

Environment and Conservation Fund

Trustee Report 2006-2007

For Presentation to the Legislative Council

on 17 October 2007

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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 2007.

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 (the Secretary for the Environment, Transport and Works prior to 1 July 2007) 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 6.
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 7.
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 Management 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 8.

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 9.

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

11. 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

12. 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.

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

Approved applications

14. From 1 April 2006 to 31 March 2007, a total of 120 applications for funding support were considered. Their vetting results are as follows:

(a) applications approved	75
(b) applications being processed	19
(c) applications rejected	21
(d) applications withdrawn by applicants	5
<hr/>	
Total :	120

15. The total amount of funds approved for the 75 applications were about \$12.47 million, in which two were jointly funded by the Woo Wheelock Green Fund with a grant of \$484,114.50.

16. A list of the approved projects is on pages 10 to 18.

Accounts

17. 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 2006 and 31 March 2007 are on pages 19 to 26.

(YAU Tang Wah, Edward)
Secretary for the Environment
Trustee of the Environment and Conservation Fund
October 2007

Environment and Conservation Fund Committee

Membership List

(1 April 2006 - 31 March 2007)

Professor LUNG Ping-yee, David, SBS, JP (Chairman)
Professor CHAN Chak-keung (from 16 October 2006 onwards)
Professor CHAN Chi-ming (up to 15 October 2006)
The Hon CHOY So-yuk, JP
Professor CHU Lee-man (from 16 October 2006 onwards)
Mr. LAU Chi-kit, Edwin (up to 15 October 2006)
Ms LAU Ka-shi (up to 15 October 2006)
Ms LAU Wai-kuen, Goretti (from 16 October 2006 onwards)
Mr. Joseph LEE, BBS, JP
Mr. MAN Mo-leung
Ms NGAN Man-ling, Edith (from 16 October 2006 onwards)
Dr. TSO WONG Man-yin, BBS (up to 15 October 2006)
Professor WONG Woon-chung, Jonathan (from 16 October 2006 onwards)
Secretary for the Environment, or his representative
Permanent Secretary for Education, 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 2006 - 31 March 2007)

Mr. Joseph LEE, BBS, JP (Chairman)
Professor CHAN Chak-keung
Professor CHAN Chi-ming (up to 15 October 2006)
Professor CHAU Kwai-cheong (from 16 October 2006 onwards)
Dr. CHEUNG Yun-hing (up to 15 October 2006)
Professor CHU Lee-man (up to 15 October 2006)
Ms LAU Ka-shi (up to 15 October 2006)
Mr. LEE Wai-kow, Richard (up to 15 October 2006)
Dr. LEUNG Kon-chong, John (up to 15 October 2006)
Dr LEUNG Mei-yee, Kenneth (from 16 October 2006 onwards)
Ms LEUNG Wun-man, Emba
Mr. MAN Mo-leung
Ms NGAN Man-ling, Edith (up to 15 October 2006)
Professor WONG Woon-chung, Jonathan
Mr. YICK Chi-ming, Frankie (up to 15 October 2006)
Representative from Environment 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 2006 - 31 March 2007)

The Hon CHOY So-yuk, JP (Chairlady)

Mr. CHAN Chit-kwai, Stephen, JP (up to 15 October 2006)

Mr. CHAN Tak-chor, BBS, MH, JP (up to 15 October 2006)

Mr. CHUNG Kong-mo, Edmond

Mr. FAN Hai-tai, Ricky (from 16 October 2006 onwards)

Professor HO Kin-chung, BBS (up to 15 October 2006)

Mr. HO Siu-ping, Peter

Mr. KWONG Man-cheong, Barry (from 16 October 2006 onwards)

Mrs. LAM LAU Tak-mi, Lorraine (up to 15 October 2006)

Mr. LAM Kwok-hing, Wilfred, JP

Dr. LAU Pui-sang, Arthur (from 16 October 2006 onwards)

Ms. LAU Wai-kuen, Goretti (from 16 October 2006 onwards)

Ms LEUNG Oi-mui, Amy

Mr. LEUNG Wai-on

Mr. LUI Tung-ming (from 16 October 2006 onwards)

Ms. NGAN Man-ling, Edith (from 16 October 2006 onwards)

Professor POON Chi-sun (from 16 October 2006 onwards)

Mr. TSANG Kam-lam (up to 15 October 2006)

Dr. TSANG Po-keung, Eric

Professor WONG Woon-chung, Jonathan (from 16 October 2006 onwards)

Dr. YAU Wing-kwong (from 16 October 2006 onwards)

Representative from Environmental Protection Department

Environmental Campaign Committee

Membership List

(1 April 2006 - 31 March 2007)

Mr. Joseph LEE, BBS, JP (Chairman)
Ms LAW Kwan-mei, Elizabeth, MH (Vice-chairman)
Mr. CHAN Chit-kwai, Stephen, JP (up to 31 December 2006)
Mr. CHAN Tak-chor, BBS, MH, JP
Ms KOONG May-kay, Maggie (up to 31 December 2006)
Ms LAU Wai-kuen, Goretti (up to 31 December 2006)
Dr. LAW Chi-kwong, SBS, JP
Mr. LEUNG Che-cheung, MH
Mr. LUI Tung-ming
Mr. NG Ping-kin, Arkin
Mr. TAM Siu-ping, George
Dr. TSANG Po-keung, Eric
Ms WONG Pik-kiu, Peggy
Professor WONG Woon-chung, Jonathan
Professor ZEE Sze-yong, Shane, SBS (up to 31 December 2006)
Secretary for Education, 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 2006 - 31 March 2007)**

Environmental Research and Technology Demonstration Projects

	Applicant	Project Title	Approved Amount
1.	The University of Hong Kong	Capacity building - identifying the missing links: developing the Model for future community-operated renewable energy (BIPV) projects	\$150,000.00
2.	The Hong Kong University of Science & Technology	Development of a novel and low-cost membrane bioreactor (MBR) for treating Hong Kong village sewage	\$818,685.00*
3.	The Hong Kong Baptist University	International Conference on Environmental and Public Health Management: Aquaculture and Environment	\$32,000.00
4.	The University of Hong Kong	Mechanism of the elevated algal proliferation in intertidal shrimp ponds (<i>gei wais</i>) of the Mai Po Nature Reserve	\$149,544.00*
Subtotal (I) :			\$1,150,229.00

* 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
5.	World Wild Fund for Nature Hong Kong	Friends of Mai Po Volunteer Programme 2006	\$108,890.00
6.	Friends of the Earth (HK) Charity Limited	Unpack Packaging Society	\$93,390.00
7.	Green Council	International Green Purchasing Congress 2006	\$81,940.00
8.	Friends of the Earth (HK) Charity Limited	Be Good to be Love the Earth : Recycling Candy and Cookies Boxes	\$18,125.00
9.	Zion Social Service	Powerful Life of Refuse	\$11,148.00
10.	Hong Kong Young Women's Christian Association (HKYWCA) [Tai O Community Work Office]	A Flourishing Eco-life in Tai O	\$19,720.00
11.	Tuen Mun District Women's Association	Nature Defender	\$22,914.00
12.	Hong Kong Dolphin Conservation Society Limited	The Little Dolphin Parent-child Workshop	\$11,334.00
13.	The Hong Kong Federation of Youth Groups [Jockey Club Hung Hom Youth S.P.O.T.]	"Conserving the Biodiversity in Cities" - Green Army Training Scheme	\$11,013.00
14.	Caritas Pui Tak Centre	Let's Walk on the Environmental Protection Road Together	\$6,814.00
15.	The Boys' and Girls' Clubs Association of Hong Kong [South Horizon Children & Youth Integrated Service Centre]	Youth Green	\$9,460.00
16.	Bravo Theatre	The Advertisement of Environmental Protection	\$70,180.00

	Applicant	Project Title	Approved Amount
17.	Hong Kong Tin Shui Wai Women Association	Green Fun	\$9,114.00
18.	Lok Kwan Social Service Limited	Workshop on DIY	\$4,615.00
19.	Evangelical Lutheran Church of Hong Kong [Shatin Multi Service Centre for the Elderly]	Be a Senior Eco-Tourist Guide	\$27,340.00
20.	Hong Kong Sheng Kung Hui (HKSKH) [Ma On Shan (N) Children & Youth Integrated Services Centre]	Green Starter	\$25,130.00
21.	The Boys' and Girls' Clubs Association of Hong Kong [Shau Kei Wan Child Centre]	To Know More to Protect The Environment : The Family Eco-tour	\$9,092.00
22.	Hong Kong Evangelical Church [Fanling Family Centre]	Green Green Project	\$5,600.00
23.	The Warehouse Teenage Club Limited	Green Kids Revolution	\$71,040.00
24.	Chin Ching Association	Green Kids	\$5,750.00
25.	School of Continuing Family Education	Little Green Pioneer 2006 – 2007	\$40,970.00
26.	St. Paul's Ministry Christianity Organization	Dream Makers Never Fade - Puzzle "The Blue Sky City"	\$20,943.00
27.	The Boys' and Girls' Clubs Association of Hong Kong [Ma On Shan Children & Youth Intergrated Service Centre]	Child in Action - The Making of Green Community	\$8,625.00
28.	Air Monitor Limited	Green Inspiration of South Asia Youth (Sea Shore Ecology)	\$17,740.00
29.	Sha Tin Junior Chamber Limited	Love of the Earth 2007	\$16,600.00

	Applicant	Project Title	Approved Amount
30.	Chinese YMCA of Hong Kong [Tin Shui Wai Centre (Integrative Children And Youth Services Centre)]	Green Family, Happy Family	\$17,494.00
31.	CTU Education Foundation Limited	Save Energy, Reduce and Recover Waste - Workplace Green Ambassador Scheme	\$23,750.00
32.	Queen Elizabeth School Old Students' Association Secondary School	Ecotour Guide Training in Tin Shui Wai: A Cooperative Approach between Sister Schools	\$11,280.00
33.	Hong Kong Baptist University [Hong Kong Organic Resource Centre]	Organic Exploration	\$92,638.00
34.	Haven of Hope Sunnyside School	Butterfly Garden	\$4,100.00
35.	Haven of Hope Sunnyside School	Together We Join The Organic Farming	\$12,720.00
36.	Holy Family Canossian School	Work for an Environmental Friendly City	\$8,415.00
37.	Hong Kong Baptist University [Biology Society]	HKBU Biology Society Academic Exhibition 2007	\$18,895.00
38.	SDB Ng Sui Mui Secondary School	3R Mission	\$4,690.00
39.	Hong Kong Baptist University	Second Phase of Renewable Energy Project	\$1,500.00
40.	The Hong Kong University of Science and Technology [Institute for the Environment]	“Environment and I” - School Symposium and MAP Outreach Program 2007	\$122,000.00
		Subtotal (II) :	\$1,044,969.00

Community Waste Recovery Projects

	Applicant	Project Title	Approved Amount
41.	Tai Po Environmental Association	Advanced Collection Machine for Recyclable Materials at Local Community : Tai Po District and Kornhill – Introduction, Test Trial and Survey	\$272,348.00
42.	Mong Kok District Residence Association	Mong Kok District Private Housing Recycling Scheme	\$271,720.00
43.	Yan Oi Tong Limited	The Legend of Recycling Used Edible Oil	\$178,632.00
		Subtotal (III):	\$722,700.00

Programme on Source Separation of Domestic Waste

	Applicant	Estates	Approved Amount
44.	The Incorporated Owners of Hong Yat Court	Hong Yat Court	\$750.00
45.	Sherwood Court Estate Owners' Committee	Sherwood Court, Kingswood Villas	\$25,662.00
46.	Bel Air Heights Owners' Committee#	Bel Air Heights	\$9,979.20
47.	The Incorporated Owners of Po Pui Court	Po Pui Court	\$140,000.00
48.	Broadview Court Development Owners' Committee#	Broadview Court	\$31,416.00
49.	Whampoa Garden Owners Representatives' Committee#	Block 2-5, Site 10, Whampoa Garden	\$9,600.00
50.	The Incorporated Owners of Flora Plaza	Flora Plaza	\$18,122.00
51.	Bayshore Towers Estate Owners' Committee#	Bayshore Towers	\$3,150.00
52.	The Incorporated Owners of Ka Lung Court	Ka Lung Court	\$31,733.00
53.	Chi Fu Fa Yuen Residents' Association#	Chi Fu Fa Yuen	\$128,289.00
54.	The Incorporated Owners of Lung Tak Court#	Lung Tak Court	\$1,080.00
55.	The Incorporated Owners of Jubilant Place	Jubilant Place	\$21,547.00
56.	The Incorporated Owners of Cavendish Heights (Blocks 1-7)	Cavendish Heights	\$1,511.17
57.	The Incorporated Owners of Yuet Chui Court	Yuet Chui Court	\$2,232.45
58.	Whampoa Garden Owners Representatives' Committee#	Block 1-8, Site 3, Whampoa Garden	\$20,400.00

	Applicant	Estates	Approved Amount
59.	Tung Wah Group of Hospitals	Tung Shing Terrace	\$19,360.00
60.	Tung Wah Group of Hospitals	Tung Fai Gardens	\$26,620.00
61.	Tung Wah Group of Hospitals	Centenary Mansion Block 2	\$24,200.00
62.	The Incorporated Owners of Choi Ming Court	Choi Ming Court	\$154,000.00
63.	Tung Wah Group of Hospitals	Wing Cheung Mansion	\$7,865.00
64.	Metropolis Plaza Owners' Committee e#	Metropolis Plaza	\$21,773.50
65.	Savanna Garden Owners' Committee	Savanna Garden	\$51,200.00
		Subtotal (IV):	\$750,490.32

The residential organisations 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 2006	<ul style="list-style-type: none"> • Community organisations • District Councils • Environmental Protection Department • Green groups • Non-government organisations • Primary, secondary and tertiary schools 	\$1,390,000.00
67.	Hong Kong Environmental Protection Festival 2006	<ul style="list-style-type: none"> • Community organisations • District Councils • Environmental Protection Department • Green groups • Non-government organisations • Primary and secondary schools 	\$1,120,000.00
68.	Partnership and Capacity Building Programmes	<ul style="list-style-type: none"> • Green groups • Community organisations • Schools • Business organisations 	\$500,000.00
69.	Hong Kong Green School Award 2006/07	<ul style="list-style-type: none"> • Education and Manpower Bureau • Environmental Protection Department • Hong Kong Institute of Education • Hong Kong Productivity Council • Vocational Training Council • Pre-schools, primary and secondary schools 	\$1,959,800.00

	Project Title	Participating bodies	Approved Amount
70.	Hong Kong Eco-Business Awards 2006	<ul style="list-style-type: none"> • The Chinese General Chamber of Commerce • Environmental Protection Department • Hong Kong General Chamber of Commerce • Hong Kong Productivity Council • Businesses in Hong Kong 	\$1,000,000.00
71.	Sharing with EE&CA Project Organizations	<ul style="list-style-type: none"> • Community Groups • Green Groups • Pre-schools, Primary and secondary, tertiary schools 	\$3,000.00
72.	Joint Environmental Programmes with District Councils and Green Groups	<ul style="list-style-type: none"> • District Council • Community Groups • Green Groups • Pre-schools, Primary and secondary schools • Local organisations such as Heung Yee Kuk, Rural Committees 	\$500,000.00
73.	General support (including website maintenance fee, auditing fee, etc.)	<ul style="list-style-type: none"> • N/A 	\$100,000.00
74.	ECC Website	<ul style="list-style-type: none"> • N/A 	50,000.00
75.	Project Coordinating Staff for Community Liaison Team, Schools Liaison Team and Business Team	<ul style="list-style-type: none"> • N/A 	\$2,184,000.00
Subtotal (V) :			\$8,806,800.00
Total (I)+(II)+(III)+(IV)+(V) :			\$12,475,188.32

Report of the Director of Audit



Independent Audit Report

To the Legislative Council

I certify that I have audited the financial statements of the Environment and Conservation Fund set out on pages 21 to 26, which comprise the balance sheet as at 31 March 2007, and the income and expenditure account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Secretary for the Environment, Transport and Works' responsibility for the financial statements

The Secretary for the Environment, Transport and Works is responsible for the preparation and the true and fair presentation of these financial statements in accordance with section 8(1) of the Environment and Conservation Fund Ordinance (Cap. 450) and Hong Kong Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 8(2) of the Environment and Conservation Fund Ordinance and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary for the Environment, Transport and Works, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Environment and Conservation Fund as at 31 March 2007 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 8(1) of the Environment and Conservation Fund Ordinance.

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

21 June 2007

Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

Environment and Conservation Fund
Balance Sheet as at 31 March 2007

	2007	2006
	HK\$	HK\$
Current Assets		
Interest receivable	294,174	348,148
Bank deposits	83,429,673	90,682,944
Cash at bank	110,481	378,997
	<u>83,834,328</u>	<u>91,410,089</u>
Fund Balance	<u>83,834,328</u>	<u>91,410,089</u>

The accompanying notes 1 to 6 form part of these financial statements.

(Sarah Liao)
Secretary for the Environment, Transport and Works
Trustee of the Environment and Conservation Fund
21 June 2007

Environment and Conservation Fund
Income and Expenditure Account for the year ended 31 March 2007

	Note	2007 HK\$	2006 HK\$
Income			
Government grant		-	35,000,000
Interest		3,645,366	1,976,919
Refund of grants		3,699	216,424
		3,649,065	37,193,343
Expenditure			
Grants to Environmental Campaign Committee	4	7,687,468	4,125,971
Grants for environmental research and other projects		3,537,358	3,590,804
		<u>11,224,826</u>	<u>7,716,775</u>
(Deficit)/ Surplus for the year		<u>(7,575,761)</u>	<u>29,476,568</u>

The accompanying notes 1 to 6 form part of these financial statements.

Environment and Conservation Fund
Statement of Changes in Equity for the year ended 31 March 2007

	2007	2006
	HK\$	HK\$
Fund Balance:		
Balance at 1 April 2006	91,410,089	61,933,521
(Deficit)/Surplus for the year	(7,575,761)	29,476,568
Balance at 31 March 2007	<u>83,834,328</u>	<u>91,410,089</u>

The accompanying notes 1 to 6 form part of these financial statements.

Environment and Conservation Fund
Cash Flow Statement for the year ended 31 March 2007

	2007	2006
	HK\$	HK\$
Cash flows from operating activities		
(Deficit) / Surplus for the year	(7,575,761)	29,476,568
Interest income	(3,645,366)	(1,976,919)
Net cash (used in) / from operating activities	<u>(11,221,127)</u>	<u>27,499,649</u>
Cash flows from investing activities		
Interest received	3,699,340	1,716,971
Net cash from investing activities	<u>3,699,340</u>	<u>1,716,971</u>
Net (decrease) / increase in cash and cash equivalents	(7,521,787)	29,216,620
Cash and cash equivalents at 1 April 2006	<u>91,061,941</u>	<u>61,845,321</u>
Cash and cash equivalents at 31 March 2007	<u><u>83,540,154</u></u>	<u><u>91,061,941</u></u>
Analysis of the balances of cash and cash equivalents		
Bank deposits with original maturity within three months	83,429,673	90,682,944
Cash at bank	110,481	378,997
	<u>83,540,154</u>	<u>91,061,941</u>

The accompanying notes 1 to 6 form part of these financial statements.

Environment and Conservation Fund
Notes to the Financial Statements

1. General

The financial statements of the Environment and Conservation Fund (the Fund) are 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 financial statements have 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 financial statements have been prepared on an accrual basis and under the historical cost convention.

(c) Adoption of new/revised HKFRSs

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not applied any 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 as no basis exists for allocating the grant to periods other than the one in which it was received.

(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's major financial instruments are bank deposits. The main risk associated with these financial instruments is credit risk. To minimise such risk, the Fund's bank deposits are placed with reputable licensed banks in Hong Kong. The Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effects of fluctuations in cash flows.

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:

	2007 HK\$	2006 HK\$
Receipts during the year		
Grants	7,687,468	4,125,971
Interest	24,577	16,491
Sponsorships	37,000	96,000
	<u>7,749,045</u>	<u>4,238,462</u>
Payments during the year	<u>(7,325,834)</u>	<u>(8,380,086)</u>
	423,211	(4,141,624)
Balance at 1 April 2006	1,076,789	5,218,413
Balance at 31 March 2007	<u><u>1,500,000</u></u>	<u><u>1,076,789</u></u>

5. Commitments

As at 31 March 2007, the commitments for approved grants payable to organisations subject to satisfactory progress or completion of the relevant projects were HK\$2,955,389 (2006: HK\$5,660,654).

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.