

Environment and Conservation Fund

Trustee Report 2005-2006

For Presentation to the Legislative Council

on 18 October 2006

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Report by the Trustee on the Administration of the Environment and Conservation Fund

This report covers the financial year ending 31 March 2006.

Environment and Conservation Fund (ECF)

2. In the 1993 Policy Address to the Legislative Council, the then Governor proposed to set up the ECF for funding education and research in relation to environmental and conservation matters.

3. The Environment and Conservation Fund Ordinance (the Ordinance), which established the ECF, was enacted in June 1994. An initial capital injection of \$50 million was then approved by the Finance Committee. The ECF came into operation in August 1994. In 1998, 2002 and 2006, the Finance Committee further approved \$50 million, \$100 million and \$35 million respectively.

Trustee

4. Section 5 of the Ordinance provides for the Secretary for the Environment, Transport and Works to act as the trustee of the ECF.

ECF Committee and vetting of applications

5. The ECF Committee, established in accordance with section 7 of the Ordinance, is to advise the trustee on the use of the ECF for the purposes of funding educational, research and other projects and activities in relation to environmental and conservation matters. The Committee consists of a chairman, not more than eight non-official members appointed by the Chief Executive for a term of two years and four ex-officio members. The membership list is on page 7.

6. The ECF Committee has established a Research Projects Vetting Sub-committee to consider research and technology demonstration projects. The Sub-committee comprises ECF Committee members and co-opted members. The membership list of the Research Projects Vetting Sub-committee is on page 8.

7. The ECF Committee has also established a Waste Recovery Projects Vetting Sub-committee to vet community waste recovery project proposals that cost \$500,000 or less.

For projects costing over \$500,000, the recommendations of the Sub-committee will have to be approved by ECF Committee. The Sub-committee is also responsible for vetting applications for the Programme on Source Separation of Domestic Waste, with a maximum grant of \$150,000 per housing estate. The Sub-committee comprises members of the ECF Committee, members of the Environmental Campaign Committee (ECC), members of the Waste Subcommittee of the Advisory Council on the Environment (ACE) and co-opted members. The membership list of the Waste Recovery Projects Vetting Sub-committee is on page 9.

8. The ECF Committee has entrusted the vetting of educational projects to the ECC. The reason for this arrangement is that the ECF Committee considers that the ECC has developed the expertise for considering such projects. The membership list of the ECC is on page 10.

9. Both the Research Projects Vetting Sub-committee and ECC can approve grants up to \$150,000 for a project. For applications exceeding this limit, the recommendations of the Research Projects Vetting Sub-committee or ECC will have to be endorsed by the ECF Committee.

10. During the financial year 2005-2006, the ECF Committee also vetted applications for the Pilot Conservation Management Agreement Projects. All applications received were first examined by Environmental Protection Department (EPD) and Agriculture, Fisheries and Conservation Department (AFCD) in consultation with other relevant government departments and the ACE and its Nature Conservation Subcommittee. The recommendations were then submitted to the ECF Committee for endorsement.

11. The EPD provides secretariat service to the ECF Committee, Research Projects Vetting Sub-committee, Waste Recovery Projects Vetting Sub-committee and the ECC.

12. Applications can be submitted any time using the prescribed application forms, which are available in all district offices, the EPD and its Environmental Resource Centres, the AFCD and the Wheelock and Company Limited. The Research Projects Vetting Sub-committee usually meets once every two months to vet applications, whereas the ECC and the Waste Recovery Projects Vetting Sub-committee meets quarterly. The ECF Committee normally meets quarterly to consider the recommendations of the Sub-committees and ECC.

Criteria for vetting applications

13. Applications from non-profit making organisations and community groups will be considered for funding support. Local incorporated companies may apply funding for technology demonstration projects. The following broad criteria are used in assessing the merits of individual applications:

- (1) Projects must contribute to the overall environment of Hong Kong, to raise environmental awareness of the local community, or mobilise the community to take action to improve the environment. For community waste recovery projects, they must contribute to promoting waste prevention and recovery in Hong Kong, raise awareness of the local community, or mobilise the community to take action in waste reduction, separation and recovery.
- (2) The benefits must accrue to the local community as a whole, and not just to individuals, a single private organisation or a consortium of private companies.
- (3) Projects must be non-profit making in nature. Income derived from a project should be used to further the project's aims.
- (4) In considering a project proposal, due consideration will be given to:-
 - (a) the benefits that it will bring to Hong Kong's environment, ecology, flora and fauna etc., or the extent to which it will enhance the environmental awareness of local community. For community waste recovery projects, due consideration will be given to the benefits that it will bring to the efforts in promoting waste reduction, separation and recovery in local communities, or the extent to which it will enhance the awareness and mobilise the public to participate in waste separation and recovery;
 - (b) whether there is a demonstrable need for the proposed project;
 - (c) the technical and project management capability of the applicant, as well as the past performance of the applicant, including the effectiveness of past projects, and the applicant's ability to comply with the funding conditions;

- (d) whether the proposed project's schedule of implementation is well-planned and practicable, and the duration is reasonable;
- (e) whether the proposed budget is prudent, realistic and cost-effective, with full justification for every expenditure item;
- (f) whether the proposed project has alternative sources of funding support;
- (g) whether the proposed project should more appropriately be funded by other sources;
- (h) whether there is or likely to be a duplication of the work already or currently carried out by other groups; and
- (i) if recurrent expenditure is incurred, whether the proposed project has potential to become self-sufficient after a certain period of time.

14. Applicants may download application forms and other information such as a list of projects approved under ECF, from the ECF and ECC homepage on the internet.

Approved applications

15. From 1 April 2005 to 31 March 2006, a total of 150 applications for funding support were considered. Their vetting results are as follows:

(a) applications approved	81
(b) applications being processed	19
(c) applications rejected	33
(d) applications withdrawn by applicants	17
Total :	150

16. Of the 81 approved applications, 78 were funded by the ECF with a total funding committed grant of about \$17.80 million, whereas three were jointly funded by the ECF and the Woo Wheelock Green Fund with a grant of \$325,001.

17. A list of the approved projects is on pages 11 to 23.

Accounts

18. The auditor's report, the balance sheet, the income and expenditure account, the statement of changes in equity and the cash flow statement for the period between 1 April 2005 and 31 March 2006 are on pages 24 to 31.



(Sarah Liao)

Secretary for the Environment, Transport and Works
Trustee of the Environment and Conservation Fund

14 September 2006

Environment and Conservation Fund Committee

Membership List

(1 April 2005 - 31 March 2006)

Professor LUNG Ping-yee, David, SBS, JP (Chairman)

Professor CHAN Chi-ming

The Hon CHOY So-yuk, JP

Mr. LAU Chi-kit, Edwin

Ms LAU Ka-shi

Mr. Joseph LEE, BBS, JP

Mr. MAN Mo-leung

Dr. TSO WONG Man-yin, BBS

Secretary for the Environment, Transport and Works, or his representative

Permanent Secretary for Education and Manpower, or his representative

Director of Agriculture, Fisheries and Conservation, or his representative

Director of Environmental Protection, or his representative

Environment and Conservation Fund Committee

Research Projects Vetting Sub-committee

Membership List

(1 April 2005 - 31 March 2006)

Mr. Joseph LEE, BBS, JP (Chairman)

Professor CHAN Chi-ming

Professor CHAN Chak-keung

Dr. CHEUNG Yun-hing

Professor CHU Lee-man

Ms LAU Ka-shi

Mr. LEE Wai-kow, Richard

Dr. LEUNG Kon-chong, John

Ms LEUNG Wun-man, Emba

Mr. MAN Mo-leung

Ms NGAN Man-ling, Edith

Professor WONG Woon-chung, Jonathan

Mr. YICK Chi-ming, Frankie

Representative from Environment, Transport and Works Bureau

Representative from Agriculture, Fisheries and Conservation Department

Representative from Environmental Protection Department

Environment and Conservation Fund Committee

Waste Recovery Projects Vetting Sub-committee

Membership List

(1 April 2005 - 31 March 2006)

The Hon CHOY So-yuk, JP (Chairlady) (from 28 June 2005 onwards)

Mr. CHAN Chit-kwai, Stephen, JP (from 28 June 2005 onwards)

Mr. CHAN Tak-chor, MH, JP (from 28 June 2005 onwards)

Professor HO Kin-chung, BBS (from 28 June 2005 onwards)

Mr. TSANG Kam-lam (from 28 June 2005 onwards)

Dr. TSANG Po-keung, Eric (from 28 June 2005 onwards)

Mr. CHUNG Kong-mo, Edmond (from 28 June 2005 onwards)

Mr. HO Siu-ping, Peter (from 28 June 2005 onwards)

Mr. LAM Kwok-hing, Wilfred, JP (from 28 June 2005 onwards)

Mrs. LAM LAU Tak-mi, Lorainne (from 28 June 2005 onwards)

Ms LEUNG Oi-mui, Amy (from 28 June 2005 onwards)

Mr. LEUNG Wai-on (from 28 June 2005 onwards)

Representative from Environmental Protection Department

Environmental Campaign Committee

Membership List

(1 April 2005 - 31 March 2006)

Mr. Joseph LEE, BBS, JP (Chairman)
Mrs. NG FONG Siu-mei, BBS (Vice-chairman) (up to 31 December 2005)
Ms LAW Kwan-mei, Elizabeth (Vice-chairman) (from 1 January 2006 onwards)
(Member) (up to 31 December 2005)
Mr. CHAN Chit-kwai, Stephen, JP
Mr. CHAN Sai-biu, Benny (up to 31 December 2005)
Mr. CHAN Tak-chor, MH, JP
Ms CHAU Chuen-hueng, MH, JP (up to 31 December 2005)
Ms KOONG May-kay, Maggie
Ms LAU Wai-kuen, Goretti
Dr. LAW Chi-kwong, SBS, JP
Mr. LEUNG Che-cheung, MH (from 1 January 2006 onwards)
Mr. LUI Tung-ming (from 1 January 2006 onwards)
Mr. NG Ping-kin, Arkin (from 1 January 2006 onwards)
Mr. TAM Siu-ping, George
Dr. TSANG Po-keung, Eric
Ms WONG Pik-kiu, Peggy (from 1 January 2006 onwards)
Professor WONG Woon-chung, Jonathan (from 1 January 2006 onwards)
Professor ZEE Sze-yong, Shane, SBS
Secretary for Education and Manpower, or his representative
Secretary for Home Affairs, or his representative
Director of Environmental Protection, or his representative
Director of Health, or his representative
Director of Information Services, or his representative

**Projects Approved under
the Environment and Conservation Fund
(1 April 2005 - 31 March 2006)**

Environmental Research and Technology Demonstration Projects

	Applicant	Project Title	Approved Amount
1.	The City University of Hong Kong	Ecological and Physiological Response of Hong Kong Coral Communities to Changing Temperature and Oxygen Level	\$909,206.50
2.	The University of Hong Kong	Water Conservation through Enhanced Biological Wastewater Treatment and UV Disinfection	\$130,000.00
3.	The University of Hong Kong	Atmospheric Deposition of Mercury in Hong Kong	\$149,372.00
4.	The Hong Kong University of Science and Technology	Aerosol Size Distribution Study of Cooking Fumes Emitted from Real Life Cooking Activities	\$149,752.00*
5.	The Hong Kong University of Science & Technology	Environmentally-Friendly Nanosorbents for Recovery of Precious Metals from Waste Effluents	\$149,250.00*
6.	The Hong Kong Polytechnic University	Towards developing an engineering strategy to reduce tire-pavement noise	\$351,000.00*
7.	The Hong Kong Baptist University	Species identification, ecology and biological control of apple snails in Hong Kong	\$426,280.00

	Applicant	Project Title	Approved Amount
8.	World Wide Fund for Nature Hong Kong	Study upon the Vegetation Effects and Potential Economic Habitat Management Benefits of Introducing Asian Water Buffalo <i>Bubalus</i> <i>bubalis</i> into the Freshwater Ponds at Mai Po Nature Reserve	\$149,864.00
9.	The Hong Kong Bird Watching Society Limited	Seabird migration survey in southern and southeastern Hong Kong waters, spring 2006	\$150,000.00
Subtotal (I) :			\$2,239,723.50

* Jointly funded by the Environment and Conservation Fund and Woo Wheelock Green Fund on a 50/50 basis.

Environmental Education and Community Action Projects

	Applicant	Project Title	Approved Amount
10.	Green Lantau Association	Display of hill fire prevention banners on Lantau Island	\$10,000.00
11.	Green Sense	Campaign for using less plastic bags for bread	\$5,875.00
12.	The Chinese Young Men's Christian Association (YMCA) of Hong Kong (Tin Shui Wai Centre (Children & Youth Integrated Team))	Tin Shui Wai Green Exposure Scheme	\$23,080.00
13.	The Hong Kong Federation of Youth Groups (Jockey Club Tseung Kwan O Youth S.P.O.T.)	Nature Appreciation Ambassadors	\$54,794.00
14.	Christian & Missionary Alliance Church Union Hong Kong Limited (C&MA) (C & MA Riviera Gardens Elderly Learning Centre)	Unlimited Green Power	\$30,611.00
15.	Association of Baptists for World Evangelism (Hong Kong) Limited (Shing Yan Christian Social Service Centre)	Love in Waste Recovery	\$19,130.00
16.	The Chinese YMCA of Hong Kong (Tsuen Wan Centre (Integrated Team))	拉闊大自然 愛好生活 (No English project title)	\$38,991.00
17.	The Boys' and Girls' Clubs Association of Hong Kong (Tsz Wan Shan Children & Youth Integrated Service Centre)	Growth to Green	\$33,002.00

	Applicant	Project Title	Approved Amount
18.	Aberdeen Kai-fong Welfare Association Social Service Centre (Wah Kwai Day Care Centre for the Elderly)	Protect Your Environment Workshop	\$2,012.00
19.	Hong Kong Young Women's Christian Association (HKYWCA) (Tsing Yi Integrated Social Service Centre)	E.P. Teen Project	\$18,014.30
20.	The Chinese YMCA of Hong Kong (Chai Wan Neighbourhood Elderly Centre)	Green Life Project	\$32,780.00
21.	C & MA (Lam Tin Neighbourhood Elderly Centre)	Green Fun Tour	\$24,396.00
22.	The Boy's and Girl's Clubs Association of Hong Kong (Jockey Club Sau Mau Ping Children and Youth Integrated Services Centre)	Green Life. Smart Life	\$32,434.00
23.	Hong Kong Lutheran Social Service (Jockey Club Riviera Gardens Lutheran Integrated Service Centre)	New Generation of Environmental Protection Project	\$21,570.00
24.	C&MA (C & MA Lei Fook Neighbourhood Elderly Centre)	Environmental Education Group	\$8,297.00
25.	The Society for Aids Care Limited	Get Involved in Mai Po Trip	\$3,574.00
26.	Tung Wah Group of Hospitals (Wing Yin Hostel)	Green Mind	\$8,270.00
27.	Leo Club of Hong Kong	Chasing the Environmentalism - Digital Camera Competition	\$16,566.00

	Applicant	Project Title	Approved Amount
28.	Democratic Alliance for the Betterment and Progress of Hong Kong (Wong Tai Sin Branch)	Design Programme 06	\$17,830.00
29.	The Chinese YMCA of Hong Kong (Tuen Mun Centre)	Environmental Education in Tuen Mun	\$63,969.00
30.	Sha Tin Junior Chamber Limited	Love of the Earth 2006	\$12,400.00
31.	The Hong Kong Federation of Youth Groups (Tsuen King Youth S.P.O.T.)	「3R in Tsuen King」 Environmental Protection Campaign	\$13,858.00
32.	The Incorporated Owners of Park Belvedere, Ma On Shan	親子綠田園 (No English project title)	\$960.00
33.	Rotary Club of Shatin	Information Technology New Era (ITNE) 2006 - "New Green Life Model" Competition	\$30,300.00
34.	Hong Kong Baptist University	Renewable Energy Promotion and Utilization Project	\$7,550.00
35.	Vocational Training Council: Hong Kong Institute of Vocational Education (Tuen Mun - Student Affair Office)	G -Scheme at IVE (Tuen Mun)	\$2,434.00
36.	Pok Oi Hospital Chan Kai Memorial College	Ecotourism	\$2,110.00
37.	Heung Hoi Ching Kok Lin Association Buddhist Ching Kok Secondary School (HHCKLA Buddhist Ching Kok Secondary School)	Eco-Mileage Awarding Scheme	\$6,300.00
38.	Tai Po Sam Yuk Secondary School	3R (Reduce, Recycle, Reuse) Project	\$8,860.00
39.	Lok Wah Catholic Primary School	Hoi Ha Wan Primary School Visit - Hoi Ha Detective	\$3,080.00

	Applicant	Project Title	Approved Amount
40.	HKCWC Fung Yiu King Memorial Secondary School	Loving our Environment and Practising Green Life	\$5,700.00
41.	Christian Alliance S W Chan Memorial College	Towards a Green School IV	\$6,350.00
42.	Haven of Hope Sunnyside School	Together we join the organic farming	\$14,460.00
Subtotal (II) :			\$579,557.30

Community Waste Recovery Projects

	Applicant	Project Title	Approved Amount
43.	Mong Kok Kai Fong Association Limited Chan Hing Social Service Centre	Green Community Waste Recovery Project	\$256,997.33
44.	Hong Kong Women Workers' Association	Women Green Collar "Community 3R" Project	\$348,800.00
45.	Hong Kong & Kowloon Motor Boats & Tug Boats Association Limited	Collection of Spent Lubricant Oil Recycling Scheme	\$29,500.00
46.	Women Service Association	Green Community Waste Recovery Project	\$214,587.00
47.	Democratic Alliance for the Betterment and Progress of Hong Kong (Kowloon City Branch)	Programme of Greening Community by Recycling	\$244,137.00
		Subtotal (III):	\$1,094,021.33

Programme on Source Separation of Domestic Waste

	Applicant	Estates	Approved Amount
48.	Owners Committee of Sorrento#	Sorrento	\$122,740.50
49.	The Incorporated Owners of Serenade Cove#	Serenade Cove	\$12,487.50
50.	The Owners' Committee of No.1 Tai Hang Road#	No.1 Tai Hang Road	\$4,125.00
51.	Broadview Garden Owners' Committee	Broadview Garden	\$3,591.00
52.	The Owners' Committee of Goldwin Heights#	Goldwin Heights	\$4,156.25
53.	Cascades Owners' Incorporation#	Cascades	\$1,591.00
54.	Incorporated Owners of Tong Ming Court	Tong Ming Court	\$37,620.00
55.	Residential Owners' Sub-committee, Seaview Crescent#	Seaview Crescent	\$36,000.00
56.	Owners' Committee of Villa Lotto#	Villa Lotto	\$12,125.00
57.	The Incorporated Owners of Cheung Wo Court	Cheung Wo Court	\$89,110.60
58.	The Owners' Committee of Parc Palais#	Parc Palais	\$5,065.00
59.	The Incorporated Owners of Yue Sun Mansion, Second Street & Third Street#	Yue Sun Mansion	\$23,415.00
60.	The Incorporated Owners of Wo Ming Court	Wo Ming Court	\$1,096.10
61.	The Incorporated Owners of Braemar Hill Mansions	Braemar Hill Mansions	\$58,031.00
62.	2 nd Tseung Kwan O Plaza Owners' Committee	Tseung Kwan O Plaza	\$45,160.00

	Applicant	Estates	Approved Amount
63.	Environment and Conservation Team, The Harbourside#	The Harbourside	\$94,575.00
64.	The Incorporated Owners of Ventris Court	Ventris Court	\$4,260.00
65.	Environmental Protection Team, Lei On Court#	Lei On Court	\$19,374.00
		Subtotal (IV):	\$574,522.95

The residential organizations of the estates have authorized their property management companies to submit the applications and implement the projects on their behalf.

Large-scale Environmental Education and Awareness Projects Coordinated by the Environmental Campaign Committee

	Project Title	Participating bodies	Approved Amount
66.	World Environment Day 2005	• Community organisations • District Councils • Environmental Protection Department • Green groups • Non-government organisations • Primary, secondary and tertiary schools	\$1,700,000.00
67.	Environmental Protection Festival 2005	• Community organisations • District Councils • Environmental Protection Department • Green groups • Non-government organisations • Primary and secondary schools	\$1,190,000.00
68.	Trial Scheme on Partnership and Capacity Building Programmes	• Green groups • Community organizations • Schools • Business organizations	\$750,000.00
69.	Environmental Seminars for DC Members	• District Councils • Environmental Protection Department	\$15,000.00
70.	Environmental Seminars for Media Workers	• Environmental Protection Department • Media workers	\$30,000.00
71.	Schools Environmental Award Scheme cum Student Environmental Protection Ambassador Scheme 2004/05 and 5 th Hong Kong Green School Award 2005/06	• Education and Manpower Bureau • Environmental Protection Department • Hong Kong Institute of Education	\$234,500.00

	Project Title	Participating bodies	Approved Amount
		- Hong Kong Productivity Council - Vocational Training Council - Primary and secondary schools	
72.	The 6 th Hong Kong Green School Award	- Education and Manpower Bureau - Environmental Protection Department - Hong Kong Institute of Education - Hong Kong Productivity Council - Vocational Training Council - Primary and secondary schools	\$445,000.00
73.	Schools Environmental Award Scheme cum Student Environmental Protection Ambassador Scheme 2005/06	- Education and Manpower Bureau - Environmental Protection Department - Primary and secondary schools	\$1,200,000.00
74.	Eco-Business Award 2005	- The Chinese General Chamber of Commerce - Environmental Protection Department - Hong Kong General Chamber of Commerce - Hong Kong Productivity Council 22 Co-organisers	\$750,000.00
75.	Brainstorming session for ECC Members	ECC members	\$5,000.00
76.	Revamp of ECC Website	N/A	\$100,000.00
77.	General support (including website maintenance fee, auditing fee, etc.)	N/A	\$90,000.00

	Project Title	Participating bodies	Approved Amount
78.	Project Coordinating Staff for • Community Liaison Team, Schools Liaison Team and Business Team	N/A	\$2,184,000.00
Subtotal (V) :			\$8,693,500.00

Pilot Conservation Management Agreement Projects

	Applicant	Project Title	Approved Amount
79.	Tai Po Environmental Association	A Pilot Scheme of Management Agreement on the Private Land with High Conservation Value at Fung Yuen Valley in Tai Po, Hong Kong	\$1,743,630.00
80.	Hong Kong Bird Watching Society	Birds and Humans in Harmony - A Sustainable Management Scheme in Long Valley	\$1,362,560.00
81.	Conservancy Association	Sustainable Habitat Management in Long Valley	\$1,514,160.00
Subtotal (VI) :			\$4,620,350.00
Total (I)+(II)+(III)+(IV)+(V)+(VI) :			\$17,801,675.08



Environment and Conservation Fund

REPORT OF THE DIRECTOR OF AUDIT TO THE LEGISLATIVE COUNCIL

I have audited the attached statement of the accounts which has been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the Secretary for the Environment, Transport and Works and the Director of Audit

Under section 8(1) of the Environment and Conservation Fund Ordinance (Cap. 450), the Secretary for the Environment, Transport and Works is responsible for the preparation of the statement of the accounts, which statement shall include an income and expenditure account and balance sheet and shall be signed by her. In preparing the statement of the accounts, the Secretary for the Environment, Transport and Works has to select appropriate accounting policies and to apply them consistently.

It is my responsibility to form an independent opinion, based on my audit, on that statement of the accounts and to report my opinion to you.

Basis of opinion

I certify that I have audited the statement of the accounts referred to above in accordance with section 8(2) of the Environment and Conservation Fund Ordinance and the Audit Commission auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of the accounts. It also includes an assessment of the significant estimates and judgements made by the Secretary for the Environment, Transport and Works in the preparation of the statement of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Environment and Conservation Fund, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance as to whether the statement of the accounts is free from material misstatement. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the statement of the accounts. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion the statement of the accounts gives a true and fair view of the state of affairs of the Environment and Conservation Fund as at 31 March 2006 and of the results of its operations and cash flows for the year then ended and has been properly prepared in accordance with section 8(1) of the Environment and Conservation Fund Ordinance.

Audit Commission
Hong Kong
27 June 2006



(WONG Ying-tao, Peter)
Principal Auditor
for Director of Audit

**Environment and Conservation Fund
Balance Sheet as at 31 March 2006**

	2006 \$	2005 \$
Current Assets		
Interest receivable	348,148	88,200
Bank deposits	90,682,944	61,577,115
Cash at bank	378,997	268,206
	<u>91,410,089</u>	<u>61,933,521</u>
Fund Balance	<u>91,410,089</u>	<u>61,933,521</u>

The accompanying notes 1 to 6 form part of these accounts.



(Sarah Liao)
Secretary for the Environment, Transport and Works
Trustee of the Environment and Conservation Fund

27 June 2006

Environment and Conservation Fund
Income and Expenditure Account for the year ended 31 March 2006

	Note	2006 \$	2005 \$
Income			
Government Grant		35,000,000	-
Interest		1,976,919	385,190
Refund of grants		216,424	15,594
		37,193,343	400,784
Expenditure			
Grants to Environmental Campaign Committee	4	4,125,971	14,774,000
Grants for environmental research and other projects		3,590,804	1,773,892
		<u>7,716,775</u>	<u>16,547,892</u>
Surplus/(Deficit) for the year		<u>29,476,568</u>	<u>(16,147,108)</u>

The accompanying notes 1 to 6 form part of these accounts.

Environment and Conservation Fund
Statement of Changes in Equity for the year ended 31 March 2006

	2006	2005
	\$	\$
Fund Balance:		
Balance at 1 April 2005	61,933,521	78,080,629
Surplus/(Deficit) for the year	29,476,568	(16,147,108)
Balance at 31 March 2006	<u>91,410,089</u>	<u>61,933,521</u>

The accompanying notes 1 to 6 form part of these accounts.

Environment and Conservation Fund
Cash Flow Statement for the year ended 31 March 2006

	2006	2005
	\$	\$
Cash flows from operating activities		
Surplus/(Deficit) for the year	29,476,568	(16,147,108)
Interest income	(1,976,919)	(385,190)
Net cash from/(used in) operating activities	<u>27,499,649</u>	<u>(16,532,298)</u>
Cash flows from investing activities		
Interest received	<u>1,716,971</u>	<u>311,675</u>
Net cash generated from investing activities	<u>1,716,971</u>	<u>311,675</u>
Net increase/(decrease) in cash and cash equivalents	29,216,620	(16,220,623)
Cash and cash equivalents at 1 April 2005	<u>61,845,321</u>	<u>78,065,944</u>
Cash and cash equivalents at 31 March 2006	<u>91,061,941</u>	<u>61,845,321</u>
Analysis of the balances of cash and cash equivalents		
Bank deposits with original maturity within three months	90,682,944	61,577,115
Cash at bank	<u>378,997</u>	<u>268,206</u>
	<u>91,061,941</u>	<u>61,845,321</u>

The accompanying notes 1 to 6 form part of these accounts.

Environment and Conservation Fund
Notes to the Accounts

1. General

The statement of the accounts of the Environment and Conservation Fund (the Fund) is prepared in accordance with section 8(1) of the Environment and Conservation Fund Ordinance (Cap. 450).

The Fund was established for the purposes of funding educational, research and other projects and activities in relation to environmental and conservation matters in accordance with section 4 of the Environment and Conservation Fund Ordinance.

The address of the Fund's office is Room 605, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

2. Significant accounting policies

(a) Statement of compliance

The statement of the accounts has been prepared in accordance with applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong.

(b) Basis for preparation

The statement of the accounts has been prepared on an accrual basis and under the historical cost convention.

(c) Adoption of new/revised HKFRSs

In the current year, the Fund has adopted the following new/revised HKFRSs for the first time:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 18	Revenue
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of these standards did not result in significant changes in the Fund's accounting policies.

The Fund has not applied any new/revised HKFRS that is not yet effective for the current accounting period. The Fund has considered that these HKFRSs may not have a significant impact on its results of operations and financial position.

(d) Revenue recognition

(i) Government grant is recognised on actual receipt.

(ii) Interest income from bank deposits is recognised on a time apportioned basis with reference to the principal amounts outstanding and the applicable interest rates.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

3. Risk management

The Fund is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. To minimise credit risk, the Fund's bank deposits are placed with three licensed banks in Hong Kong.

4. Grants

Grants to the Environmental Campaign Committee for funding its core activities and projects undertaken by other non-profit making organisations are charged to the income and expenditure account of the Fund on actual payment. As at the balance sheet date, the unspent balance held by the Environmental Campaign Committee was as follows:

	2006 \$	2005 \$
Receipts during the year		
Grants	4,125,971	14,774,000
Interest	16,491	797
Sponsorships	96,000	73,000
	<u>4,238,462</u>	<u>14,847,797</u>
Less: Payments during the year	<u>(8,380,086)</u>	<u>(9,735,559)</u>
	(4,141,624)	5,112,238
Balance at 1 April 2005	5,218,413	106,175
Balance at 31 March 2006	<u>1,076,789</u>	<u>5,218,413</u>

5. Commitments

As at 31 March 2006, the commitments for approved grants payable to organisations subject to satisfactory progress or completion of the relevant projects were \$5,660,654 (2005: \$2,861,086).

6. Cost of administration of the Fund

The cost of administration of the Fund, other than the salaries and fees paid under section 6(3) of the Environment and Conservation Fund Ordinance, has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 9(1) of the Environment and Conservation Fund Ordinance.