

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 2009, the Fund's balance stood at \$164,650 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. Since 1 November 1998, the assets of the Fund have been merged with those of the Exchange Fund for investment purpose. Effective from 1 April 2007, the return on investments with the Exchange Fund has been calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to a minimum guaranteed return of not lower than the average yield of three-year Exchange Fund Notes for the previous year.

6 Receipts for 2009–10 and 2010–11 are estimated at \$11,196,207,000 and \$11,078,000,000 respectively.

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(Receipts)

	Revised estimate 2009-10	Estimate 2010-11
	<u>\$'000</u>	<u>\$'000</u>
Investment income	11,196,207	11,078,000
	<u> </u>	<u> </u>
Total (Receipts)	<u>11,196,207</u>	<u>11,078,000</u>

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m
Opening Balance	124,025	128,560	140,591	150,467	164,650	175,846
Revenue	4,226	12,031	9,876	14,183	11,196	11,078
Expenditure	—	—	—	—	—	—
Surplus	4,226	12,031	9,876	14,183	11,196	11,078
Write-back of Provision for Loss in Investments with the Exchange Fund	309 ^γ	—	—	—	—	—
Closing Balance	128,560	140,591	150,467	164,650	175,846	186,924

^γ The amount refers to the write-back of the provision made in 2004-05 for the diminution in the market value of investments with the Exchange Fund during the period from 1 January to 31 March 2005.

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m
Investment Income	4,226	12,031	9,876	14,183	11,196	11,078
Total Revenue	4,226	12,031	9,876	14,183	11,196	11,078