

Background on the Land Fund

The Sino-British Joint Declaration stipulated that premium income received by the Hong Kong Government from land transactions during the period from 27 May 1985 and up to 30 June 1997 shall, after deduction of the average cost of land production, be shared equally with the future Hong Kong Special Administrative Region Government (HKSARG). A HKSARG Land Fund was thus established in 1986 by the Chinese side in the Joint Liaison Group by way of a Deed of Declaration of Trust for the purpose of holding in trust for the future HKSARG its share of the land premium income.

2. With the establishment of the HKSARG on 1 July 1997, the assets of the HKSARG Land Fund with a net value of \$197 billion were handed over to the HKSARG and the Deed of Declaration of Trust ceased to have effect. It was thereafter for the HKSARG to decide how the Fund should be expended. The Chief Executive appointed the Financial Secretary as the public officer to receive these assets as part of the HKSARG fiscal reserves. These assets became part of the general revenue¹ in accordance with section 3 of the Public Finance Ordinance (PFO) (Cap. 2). Following the establishment of the HKSARG, all income from land premium is credited directly to the Capital Works Reserve Fund for the purposes of financing the capital works programme and the acquisition of land.

3. As the HKSARG had not yet decided on the long-term use of the assets held in the trust fund, a separate fund, namely the Land Fund, was established by Resolution made and passed by the Provisional Legislative Council under section 29 of the PFO to receive, hold and invest the assets of the HKSARG Land Fund on 1 July 1997.

¹ Section 3 of the PFO stipulates that except where otherwise provided by or under the PFO or any other enactment, any moneys raised or received for the purposes of the Government shall form part of the general revenue.