



**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 2014**

October 2014

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 2014



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31 October 2014

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 2014, 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 2014, 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 2014 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 2014

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

General Revenue Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	412,725,827	415,738,275
Deposits with banks	4	435,603	379,494
Cash and bank balances	5	3,582,332	3,273,636
Advances	6	2,674,114	2,519,239
		419,417,876	421,910,644
Liabilities			
Deposits	7	(16,557,997)	(17,110,200)
Suspense Accounts	8	(74,431)	(80,410)
		(16,632,428)	(17,190,610)
		<u>402,785,448</u>	<u>404,720,034</u>
Representing:			
General Revenue Balance			
Balance at beginning of year		404,720,034	360,659,538
(Deficit)/Surplus for the year		(1,934,586)	44,060,496
Balance at end of year	9	<u>402,785,448</u>	<u>404,720,034</u>

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



General Revenue Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		3,273,636	3,228,912
Revenue	10	349,233,774	350,200,032
Expenditure	11	(351,168,360)	(306,139,536)
(Deficit)/Surplus for the year		(1,934,586)	44,060,496
Other cash movements	12	2,243,282	(44,015,772)
Cash and bank balances at end of year		3,582,332	3,273,636

Notes 1 to 12 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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:

	2014	2013
	HK\$'000	HK\$'000
Investments	412,705,816	415,471,751
(Note (ii) below)		
Deposits	20,011	266,524
	412,725,827	415,738,275

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 2014 was HK\$19.45 billion (2013: HK\$19.78 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:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	97,736	97,925
Foreign currency	337,867	281,569
	435,603	379,494

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:

	2014 HK\$'000	2013 HK\$'000
Expenditure on Vietnamese migrants (Note (i) below)	1,161,991	1,161,991
Advances to Government officers	784,376	718,249
Payments on behalf of non-departmental public bodies, trading funds and non-statutory corporations wholly-owned by Government	375,246	370,797
Others	352,501	268,202
	2,674,114	2,519,239

- (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 Organizations and Diplomatic Privileges Ordinance (Cap. 190). Consequently, the full recovery of the amount due is doubtful.

During the financial year 2013-14, 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:

	2014 HK\$'000	2013 HK\$'000
Tax reserve certificates	9,790,248	10,559,825
Water deposits	1,654,754	1,602,738
Tenancy deposits	1,499,403	1,264,486
Tax overpayments	681,649	842,653
Legal aid deposits	673,446	578,235
Private works	238,432	242,452
Others	2,020,065	2,019,811
	<u>16,557,997</u>	<u>17,110,200</u>

8. Suspense Accounts

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

	2014 HK\$'000	2013 HK\$'000
Correctional Services Industries (Note (i) below)	17,898	14,281
Government Logistics Department — Unallocated Stores (Note (i) below)	10,534	9,195
The Special Coin (Note (ii) below)	(96,101)	(96,041)
The Financial Secretary Incorporated (Note (iii) below)	(6,762)	(7,845)
	<u>(74,431)</u>	<u>(80,410)</u>

- (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 2014, 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\$31,397 million (2013: HK\$29,475 million);
- (ii) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$7,610 million (2013: HK\$7,452 million);
- (iii) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$41,689 million (2013: HK\$50,955 million);
- (iv) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to HK\$26,531 million (2013: HK\$20,924 million); and
- (v) legal claims, disputes and proceedings amounting to HK\$4,170 million (2013: HK\$4,009 million).

10. Revenue

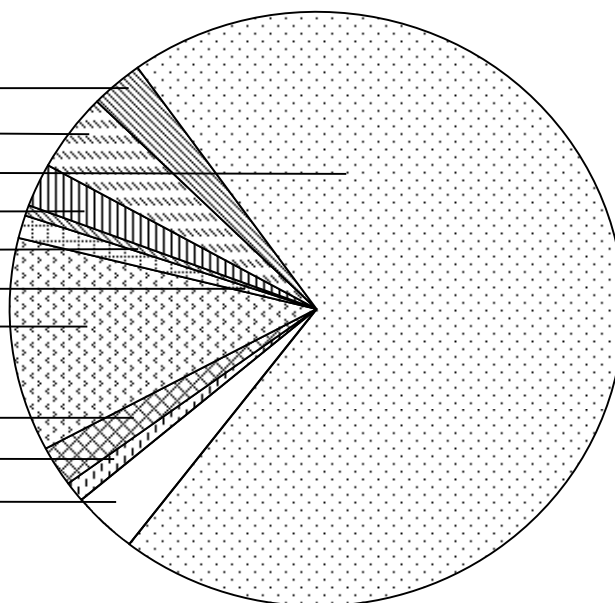
Analysis of total revenue by Head:

Head	2014				2013
	Original Estimate	Actual	Over/(Under) the Estimate	Variance	Actual
	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000
1 Duties	8,795,794	9,720,205	924,411	10.5	8,976,510
2 General Rates	12,971,000	14,911,481	1,940,481	15.0	11,204,421
3 Internal Revenue					
Profits tax	131,000,000	120,881,813	(10,118,187)	(7.7)	125,638,364
Salaries tax	51,000,000	55,620,272	4,620,272	9.1	50,466,999
Stamp duties	40,000,000	41,514,691	1,514,691	3.8	42,879,744
Other internal revenue	25,975,970	27,702,750	1,726,780	6.6	25,068,003
	247,975,970	245,719,526	(2,256,444)	(0.9)	244,053,110
4 Motor Vehicle Taxes	7,651,649	8,338,007	686,358	9.0	7,466,089
5 Fines, Forfeitures and Penalties	1,057,466	1,956,821	899,355	85.0	1,208,474
6 Royalties and Concessions	3,532,472	4,426,309	893,837	25.3	2,736,265
7 Properties and Investments					
Income from Investments with the Exchange Fund	-	19,452,290	-	-	19,782,999
Others	-	21,147,290	-	-	19,738,660
	38,525,298	40,599,580	2,074,282	5.4	39,521,659
9 Loans, Reimbursements, Contributions and Other Receipts	9,594,676	7,713,160	(1,881,516)	(19.6)	19,756,500
10 Utilities	3,821,967	3,885,123	63,156	1.7	3,686,858
11 Fees and Charges	11,435,631	11,963,562	527,931	4.6	11,590,146
Total	<u>345,361,923</u>	<u>349,233,774</u>	<u>3,871,851</u>	1.1	<u>350,200,032</u>

General Revenue Account

Analysis of Revenue for the year ended 31 March 2014

Duties	HK\$9.7 Billion	3%
General Rates	HK\$14.9 Billion	4%
Internal Revenue	HK\$245.7 Billion	70%
Motor Vehicle Taxes	HK\$8.3 Billion	2%
Fines, Forfeitures and Penalties	HK\$2.0 Billion	1%
Royalties and Concessions	HK\$4.4 Billion	1%
Properties and Investments	HK\$40.6 Billion	12%
Loans, Reimbursements, Contributions and Other Receipts (Including Transfers from Funds)	HK\$7.7 Billion	2%
Utilities	HK\$3.9 Billion	1%
Fees and Charges	HK\$12.0 Billion	4%



**Total Revenue
HK\$349.2 Billion**

11. Expenditure

Analysis of total expenditure by Head:

Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
21 Chief Executive's Office	94,481	94,464	(17)	-	92,388
22 Agriculture, Fisheries and Conservation Department	1,579,239	1,149,867	(429,372)	(27.2)	1,964,540
25 Architectural Services Department	1,733,990	1,760,510	26,520	1.5	1,673,413
24 Audit Commission	137,368	138,253	885	0.6	132,968
23 Auxiliary Medical Service	75,158	74,287	(871)	(1.2)	71,961
82 Buildings Department	1,124,935	1,106,303	(18,632)	(1.7)	1,029,782
26 Census and Statistics Department	590,713	557,047	(33,666)	(5.7)	550,625
27 Civil Aid Service	96,253	96,196	(57)	(0.1)	88,351
28 Civil Aviation Department	853,813	855,633	1,820	0.2	832,351
33 Civil Engineering and Development Department	2,029,341	1,845,860	(183,481)	(9.0)	1,799,825
30 Correctional Services Department	3,235,902	3,278,777	42,875	1.3	3,140,130
31 Customs and Excise Department	3,107,689	2,960,851	(146,838)	(4.7)	2,768,626
37 Department of Health	5,580,318	5,606,137	25,819	0.5	4,991,733
92 Department of Justice	1,401,718	1,351,778	(49,940)	(3.6)	1,272,067
39 Drainage Services Department	1,996,348	2,000,981	4,633	0.2	1,939,166

General Revenue Account

11. Expenditure (Continued)

Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
42 Electrical and Mechanical Services Department	509,032	502,948	(6,084)	(1.2)	379,035
44 Environmental Protection Department	3,132,891	7,961,302	4,828,411	154.1	2,732,201
45 Fire Services Department	4,691,796	4,676,837	(14,959)	(0.3)	4,482,731
49 Food and Environmental Hygiene Department	5,200,542	5,329,353	128,811	2.5	5,004,521
46 General Expenses of the Civil Service	3,044,324	2,809,903	(234,421)	(7.7)	2,699,636
166 Government Flying Service	515,835	312,188	(203,647)	(39.5)	641,940
48 Government Laboratory	411,240	409,531	(1,709)	(0.4)	380,116
59 Government Logistics Department	526,171	511,954	(14,217)	(2.7)	504,657
51 Government Property Agency	1,889,157	1,866,265	(22,892)	(1.2)	1,735,985
143 Government Secretariat: Civil Service Bureau	499,173	484,380	(14,793)	(3.0)	464,775
152 Government Secretariat: Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	1,539,475	1,480,694	(58,781)	(3.8)	1,326,011
55 Government Secretariat: Commerce and Economic Development Bureau (Communications and Technology Branch)	326,031	296,821	(29,210)	(9.0)	307,486
144 Government Secretariat: Constitutional and Mainland Affairs Bureau	500,086	497,496	(2,590)	(0.5)	451,033
138 Government Secretariat: Development Bureau (Planning and Lands Branch)	763,645	537,452	(226,193)	(29.6)	622,041
159 Government Secretariat: Development Bureau (Works Branch)	472,729	396,795	(75,934)	(16.1)	329,303
156 Government Secretariat: Education Bureau	44,478,419	49,731,487	5,253,068	11.8	50,534,721
137 Government Secretariat: Environment Bureau	72,755	68,572	(4,183)	(5.7)	58,580
148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)	239,173	230,951	(8,222)	(3.4)	216,852

General Revenue Account

11. Expenditure (Continued)

Head	2014				2013
	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)	1,812,850	4,531,500	2,718,650	150.0	14,486,536
139 Government Secretariat: Food and Health Bureau (Food Branch)	80,496	74,809	(5,687)	(7.1)	58,414
140 Government Secretariat: Food and Health Bureau (Health Branch)	45,568,939	46,692,450	1,123,511	2.5	53,249,857
53 Government Secretariat: Home Affairs Bureau	1,393,644	16,388,205	14,994,561	1,075.9	1,302,385
155 Government Secretariat: Innovation and Technology Commission	559,228	550,979	(8,249)	(1.5)	533,963
141 Government Secretariat: Labour and Welfare Bureau	717,785	15,713,109	14,995,324	2,089.1	619,977
47 Government Secretariat: Office of the Government Chief Information Officer	671,357	670,825	(532)	(0.1)	627,154
142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary	739,840	701,076	(38,764)	(5.2)	669,577
96 Government Secretariat: Overseas Economic and Trade Offices	324,678	314,183	(10,495)	(3.2)	306,355
151 Government Secretariat: Security Bureau	313,589	276,674	(36,915)	(11.8)	251,931
158 Government Secretariat: Transport and Housing Bureau (Transport Branch)	169,179	179,998	10,819	6.4	146,961
60 Highways Department	2,475,061	2,485,815	10,754	0.4	2,361,588
63 Home Affairs Department	2,022,532	1,970,358	(52,174)	(2.6)	1,865,952
168 Hong Kong Observatory	247,367	245,768	(1,599)	(0.6)	239,103
122 Hong Kong Police Force	14,776,454	15,144,195	367,741	2.5	14,598,280
62 Housing Department	210,178	2,356,518	2,146,340	1,021.2	2,074,459
70 Immigration Department	3,546,855	3,602,630	55,775	1.6	3,380,067
72 Independent Commission Against Corruption	927,340	909,050	(18,290)	(2.0)	861,921
121 Independent Police Complaints Council	49,833	50,916	1,083	2.2	46,685

General Revenue Account

11. Expenditure (Continued)

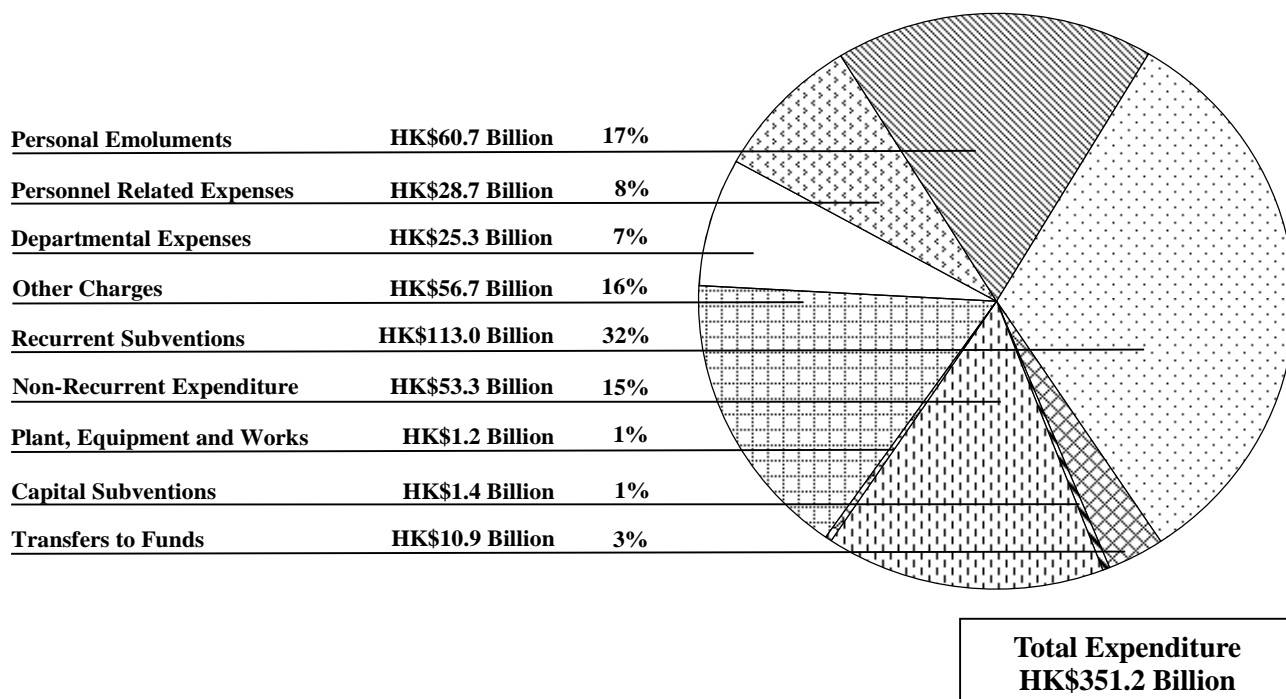
Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
74 Information Services Department	405,986	391,215	(14,771)	(3.6)	382,516
76 Inland Revenue Department	1,431,999	1,331,804	(100,195)	(7.0)	1,265,192
78 Intellectual Property Department	121,505	121,601	96	0.1	113,448
79 Invest Hong Kong	116,913	116,135	(778)	(0.7)	113,675
174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	30,070	30,251	181	0.6	27,537
80 Judiciary	1,272,125	1,198,624	(73,501)	(5.8)	1,147,414
90 Labour Department	2,040,432	1,641,286	(399,146)	(19.6)	1,436,590
91 Lands Department	2,071,602	2,087,882	16,280	0.8	1,992,005
94 Legal Aid Department	842,163	841,508	(655)	(0.1)	870,972
112 Legislative Council Commission	664,384	679,728	15,344	2.3	642,090
95 Leisure and Cultural Services Department	6,538,016	6,587,022	49,006	0.7	6,240,150
100 Marine Department	1,045,050	1,060,721	15,671	1.5	1,017,935
106 Miscellaneous Services	57,272,497	198,821	(57,073,676)	(99.7)	107,451
180 Office for Film, Newspaper and Article Administration	43,627	39,941	(3,686)	(8.4)	41,251
114 Office of The Ombudsman	99,540	102,461	2,921	2.9	99,085
116 Official Receiver's Office	155,159	139,798	(15,361)	(9.9)	133,875
120 Pensions	25,509,500	23,913,477	(1,596,023)	(6.3)	21,843,494
118 Planning Department	574,397	545,906	(28,491)	(5.0)	523,549
136 Public Service Commission Secretariat	20,059	20,434	375	1.9	18,329
160 Radio Television Hong Kong	754,288	723,177	(31,111)	(4.1)	615,328
162 Rating and Valuation Department	484,270	459,786	(24,484)	(5.1)	434,085
163 Registration and Electoral Office	94,315	81,784	(12,531)	(13.3)	548,589
169 Secretariat, Commissioner on Interception of Communications and Surveillance	18,014	16,855	(1,159)	(6.4)	15,928
170 Social Welfare Department	54,722,835	53,658,843	(1,063,992)	(1.9)	44,476,987
173 Student Financial Assistance Agency	5,016,294	4,917,424	(98,870)	(2.0)	4,589,213
181 Trade and Industry Department	770,088	803,082	32,994	4.3	707,043
186 Transport Department	2,035,872	1,852,711	(183,161)	(9.0)	1,558,120
188 Treasury	363,460	341,911	(21,549)	(5.9)	338,614

General Revenue Account

11. Expenditure (Continued)

Head	2014				2013
	Original Estimate HK\$'000	Actual HK\$'000	Over/(Under) the Estimate HK\$'000	Variance %	Actual HK\$'000
190 University Grants Committee	15,015,579	15,656,765	641,186	4.3	15,315,776
194 Water Supplies Department	6,810,214	6,873,476	63,262	0.9	6,570,580
	355,397,198	340,275,360	(15,121,838)	(4.3)	306,087,536
184 Transfers to Funds	743,000	10,893,000	10,150,000	1,366.1	52,000
Total	356,140,198	351,168,360	(4,971,838)	(1.4)	306,139,536

Analysis of Expenditure for the year ended 31 March 2014



General Revenue Account

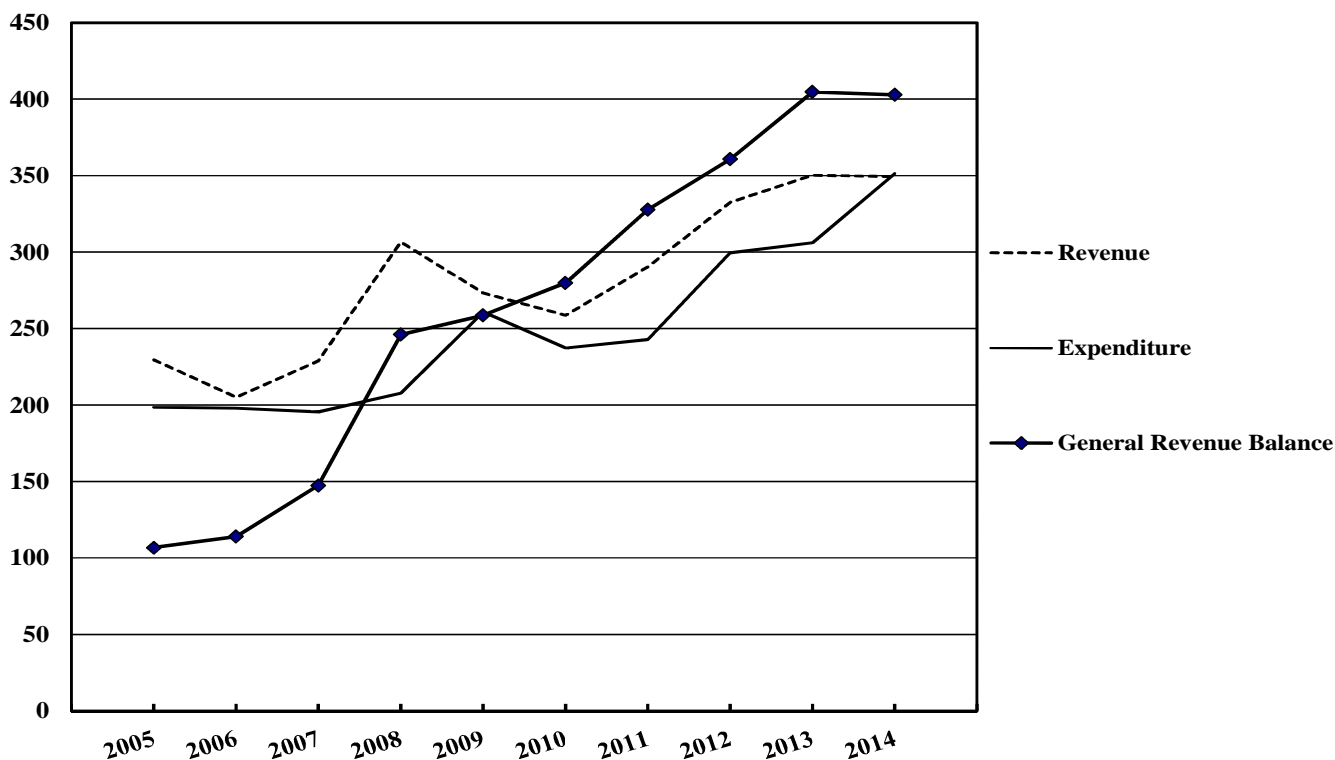
12. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
Reduction/(Increase) in Assets		
Investments with the Exchange Fund	3,012,448	(43,033,935)
Deposits with banks	(56,109)	(96,337)
Advances	(154,875)	(104,062)
	2,801,464	(43,234,334)
Reduction in Liabilities		
Deposits	(552,203)	(737,386)
Suspense Accounts	(5,979)	(44,052)
	(558,182)	(781,438)
	2,243,282	(44,015,772)

Revenue, Expenditure and General Revenue Balance for the years ended 31 March 2005 to 2014

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 2014, 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 2014 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 2014

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 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	81,059,287	79,033,643
Cash and bank balances		909	1,710
		81,060,196	79,035,353
Liabilities			
Deposits	4	(1,287,294)	(1,044,769)
		79,772,902	77,990,584
Representing:			
Fund Balance			
Balance at beginning of year		77,990,584	70,280,037
Surplus for the year		1,782,318	7,710,547
Balance at end of year	5, 6	79,772,902	77,990,584

Notes 1 to 9 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Capital Works Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		1,710	887
Receipts	7	89,179,116	74,237,782
Payments	5, 8	(87,396,798)	(66,527,235)
Surplus for the year		1,782,318	7,710,547
Other cash movements	9	(1,783,119)	(7,709,724)
Cash and bank balances at end of year		909	1,710

Notes 1 to 9 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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 passed 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 Note 4 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:

	2014 HK\$'000	2013 HK\$'000
Investments (Note (ii) below)	81,017,935	78,985,953
Deposits	41,352	47,690
	<u>81,059,287</u>	<u>79,033,643</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 2014 was HK\$4.76 billion (2013: HK\$4.57 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 for credit to the Fund:

	2014	2013
	HK\$'000	HK\$'000
Contract retention money	1,016,033	837,362
Others	271,261	207,407
	<u>1,287,294</u>	<u>1,044,769</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 payments 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:

	2014	2013
	HK\$'000	HK\$'000
Outstanding government bonds and notes	<u>11,197,188</u>	<u>11,203,688</u>

Of these bonds and notes, repayment of US\$1.25 billion, equivalent to HK\$9.7 billion as at 31 March 2014, was made in July 2014 and the rest denominated in Hong Kong dollars will mature in July 2019. During the financial year, there were payments of interest of HK\$574 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

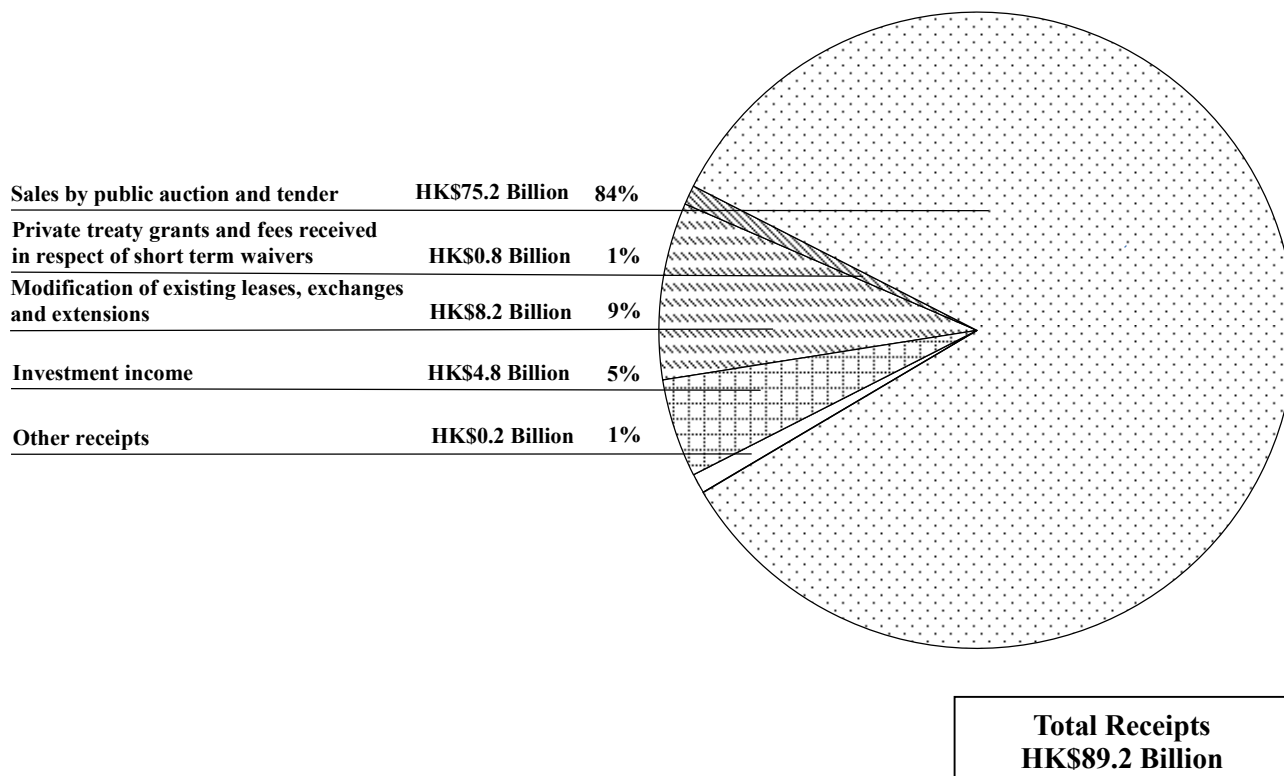
As at 31 March 2014, the amount of contingent liabilities arising from legal claims, disputes and proceedings was HK\$2,194 million (2013: HK\$3,812 million).

Capital Works Reserve Fund

7. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land premium			
Sales by public auction and tender	-	75,261,874	43,125,157
Private treaty grants	-	191,376	1,510,807
Modification of existing leases, exchanges and extensions	-	8,228,051	24,357,205
Fees received in respect of short term waivers	-	573,581	569,458
	69,000,000	84,254,882	69,562,627
Investment income			
Investments with the Exchange Fund	-	4,758,639	4,571,991
Others	-	3,087	2,032
	4,118,000	4,761,726	4,574,023
Other receipts			
Recovery from MTR Corporation Ltd.	131,000	-	-
Donations and contributions	-	18,900	30,331
Others	-	143,608	70,801
	131,000	162,508	101,132
	73,249,000	89,179,116	74,237,782

Analysis of Receipts for the year ended 31 March 2014



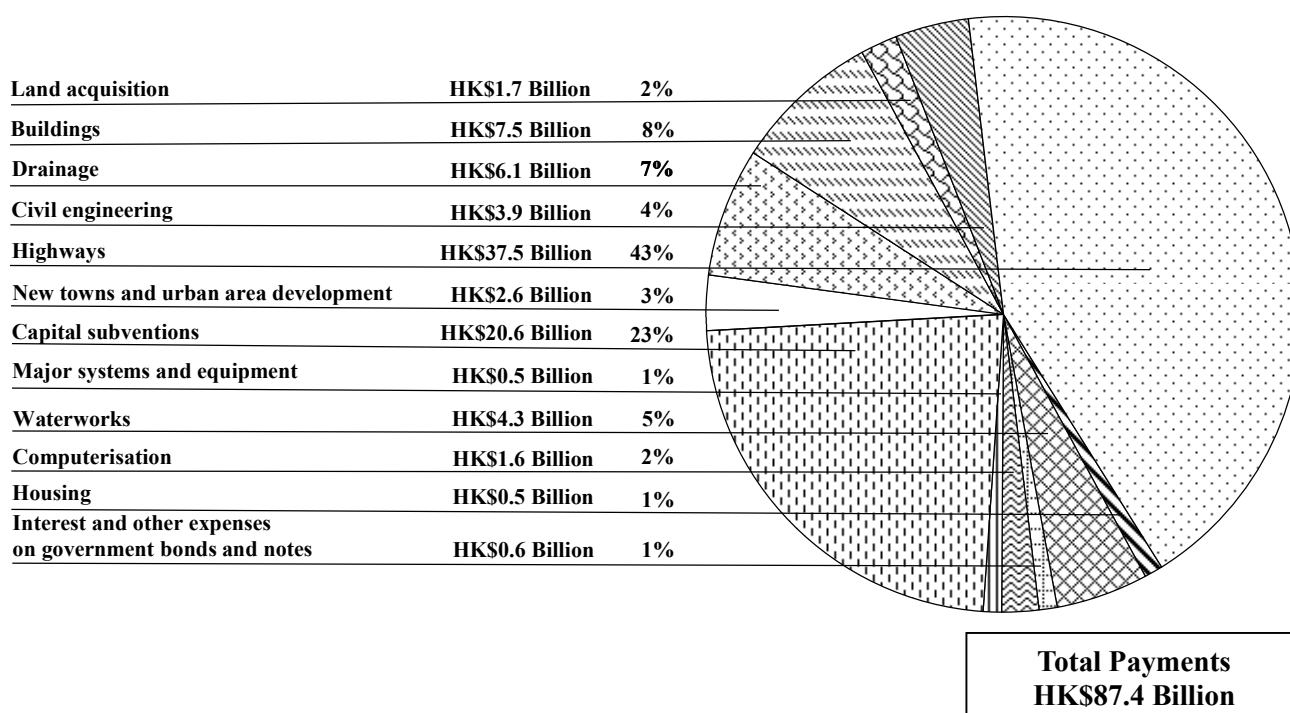
Capital Works Reserve Fund

8. Payments

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Land acquisition	3,505,896	1,657,317	1,810,446
Public Works Programme			
Port and airport development	17,730	2,013	3,309
Buildings	7,869,369	7,546,209	10,416,968
Drainage	5,629,153	6,076,752	5,901,583
Civil engineering	3,958,092	3,856,580	4,439,937
Highways	38,022,629	37,521,843	26,682,392
New towns and urban area development	2,502,644	2,606,787	2,597,050
Waterworks	3,819,914	4,306,358	3,354,633
Housing	609,443	523,335	529,160
	62,428,974	62,439,877	53,925,032
Capital subventions and major systems and equipment			
Capital subventions	7,639,665	20,589,684	8,447,221
Major systems and equipment	1,441,355	504,354	393,323
	9,081,020	21,094,038	8,840,544
Computerisation	2,245,775	1,600,794	1,374,343
Government bonds and notes issued in July 2004			
Interest and other expenses	576,581	574,068	573,455
Other payments			
Refund of overpayment of land premium	-	30,704	3,415
	77,838,246	87,396,798	66,527,235

Capital Works Reserve Fund

Analysis of Payments for the year ended 31 March 2014 *



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

9. Other Cash Movements

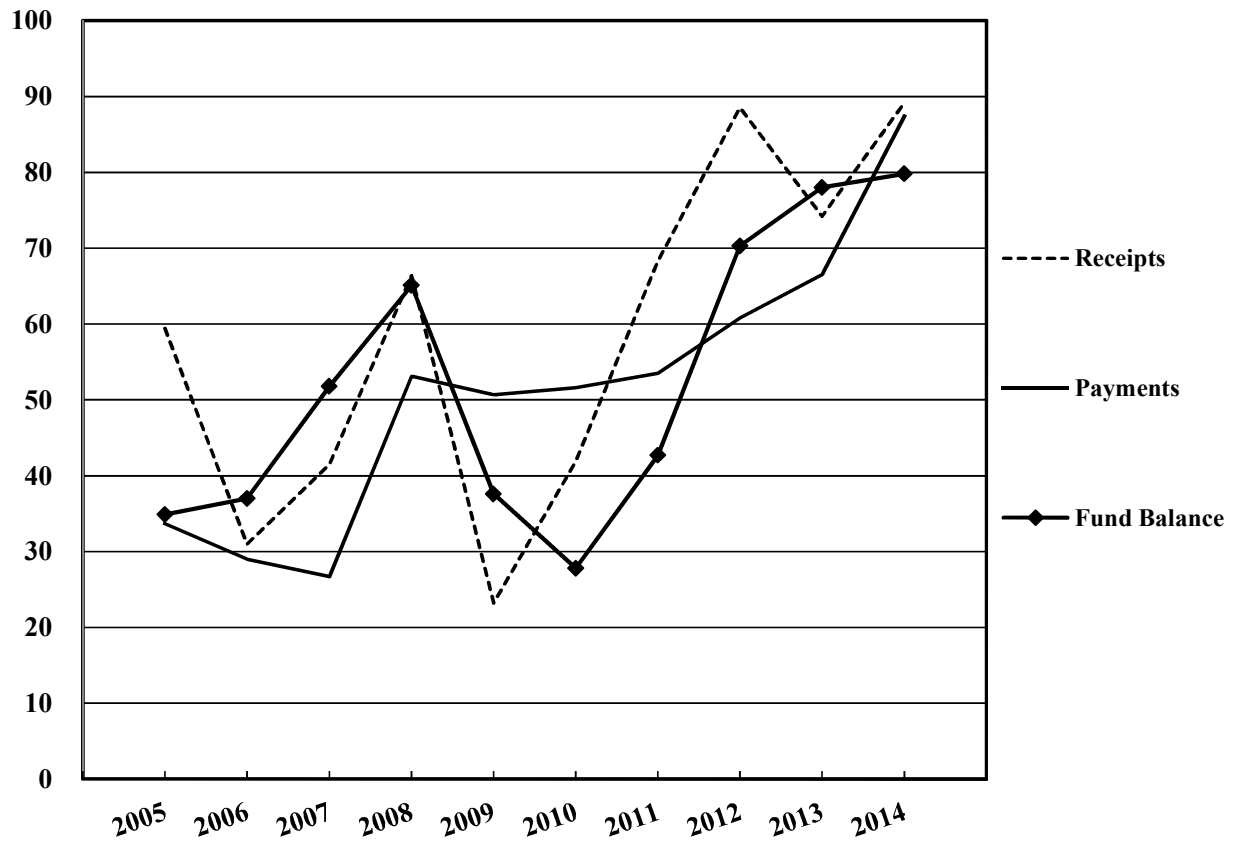
These are cash movements arising from changes in other assets and liabilities:

	2014 HK\$'000	2013 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	(2,025,644)	(7,835,639)
Increase in Liabilities		
Deposits	242,525	125,915
	(1,783,119)	(7,709,724)

Capital Works Reserve Fund

Receipts, Payments and Fund Balance for the years ended 31 March 2005 to 2014

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 2014, 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 2014 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 2014

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

Capital Investment Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments	3		
Equity Holdings		123,066,450	123,054,913
Other Investments		439,710,728	419,792,297
		562,777,178	542,847,210
Loans Outstanding	4	2,704,715	2,824,132
		565,481,893	545,671,342
Current Assets			
Investments with the Exchange Fund	5	1,994,185	1,393,239
Cash and bank balances		-	2,925
		1,994,185	1,396,164
		567,476,078	547,067,506
Representing:			
Total Fund Balance			
Applied Fund	6	565,481,893	545,671,342
Available Fund	7		
Balance at beginning of year		1,396,164	1,193,351
Surplus for the year		598,021	202,813
Balance at end of year		1,994,185	1,396,164
	8	567,476,078	547,067,506

Notes 1 to 11 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Capital Investment Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		2,925	1
Receipts	9	1,609,558	1,482,036
Payments	10	(1,011,537)	(1,279,223)
Surplus for the year		598,021	202,813
Other cash movements	11	(600,946)	(199,889)
Cash and bank balances at end of year		-	2,925

Notes 1 to 11 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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)

	2014			2013		
	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	123,054,913	419,792,297	542,847,210	122,879,572	416,364,974	539,244,546
Additions						
Cash acquisitions	11,537	-	11,537	11,534	-	11,534
Non-cash acquisitions	-	19,918,431	19,918,431	182,942	3,475,286	3,658,228
	11,537	19,918,431	19,929,968	194,476	3,475,286	3,669,762
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	123,066,450	439,710,728	562,777,178	123,054,913	419,792,297	542,847,210

Capital Investment Fund

4. Loans Outstanding

	2014	2013
	HK\$'000	HK\$'000
Balance at beginning of year	2,824,132	2,275,177
Additions		
Loan payments	-	767,689
Capitalised interest	47,828	60,675
	47,828	828,364
Deductions		
Loan repayments	(167,245)	(96,467)
Loan conversion to equity	-	(182,942)
	(167,245)	(279,409)
Balance at end of year	2,704,715	2,824,132

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 2014 was HK\$76 million (2013: HK\$79 million).

6. Applied Fund

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

7. Available Fund

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

8. Contingent Liabilities

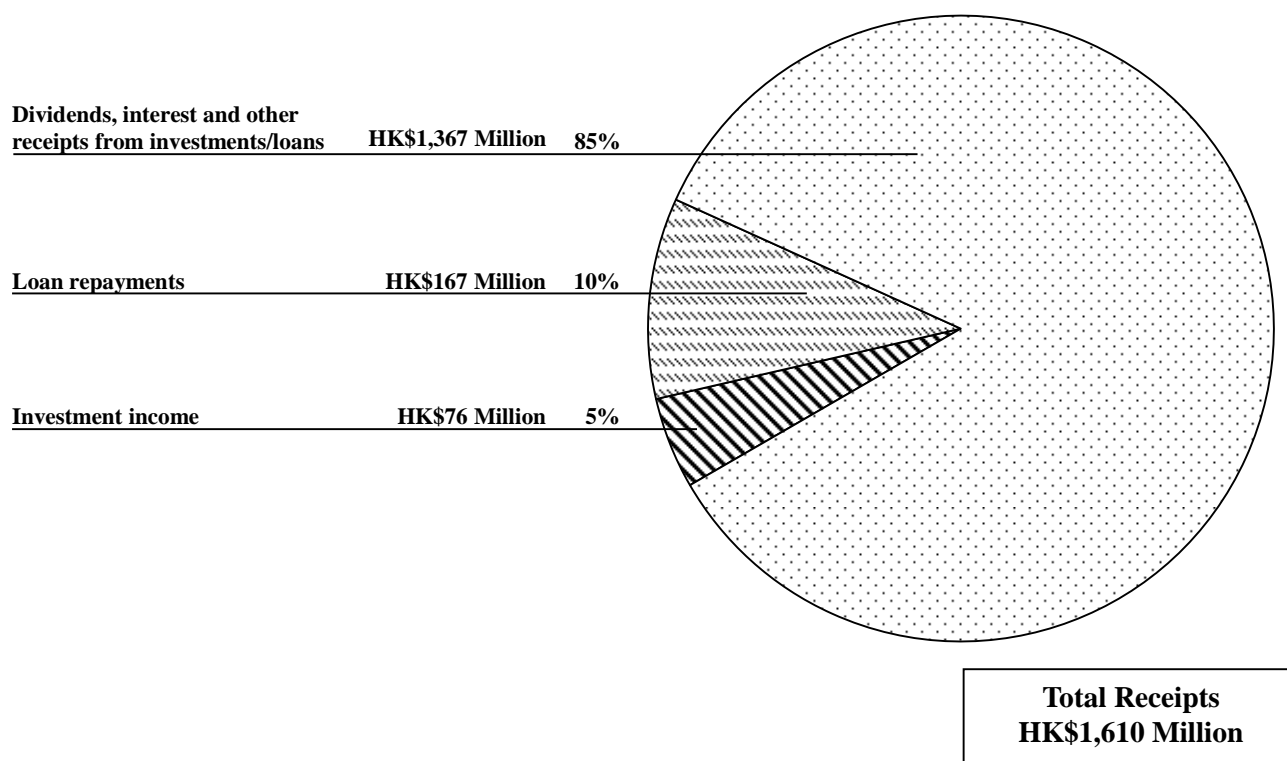
As at 31 March 2014, the amount of contingent liabilities arising from possible capital subscriptions to the Asian Development Bank was HK\$6,577 million (2013: HK\$6,391 million).

Capital Investment Fund

9. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Dividends, interest and other receipts from investments/loans	1,121,388	1,366,539	1,167,596
Loan repayments	89,828	167,245	96,467
Investment income			
Investments with the Exchange Fund	76,000	75,774	78,860
Proceeds from disposal/refund of capital investments	-	-	139,113
	<u>1,287,216</u>	<u>1,609,558</u>	<u>1,482,036</u>

Analysis of Receipts for the year ended 31 March 2014

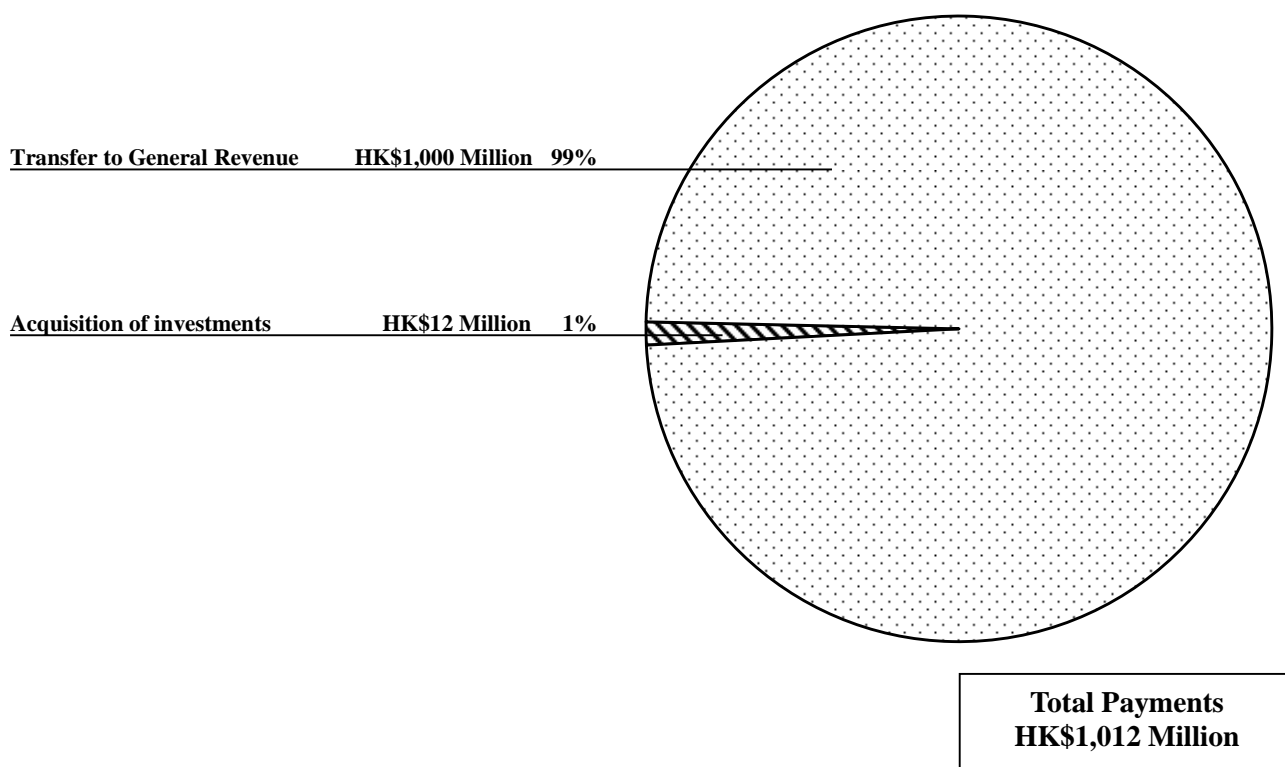


Capital Investment Fund

10. Payments

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Acquisition of investments			
Equity holdings	11,684	11,537	11,534
Loan payments	854,000	-	767,689
Transfer to General Revenue	1,000,000	1,000,000	500,000
	<u>1,865,684</u>	<u>1,011,537</u>	<u>1,279,223</u>

Analysis of Payments for the year ended 31 March 2014



Capital Investment Fund

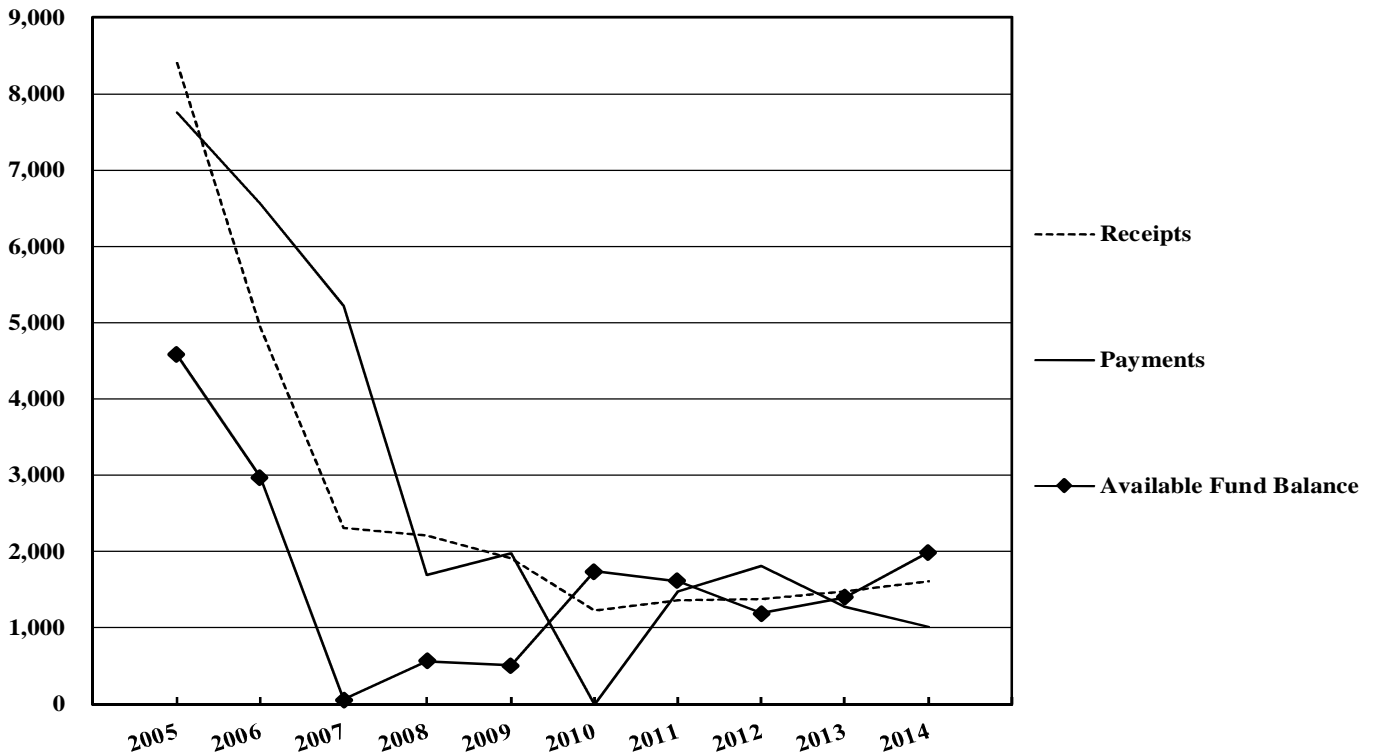
11. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	<u>600,946</u>	<u>199,889</u>

Receipts, Payments and Available Fund Balance for the years ended 31 March 2005 to 2014

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 2014, 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 2014 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 2014

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 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>27,028,846</u>	<u>25,741,758</u>
Representing:			
Fund Balance			
Balance at beginning of year		25,741,758	24,373,123
Surplus for the year		<u>1,287,088</u>	<u>1,368,635</u>
Balance at end of year		<u>27,028,846</u>	<u>25,741,758</u>

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Civil Service Pension Reserve Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	4	1,287,088	1,368,635
Payments		-	-
Surplus for the year		1,287,088	1,368,635
Other cash movements	5	(1,287,088)	(1,368,635)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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 2014 was HK\$1.29 billion (2013: HK\$1.37 billion).

4. Receipts

	<u>2014</u>	<u>2013</u>	
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	1,287,000	1,287,088	1,368,635

5. Other Cash Movements

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

	<u>2014</u>	<u>2013</u>
	HK\$'000	HK\$'000
Increase in Assets		
Investments with the Exchange Fund	1,287,088	1,368,635

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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 2014, 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 2014 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 2014

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

Disaster Relief Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>31,228</u>	<u>5,514</u>
Representing:			
Fund Balance			
Balance at beginning of year		5,514	6,651
Surplus/(Deficit) for the year		<u>25,714</u>	<u>(1,137)</u>
Balance at end of year		<u>31,228</u>	<u>5,514</u>

Notes 1 to 6 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Disaster Relief Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	4	196,966	53,380
Payments	5	(171,252)	(54,517)
Surplus/(Deficit) for the year		25,714	(1,137)
Other cash movements	6	(25,714)	1,137
Cash and bank balances at end of year		-	-

Notes 1 to 6 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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.

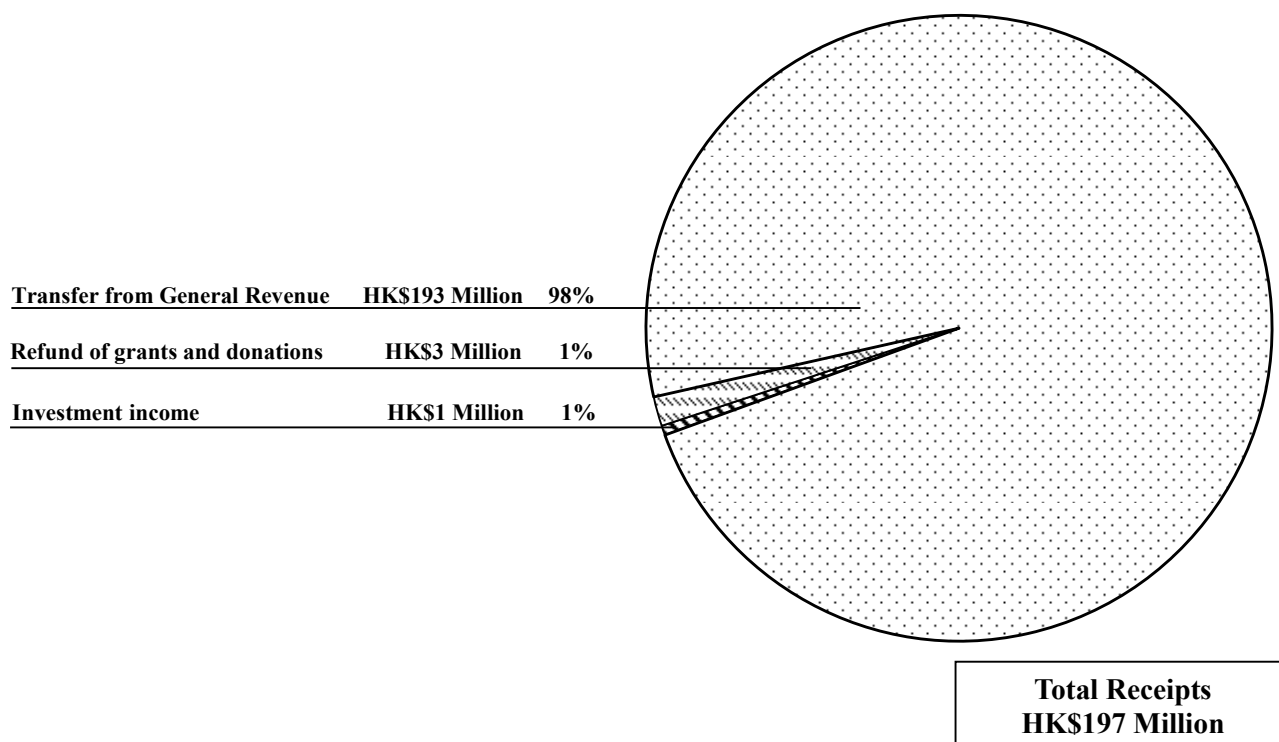
(ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past 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 2014 was HK\$1.07 million (2013: HK\$1.08 million).

4. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	2,000	1,072	1,076
Transfer from General Revenue	43,000	193,000	52,000
Refund of grants	46	2,644	304
Donations	-	250	-
	45,046	196,966	53,380

Disaster Relief Fund

Analysis of Receipts for the year ended 31 March 2014

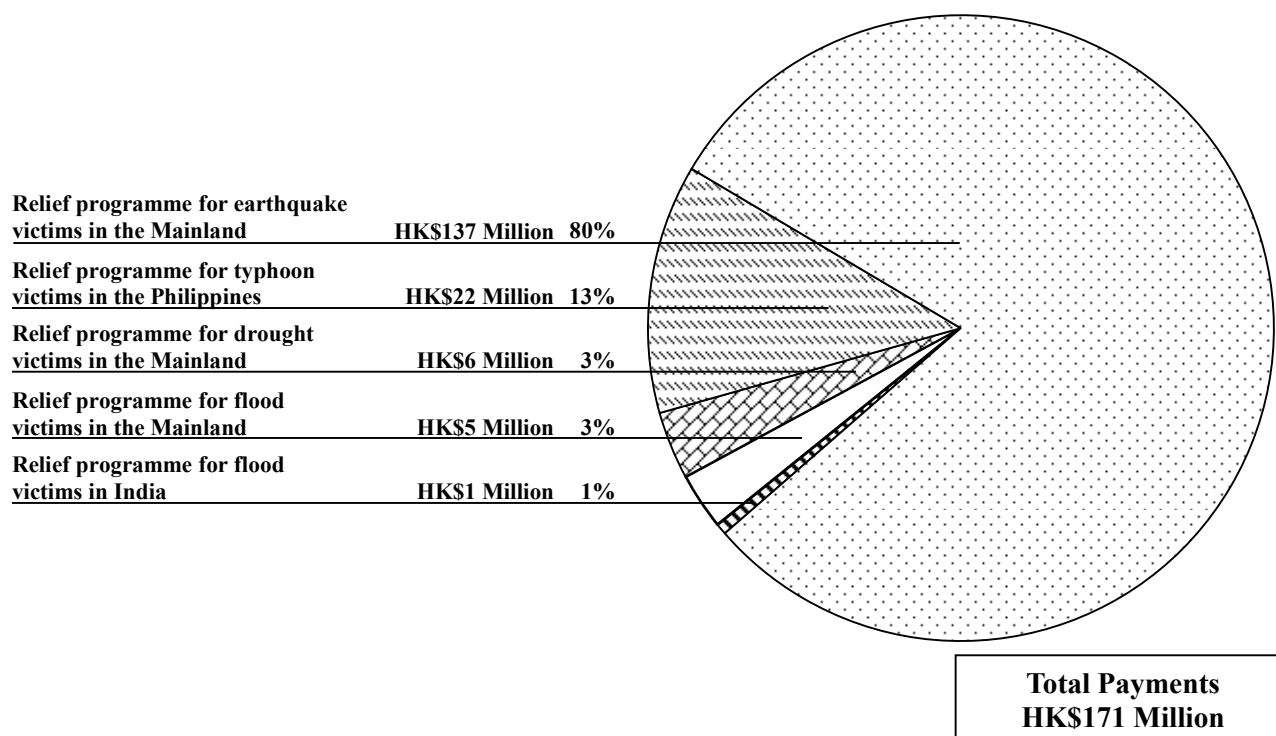


5. Payments

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Relief programme for			
earthquake victims in the Mainland	-	137,638	14,555
typhoon victims in the Philippines	-	21,592	14,332
drought victims in the Mainland	-	6,123	9,090
flood victims in the Mainland	-	4,735	10,040
flood victims in India	-	1,164	-
drought victims in Mali	-	-	3,000
drought victims in Niger	-	-	3,000
flood and hailstorm victims in the Mainland	-	-	500
	-	171,252	54,517

Disaster Relief Fund

Analysis of Payments for the year ended 31 March 2014



6. Other Cash Movements

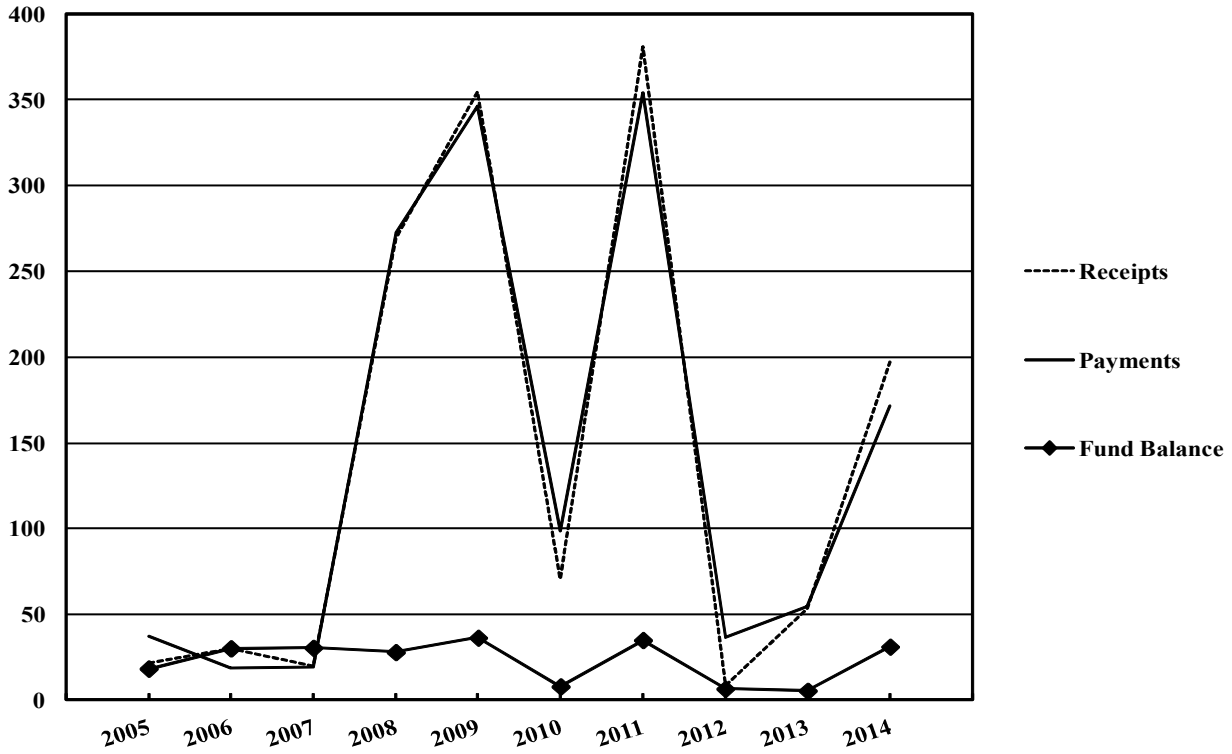
These are cash movements arising from changes in other assets and liabilities:

	2014 HK\$'000	2013 HK\$'000
(Increase)/Reduction in Assets		
Investments with the Exchange Fund	<u>(25,714)</u>	<u>1,137</u>

Disaster Relief Fund

Receipts, Payments and Fund Balance for the years ended 31 March 2005 to 2014

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 2014, 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 2014 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 2014

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 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	1,811,225	2,369,979
Cash and bank balances		591	9,109
		<u>1,811,816</u>	<u>2,379,088</u>
Representing:			
Fund Balance			
Balance at beginning of year		2,379,088	2,856,555
Deficit for the year		(567,272)	(477,467)
Balance at end of year	4	<u>1,811,816</u>	<u>2,379,088</u>

Notes 1 to 7 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Innovation and Technology Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		9,109	9,111
Receipts	5	165,140	214,245
Payments	6	(732,412)	(691,712)
Deficit for the year		(567,272)	(477,467)
Other cash movements	7	558,754	477,465
Cash and bank balances at end of year		591	9,109

Notes 1 to 7 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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 2014 was HK\$112 million (2013: HK\$153 million).

4. Commitments

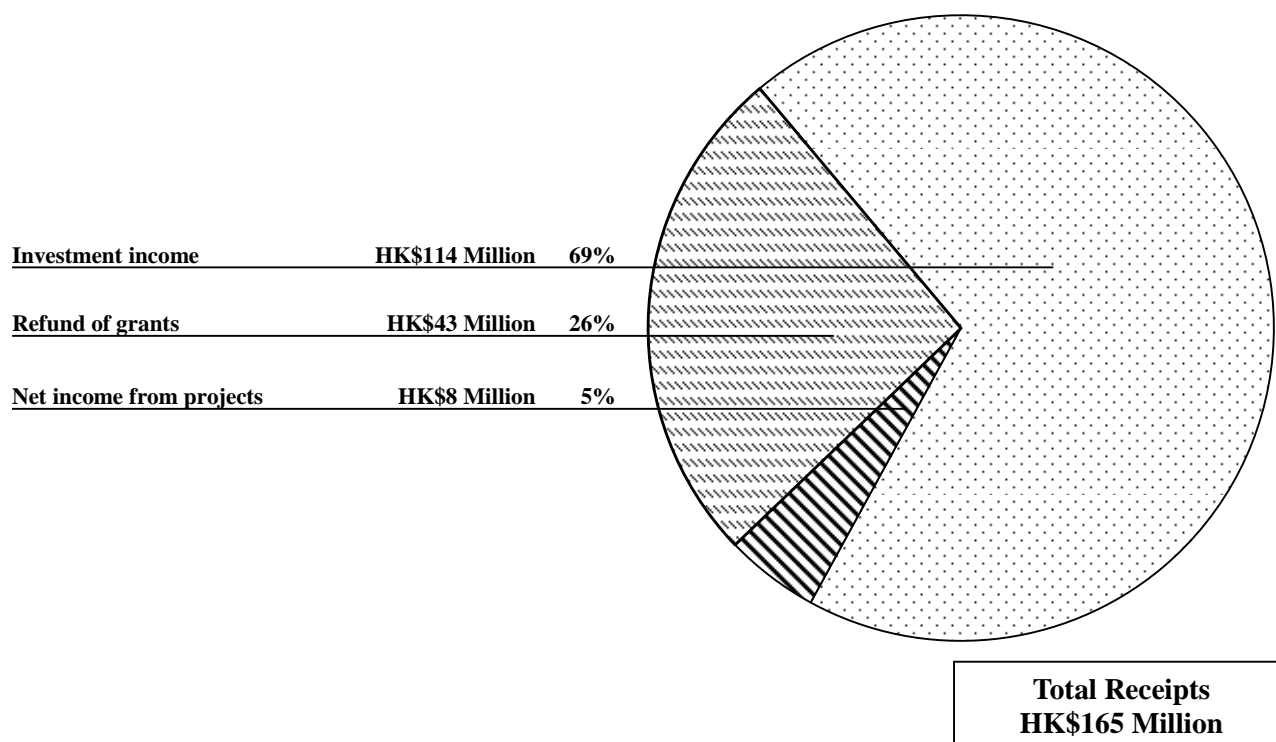
The approved grants that were unpaid as at 31 March 2014 amounted to HK\$1,232 million (2013: HK\$1,164 million).

5. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	-	112,079	153,198
Others	-	1,808	2,953
	105,000	113,887	156,151
Net income from projects	13,813	8,424	9,235
Refund of grants	-	42,829	48,859
	118,813	165,140	214,245

Innovation and Technology Fund

Analysis of Receipts for the year ended 31 March 2014



6. Payments

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Grants	785,095	732,412	691,712

7. Other Cash Movements

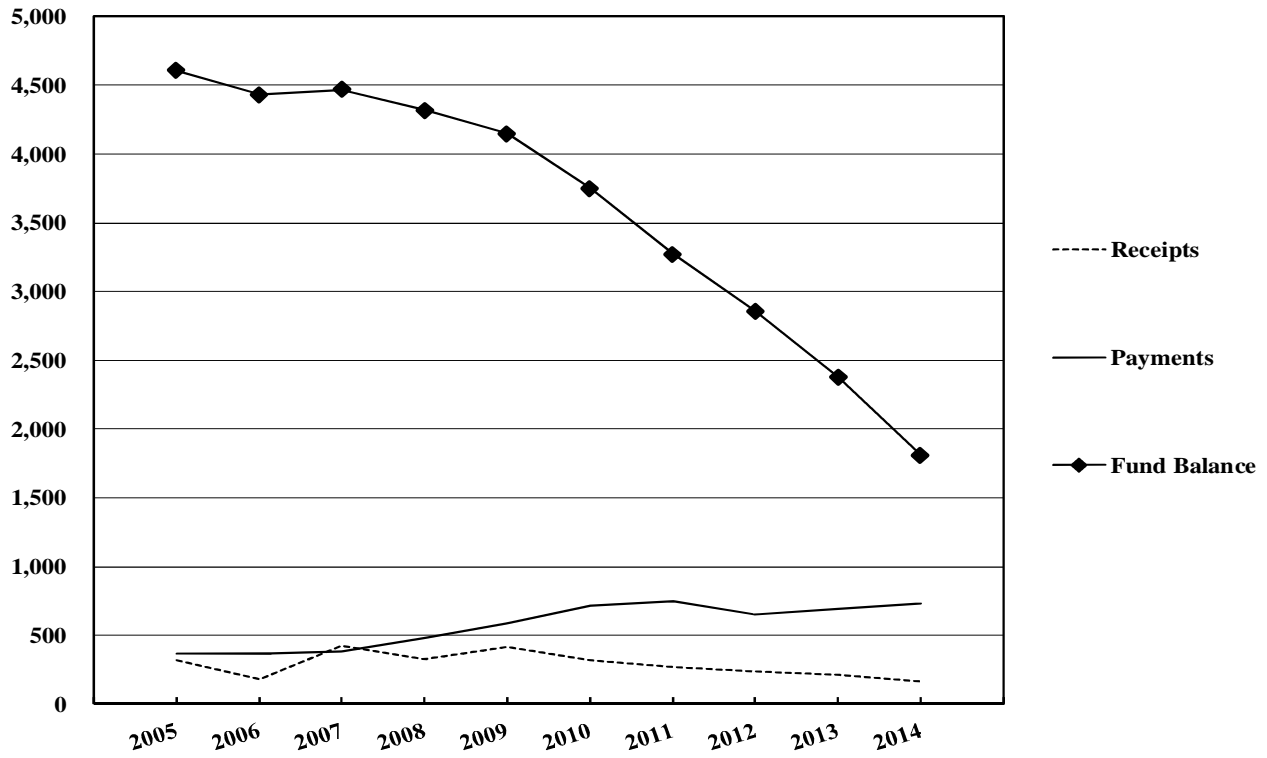
These are cash movements arising from changes in other assets and liabilities:

	2014 HK\$'000	2013 HK\$'000
Reduction in Assets		
Investments with the Exchange Fund	558,754	477,465

Innovation and Technology Fund

Receipts, Payments and Fund Balance for the years ended 31 March 2005 to 2014

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 2014, 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 2014 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 2014

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

Land Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	<u>219,729,659</u>	<u>209,266,342</u>
Representing:			
Fund Balance			
Balance at beginning of year		209,266,342	198,140,097
Surplus for the year		<u>10,463,317</u>	<u>11,126,245</u>
Balance at end of year		<u>219,729,659</u>	<u>209,266,342</u>

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Land Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	4	10,463,317	11,126,245
Payments		-	-
Surplus for the year		10,463,317	11,126,245
Other cash movements	5	(10,463,317)	(11,126,245)
Cash and bank balances at end of year		-	-

Notes 1 to 5 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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 2014 was HK\$10.46 billion (2013: HK\$11.13 billion).

4. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Investment income			
Investments with the Exchange Fund	10,463,000	10,463,317	11,126,245

5. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	10,463,317	11,126,245

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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 2014, 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 2014 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 2014

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

Loan Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Loans Outstanding	3		
Housing Loans		3,053,320	3,115,810
Education Loans		14,755,903	12,911,039
Other Loans		3,405,872	3,323,327
		21,215,095	19,350,176
Net Current Assets			
Current Assets			
Investments with the Exchange Fund	4	1,374,043	2,181,926
Cash and bank balances		31,531	16,384
		1,405,574	2,198,310
Current Liabilities			
Deposits	5	(16,076)	(11,959)
		1,389,498	2,186,351
		22,604,593	21,536,527
Representing:			
Total Fund Balance			
Applied Fund	6	21,215,095	19,350,176
Available Fund	7		
Balance at beginning of year		2,186,351	2,249,746
Deficit for the year		(796,853)	(63,395)
Balance at end of year		1,389,498	2,186,351
	8	22,604,593	21,536,527

Notes 1 to 11 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Loan Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		16,384	24,655
Receipts	9	3,346,703	2,239,979
Payments	10	(4,143,556)	(2,303,374)
Deficit for the year		(796,853)	(63,395)
Other cash movements	11	812,000	55,124
Cash and bank balances at end of year		31,531	16,384

Notes 1 to 11 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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

	2014			2013		
	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	3,115,810	12,911,039	3,323,327	3,084,860	12,361,535	3,434,893
Additions						
Loan payments	108,531	3,782,593	252,432	179,459	2,041,079	82,836
Capitalised interest	143	-	91,464	160	-	87,059
	108,674	3,782,593	343,896	179,619	2,041,079	169,895
Deductions						
Loan repayments	(20,152)	(1,933,216)	(256,122)	(21,250)	(1,489,384)	(268,595)
Loans written off	-	(4,513)	(5,229)	(608)	(2,191)	(12,866)
Proceeds from sale of loans	(151,012)	-	-	(126,811)	-	-
	(171,164)	(1,937,729)	(261,351)	(148,669)	(1,491,575)	(281,461)
Balance at end of year	3,053,320	14,755,903	3,405,872	3,115,810	12,911,039	3,323,327

Loan Fund

4. Investments with the Exchange Fund

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

	2014	2013
	HK\$'000	HK\$'000
Investments (Note (ii) below)	1,373,681	2,181,903
Deposits	362	23
	<u>1,374,043</u>	<u>2,181,926</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 2014 was HK\$122 million (2013: HK\$136 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 for credit to the Fund:

	2014	2013
	HK\$'000	HK\$'000
Students	15,924	11,823
Others	152	136
	<u>16,076</u>	<u>11,959</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

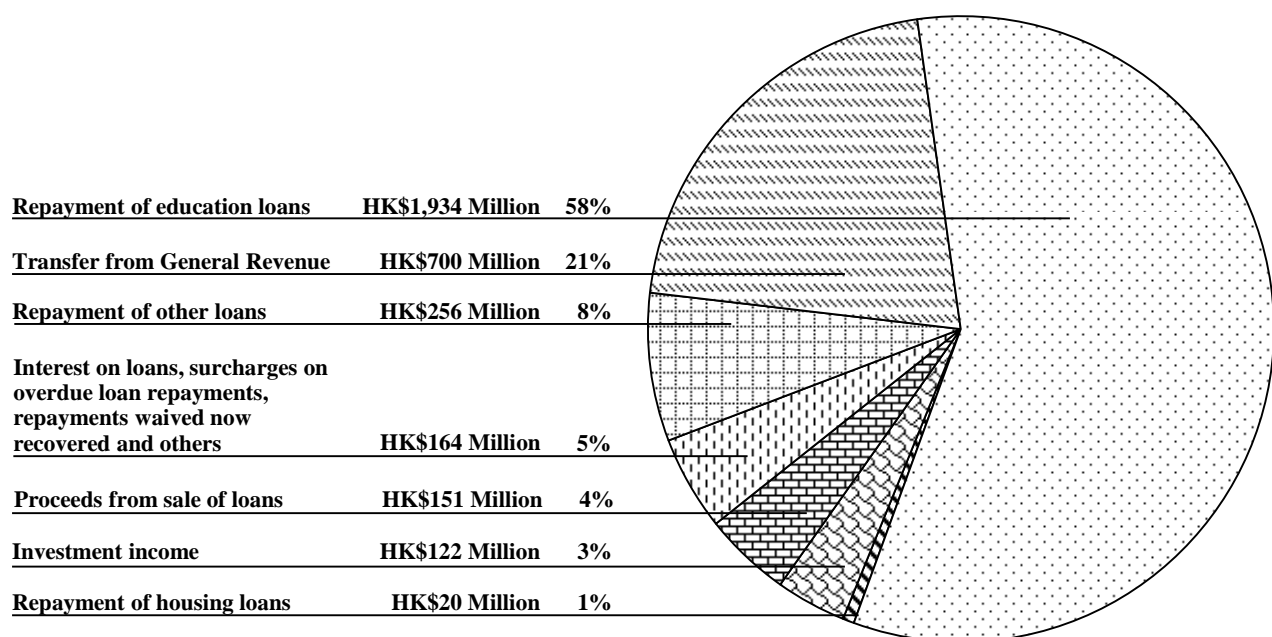
As at 31 March 2014, the amount of contingent liabilities arising from guarantees provided for a commercial loan of the Ocean Park Corporation was HK\$1,388 million (2013: HK\$1,388 million).

Loan Fund

9. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan repayments			
Housing loans	25,397	20,152	21,250
Education loans	1,823,501	1,933,216	1,489,384
Other loans	261,421	256,122	268,595
	2,110,319	2,209,490	1,779,229
Interest on loans	189,619	161,032	194,664
Investment income			
Investments with the Exchange Fund	-	122,296	136,148
Others	-	3	4
	84,000	122,299	136,152
Surcharges on overdue loan repayments	2,386	2,789	3,050
Proceeds from sale of loans	237,286	151,012	126,811
Repayments waived now recovered	-	65	49
Others	-	16	24
Transfer from General Revenue	700,000	700,000	-
	3,323,610	3,346,703	2,239,979

Analysis of Receipts for the year ended 31 March 2014



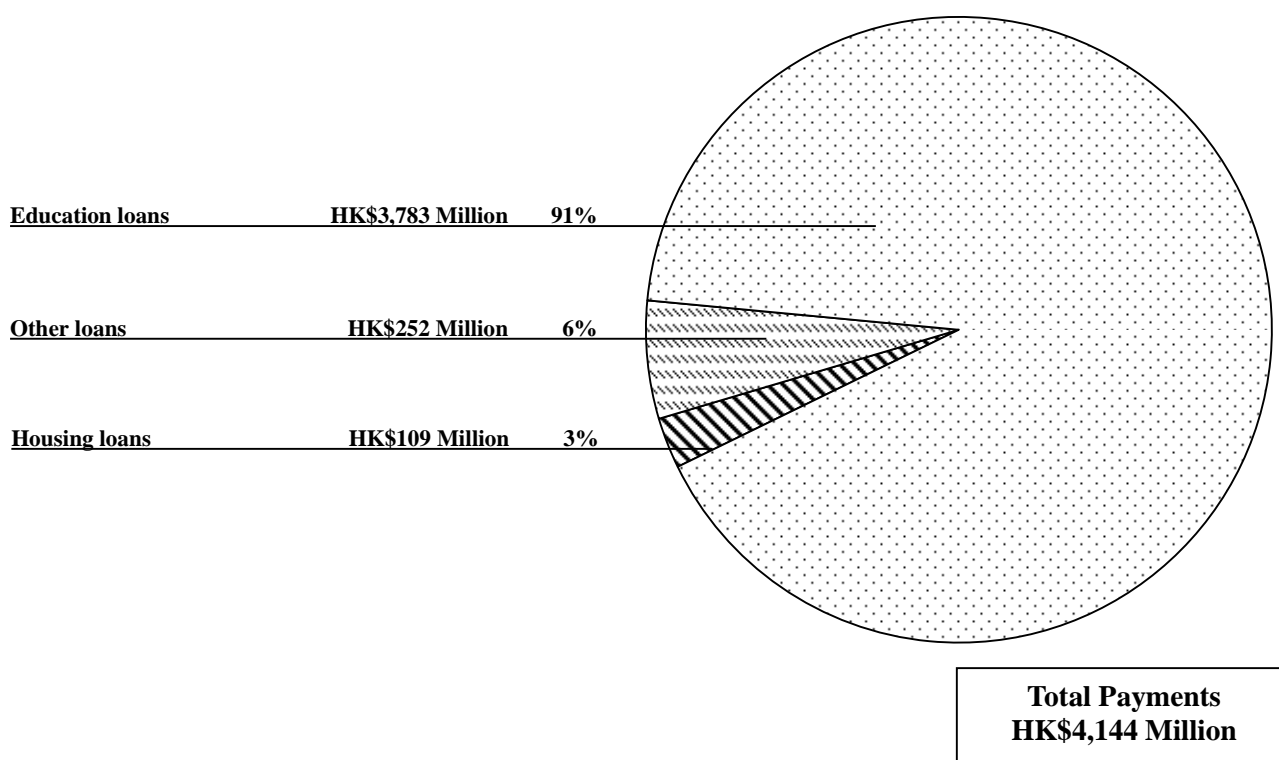
Total Receipts
HK\$3,347 Million

Loan Fund

10. Payments

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Loan payments			
Housing loans	337,000	108,531	179,459
Education loans	3,003,741	3,782,593	2,041,079
Other loans	236,995	252,432	82,836
	3,577,736	4,143,556	2,303,374
Additional commitments	230,000	-	-
	<u>3,807,736</u>	<u>4,143,556</u>	<u>2,303,374</u>

Analysis of Payments for the year ended 31 March 2014



Loan Fund

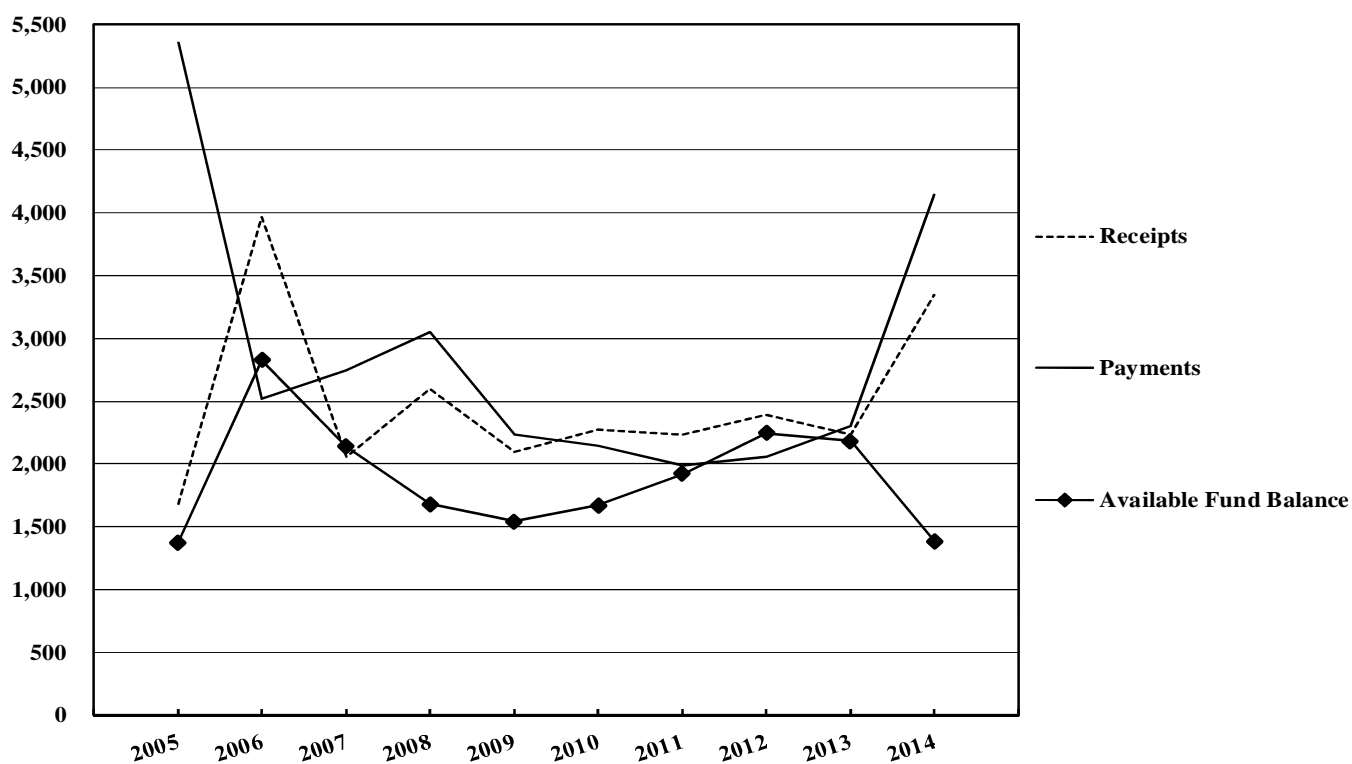
11. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
Reduction in Assets		
Investments with the Exchange Fund	807,883	53,515
Increase in Liabilities		
Deposits	4,117	1,609
	<u>812,000</u>	<u>55,124</u>

Receipts, Payments and Available Fund Balance for the years ended 31 March 2005 to 2014

HK\$Million



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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 2014, 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 2014 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 2014

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

Bond Fund

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Investments with the Exchange Fund	3	100,682,122	75,298,562
Liabilities			
Deposits	4	(3,880)	(5,073)
		<u>100,678,242</u>	<u>75,293,489</u>
Representing:			
Fund Balance			
Balance at beginning of year		75,293,489	52,019,013
Surplus for the year		25,384,753	23,274,476
Balance at end of year	5, 6	<u>100,678,242</u>	<u>75,293,489</u>

Notes 1 to 9 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



Bond Fund

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash and bank balances at beginning of year		-	-
Receipts	7	34,320,157	31,541,188
Payments	8	(8,935,404)	(8,266,712)
Surplus for the year		25,384,753	23,274,476
Other cash movements	9	(25,384,753)	(23,274,476)
Cash and bank balances at end of year		-	-

Notes 1 to 9 form part of these financial statements.

Martin SIU
Director of Accounting Services
15 August 2014



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 2014 was HK\$4.19 billion (2013: HK\$3.38 billion).

4. Deposits

This represents the accrued interest received from successful bidders on reopened government bonds and is to be paid as part of bond interest on the next interest payment date of the bonds:

	2014	2013
	HK\$'000	HK\$'000
Accrued interest received from successful bidders	3,880	5,073

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 payments charged to the Fund under paragraph (e)(i) of the Resolution. The outstanding liabilities totalling HK\$94 billion as at 31 March 2014 are not included in the Statement of Assets and Liabilities (Note 6).

Bond Fund

6. Bonds Outstanding

In accordance with a resolution passed under section 3 of the Loans Ordinance in May 2013, the Government is authorized to borrow from any person from time to time for the purposes of the Bond Fund such sums not exceeding in total HK\$200 billion or equivalent, being the maximum amount of all borrowings made under paragraph (a) of this resolution that may be outstanding by way of principal at any time. The outstanding liabilities in respect of the sums borrowed are as follows:

	2014	2013
	HK\$'000	HK\$'000
Balance at beginning of year	70,500,000	49,500,000
Issuance of bonds under		
Tender or subscription (Note (i) below)	30,500,000	28,000,000
Bond swap facility (Note (ii) below)	42,200	-
	30,542,200	28,000,000
Repayment of bonds issued under		
Tender or subscription (Note (i) below)	(7,000,000)	(7,000,000)
Bond swap facility (Note (ii) below)	(42,200)	-
	(7,042,200)	(7,000,000)
Balance at end of year (Note (iii) below)	94,000,000	70,500,000

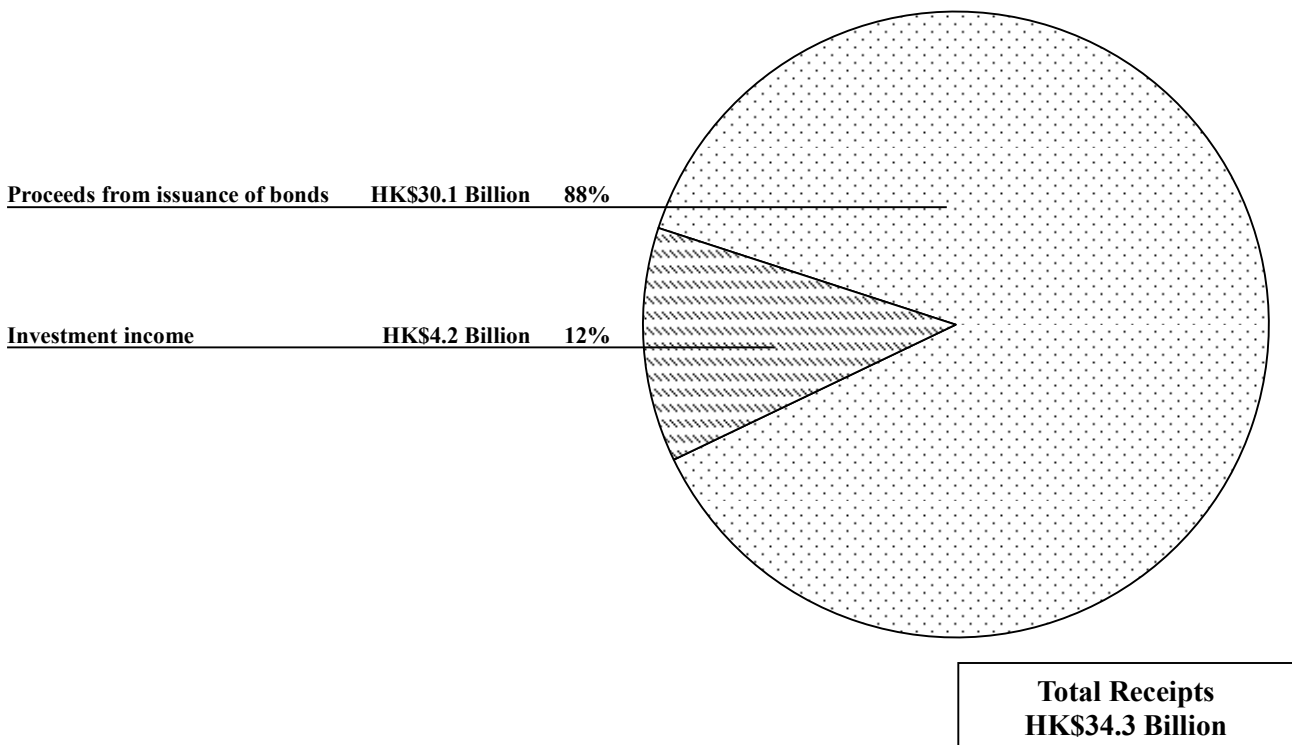
- (i) During the financial year, bonds with nominal value totalling HK\$20.5 billion were issued to institutional investors through tender, and bonds with nominal value totalling HK\$10 billion were issued to retail investors through subscription.
- (ii) Under the institutional part of the Government Bond Programme, the Government has introduced the bond swap facility to enhance the liquidity of relevant bonds. The bond swap facility was launched on 17 February 2014. It involves the early repayment of certain bonds for issuance of other bonds of the same monetary value, and the reversal of these transactions on a pre-agreed later date.
- (iii) The bond balance of HK\$94 billion as at 31 March 2014 comprised bonds issued under tender or subscription. Of which, HK\$0.8 billion was early repaid on 15 May 2014 for issuance of other bonds with the same nominal value under a switch tender, and HK\$10 billion was repaid upon maturity on 28 July 2014. For the rest, HK\$10 billion will mature within the period from August 2014 to March 2015 and HK\$73.2 billion within the period from April 2015 to January 2023.

Bond Fund

7. Receipts

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Proceeds from bonds issued under			
Tender or subscription	29,000,000	30,094,191	28,160,543
Bond swap facility	-	40,628	-
	29,000,000	30,134,819	28,160,543
Investment income			
Investments with the Exchange Fund	-	4,185,069	3,380,357
Others	-	269	288
	4,156,000	4,185,338	3,380,645
	33,156,000	34,320,157	31,541,188

Analysis of Receipts for the year ended 31 March 2014

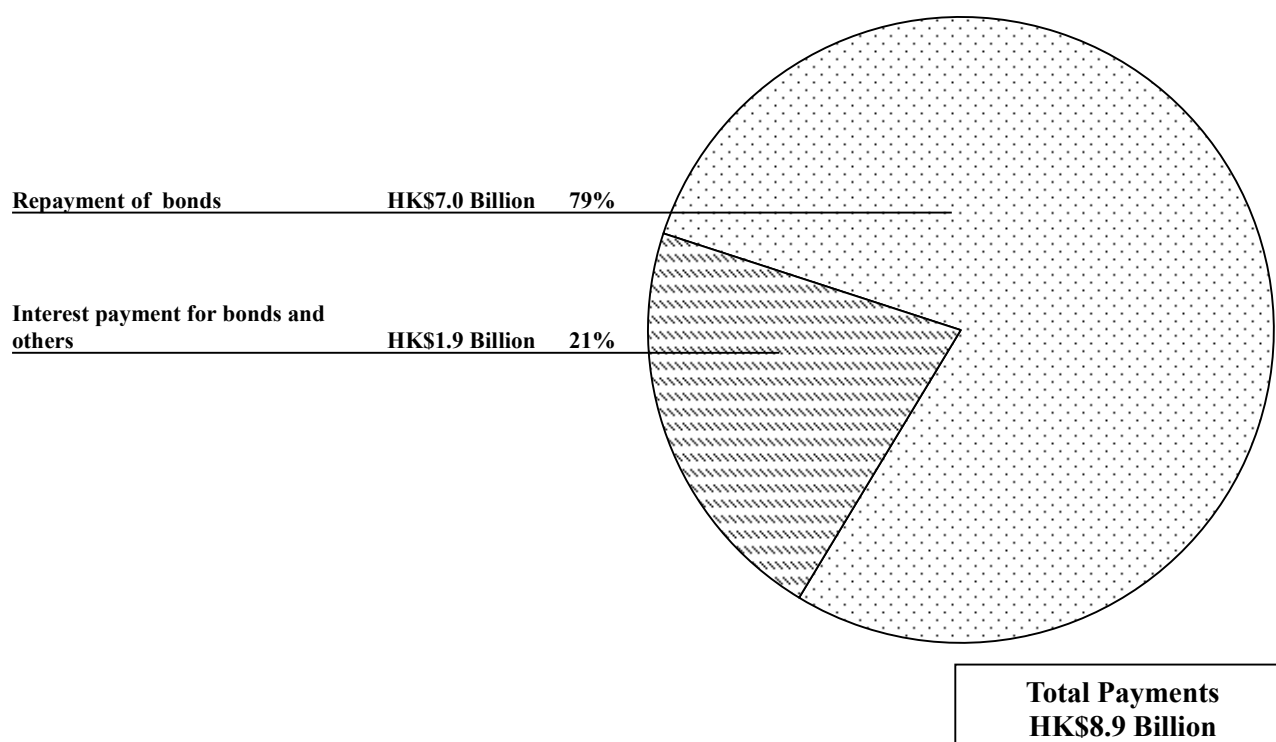


Bond Fund

8. Payments

	2014		2013
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Repayment of bonds issued under			
Tender or subscription	7,000,000	7,000,000	7,000,000
Bond swap facility	-	40,628	-
	7,000,000	7,040,628	7,000,000
Interest payment for bonds	1,769,724	1,868,805	1,241,388
Others	26,002	25,971	25,324
	<u>8,795,726</u>	<u>8,935,404</u>	<u>8,266,712</u>

Analysis of Payments for the year ended 31 March 2014



Bond Fund

9. Other Cash Movements

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

	2014 HK\$'000	2013 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	(25,383,560)	(23,279,549)
(Reduction)/Increase in Liabilities		
Deposits	(1,193)	5,073
	<u>(25,384,753)</u>	<u>(23,274,476)</u>

Receipts, Payments and Fund Balance for the years ended 31 March 2010 to 2014

HK\$Billion

