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 2014, the Fund's balance stood at $219,730 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 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.

6 The 2014–15 investment income on the balance of the Land Fund placed with the Exchange Fund is $7,910,268,000. This, along with the investment income on other parts of the fiscal reserves, has been set aside and retained within the Exchange Fund for the Housing Reserve. Receipts for 2015–16 are estimated at $12,085,000,000.

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(Receipts)

	Actual receipts 2013–14	Revised estimate 2014–15	**Estimate 2015–16**
	$'000	$'000	**$'000**
Investment income	10,463,317	—*	**12,085,000**
Total (Receipts)	10,463,317	—	**12,085,000**

* The 2014–15 investment income on the balance of the Land Fund placed with the Exchange Fund is $7,910,268,000. This, along with the investment income on other parts of the fiscal reserves, has been set aside and retained within the Exchange Fund for the Housing Reserve.

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Movement of the Account

	Actual				Revised Estimate	Estimate
	2010–11	2011–12	2012–13	2013–14	2014–15	**2015–16**
	$m	$m	$m	$m	$m	**$m**
Opening Balance	175,846	186,924	198,140	209,266	219,730	**219,730**
Revenue	11,078	11,216	11,126	10,464	—*	**12,085**
Expenditure	—	—	—	—	—	**—**
Surplus	11,078	11,216	11,126	10,464	—	**12,085**
Closing Balance	186,924	198,140	209,266	219,730	219,730	**231,815**

Revenue Analysis

	Actual				Revised Estimate	Estimate
	2010–11	2011–12	2012–13	2013–14	2014–15	**2015–16**
	$m	$m	$m	$m	$m	**$m**
Investment Income	11,078	11,216	11,126	10,464	—*	**12,085**
Total Revenue	11,078	11,216	11,126	10,464	—	**12,085**

* The 2014–15 investment income on the balance of the Land Fund placed with the Exchange Fund is $7,910,268,000. This, along with the investment income on other parts of the fiscal reserves, has been set aside and retained within the Exchange Fund for the Housing Reserve.