

LAND FUND

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Memorandum Note

The Land Fund was established on 1 July 1997 by Resolution of the Provisional Legislative Council to receive and hold all of the assets, including all accounts receivable, net of expenses, transferred from the Hong Kong Special Administrative Region Government Land Fund.

2 The Resolution provides, inter alia, that—

- (a) the Fund be administered and managed by the Financial Secretary who may delegate his power of administration and management to other public officers;
- (b) there shall be credited to the Fund—
 - (i) all sums earned by way of interest, dividends or other investment revenue relating to the investment of the Hong Kong Special Administrative Region Government Land Fund and all sums earned from the sale or other disposal of all or part of any assets of the Hong Kong Special Administrative Region Government Land Fund, after the deduction of all of the expenses relating to the administration and management of the Hong Kong Special Administrative Region Government Land Fund; and
 - (ii) all accounts receivable and all sums earned by way of interest, dividends or other investment revenue relating to the investment of the Fund and all sums earned from the sale or other disposal of all or part of any assets of the Fund, after the deduction of all of the expenses relating to the administration and management of the Fund;
- (c) all expenses relating to the administration and management of the Fund, including expenses for meeting the management staff costs, and the costs incurred by the Trustees of the Hong Kong Special Administrative Region Government Land Fund Trust in the dissolution of the Trust in accordance with clause 29 of the Declaration of Trust of the Hong Kong Special Administrative Region Government Land Fund Trust, and any accounts payable in respect of the Hong Kong Special Administrative Region Government Land Fund after 30 June 1997, shall be met at the expense of the Fund;
- (d) the Fund shall assume—
 - (i) all the liabilities of the Trustees of the Hong Kong Special Administrative Region Government Land Fund Trust incurred before and outstanding upon the dissolution of the Trust, in accordance with clause 29 of the Declaration of Trust of the Hong Kong Special Administrative Region Government Land Fund Trust; and
 - (ii) all the obligations of the Financial Secretary to indemnify the Trustees and each of them and each of their personal representatives and estates from and against all actions, proceedings, claims and demands and all costs and expenses in respect of or arising out of the administration of the Hong Kong Special Administrative Region Government Land Fund Trust, in accordance with the covenant clause 9 of a Vesting Deed executed on 1 July 1997;
- (e) the Financial Secretary may, in his discretion, authorise and direct the investment of any assets of the Fund which are not immediately required to meet expenses in respect of the Fund at any time in such manner as he may determine.

3 The net value of assets received by the Fund from the Trustees of the Hong Kong Special Administrative Region Government Land Fund on 1 July 1997 was \$197,072 million. As at 31 March 2005, the Fund's balance stood at \$124,025 million.

4 The Hong Kong Monetary Authority has been directed by the Financial Secretary to manage the investment of the Fund's assets.

5 From 1 July 1997 to 31 October 1998, the assets of the Fund were managed by the Hong Kong Monetary Authority as a separate portfolio. The Fund had no receipts or payments since any investment earnings, net of the costs of managing the investments, were rolled up in the portfolio. Such net earnings were reflected as an increase in the net worth of the investments. With effect from 1 November 1998, the assets of the Fund have been merged with those of the Exchange Fund, and share the same rate of investment return as from that date. Any interest paid by the Hong Kong Monetary Authority is treated as investment income.

6 Receipts for 2005–06 and 2006–07 are estimated at \$4,221,055,000 and \$7,951,869,000 respectively.

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(Receipts)

	Revised estimate 2005-06	Estimate 2006-07
	\$'000	\$'000
Investment income	4,221,055	7,951,869
Total (Receipts)	<u>4,221,055</u>	<u>7,951,869</u>

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	243,784	247,334	260,615	157,774	124,025	128,555
Revenue	107	13,281	17,159	6,560	4,221	7,952
Expenditure	—	—	—	—	—	—
Surplus/(Deficit) before Transfer to GRA	107	13,281	17,159	6,560	4,221	7,952
Transfer to GRA	—	—	120,000 ^α	40,000 [#]	—	—
Surplus/(Deficit) after Transfer to GRA	107	13,281	(102,841)	(33,440)	4,221	7,952
Write-back of Provision for Loss in Investments with the Exchange Fund	3,443 [§]	—	—	(309) ^ç	309 ^γ	—
Closing Balance	247,334	260,615	157,774	124,025	128,555	136,507

^α The Legislative Council resolved on 7 May 2003 that a sum of \$120,000 million be transferred from the Land Fund to the General Revenue.

[#] The Legislative Council resolved on 16 June 2004 that a sum of \$40,000 million be transferred from the Land Fund to the General Revenue.

[§] In 2001-02, the amount refers to the write-back of the provision made in 2000-01.

^ç In 2004-05, the amount refers to the provision for the diminution in the market value of investments with the Exchange Fund during the period from 1 January to 31 March 2005.

^γ In 2005-06, the amount refers to the write-back of the provision made in 2004-05.

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	107	13,281	17,159	6,560	4,221	7,952
Total Revenue	107	13,281	17,159	6,560	4,221	7,952