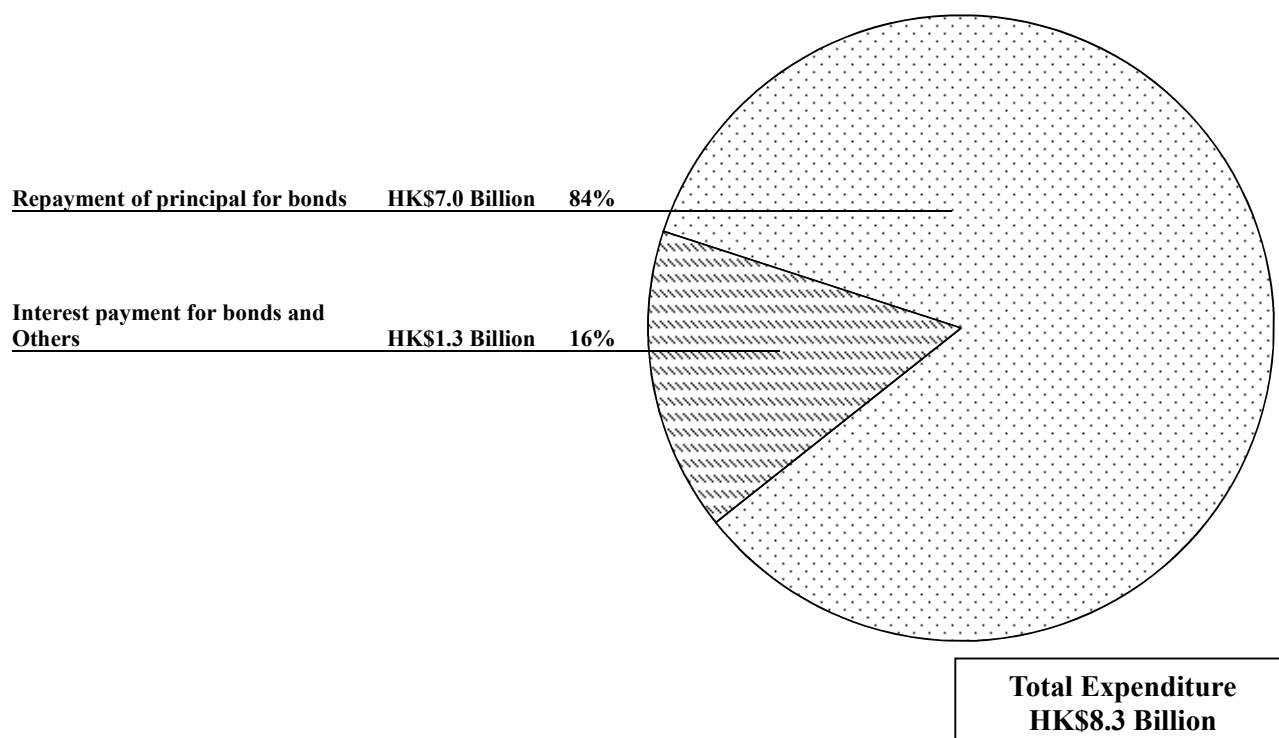


7. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Repayment of principal for bonds	7,000,000	7,000,000	7,000,000
Interest payment for bonds	1,601,078	1,241,388	785,276
Others	33,528	25,324	32,429
	<u>8,634,606</u>	<u>8,266,712</u>	<u>7,817,705</u>

Bond Fund

Analysis of Expenditure for the year ended 31 March 2013



8. Other Cash Movements

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

	2013 HK\$'000	2012 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	(23,279,549)	(23,566,938)
Increase in Liabilities		
Deposits	5,073	-
	<u>(23,274,476)</u>	<u>(23,566,938)</u>

Bond Fund

Revenue, Expenditure and Fund Balance for the years ended 31 March 2010 to 2013

HK\$Billion

