

Environment and Conservation Fund

Trustee Report 2007-2008

For Presentation to the Legislative Council

on 22 October 2008

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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 2008.

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.
4. In 2008, the Finance Committee has approved to inject \$1 billion to ECF. The capital injection could expand the scope of programmes in a bid to broaden partnership with different sectors in the community, to enhance community participation and to encourage cross boundary collaboration in environment and conservation matters.

Trustee

5. 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

6. 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.
 7. The ECF Committee has established a Research Projects Vetting Sub-committee to
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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.

8. The ECF Committee has also established a Waste Recovery Projects Vetting Sub-committee to vet community waste recovery project proposals. The Sub-committee is also responsible for vetting applications for the Programme on Source Separation of Domestic Waste, with a maximum grant of \$250,000 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 9.

9. 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.

10. The Research Projects Vetting Sub-committee, Waste Recovery Projects Vetting Sub-committee and ECC can approve grants up to \$500,000 for a project, which was increased from \$150,000 on 1 April 2008. For applications exceeding this limit, the recommendations of the Research Projects Vetting Sub-committee, Waste Recovery Projects Vetting Sub-committee or ECC will have to be endorsed by the ECF Committee.

11. During the financial year 2007-2008, the ECF Committee vetted applications for the Public Education Programme under the "Policy Framework for the Management of Municipal Solid Waste (2005-2014)". All applications received were first examined by Environmental Protection Department (EPD), in consultation with other relevant government departments and the ACE and its Waste Management Subcommittee. The recommendations were then submitted to the ECF Committee for endorsement.

12. The ECF Committee also vetted applications for the Nature Conservation Management Agreement Projects. All applications received were first examined by 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.

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

14. Applications can be submitted any time using the prescribed application forms, which are available in EPD. 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

15. 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.

16. 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

17. From 1 April 2007 to 31 March 2008, a total of 139 applications for funding support were considered. Their vetting results are as follows:

(a) applications approved	97
(b) applications being processed	3
(c) applications rejected	28
(d) applications withdrawn by applicants	11
Total :	139

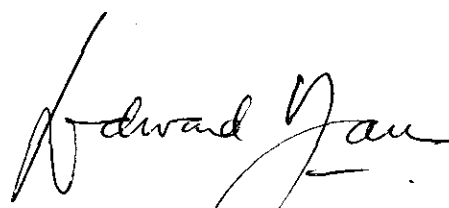
18. The total amount of funds approved for the 97 applications were about \$35 million, in which four were jointly funded by the Woo Wheelock Green Fund with a grant of

\$285,480.00.

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

Accounts

20. 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 2007 and 31 March 2008 are on pages 24 to 32.

A handwritten signature in black ink, appearing to read 'Edward Yau', with a stylized flourish at the end.

(YAU Tang Wah, Edward)

Secretary for the Environment

Trustee of the Environment and Conservation Fund

2 October 2008

Environment and Conservation Fund Committee

Membership List

(1 April 2007 – 31 March 2008)

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

Professor CHAN Chak-keung

The Hon CHOY So-yuk, JP

Professor CHU Lee-man

Ms LAU Wai-kuen, Goretti

Mr. Joseph LEE, SBS, JP

Mr. MAN Mo-leung

Ms NGAN Man-ling, Edith

Professor WONG Woon-chung, Jonathan

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 2007 - 31 March 2008)

Mr. Joseph LEE, SBS, JP (Chairman)

Professor CHAN Chak-keung

Professor CHAU Kwai-cheong

Dr LEUNG Mei-yee, Kenneth

Ms LEUNG Wun-man, Emba

Mr. MAN Mo-leung

Professor WONG Woon-chung, Jonathan

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 2007 - 31 March 2008)

The Hon CHOY So-yuk, JP (Chairlady)

Mr. CHUNG Kong-mo, Edmond

Mr. FAN Hai-tai, Ricky

Mr. HO Siu-ping, Peter

Mr. KWONG Man-cheong, Barry

Mr. LAM Kwok-hing, Wilfred, JP

Dr. LAU Pui-sang, Arthur

Ms. LAU Wai-kuen, Goretti

Ms LEUNG Oi-mui, Amy

Mr. LEUNG Wai-on

Mr. LUI Tung-ming, MH

Ms. NGAN Man-ling, Edith

Professor POON Chi-sun

Dr. TSANG Po-keung, Eric

Professor WONG Woon-chung, Jonathan

Dr. YAU Wing-kwong

Representative from Environmental Protection Department

Environmental Campaign Committee

Membership List

(1 April 2007 - 31 March 2008)

Mr. Joseph LEE, SBS, JP (Chairman)
Ms Elizabeth LAW, MH (Vice-chairman)
Mr. CHAN Tak-chor, BBS, MH, JP (up to 31 December 2007)
Mr. LAU Siu-hong, Freeman, BBS
Dr. LAW Chi-kwong, SBS, JP
Mr. LEUNG Che-cheung, MH, JP
Dr. LEUNG Man-fuk, Edward
Mr. LEUNG Man-tao, Manuel
Mr. LUI Tung-ming, MH
Mr. MA Ching-hang, Patrick
Dr. NG Cho-nam, BBS
Ms NG Chui-yiu, Jennifer
Mr. NG Ping-kin, Arkin
Mr. NG Sau-kei, Wilfred, MH, JP
Mr. TAM Siu-ping, George
Dr. TSANG Po-keung, Eric
Ms WONG Pik-kiu, Peggy, MH
Miss WONG Suet-ying
Professor WONG Woon-chung, Jonathan
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 2007 - 31 March 2008)**

Environmental Research and Technology Demonstration Projects

	Applicant	Project Title	Approved Amount
1.	The Chinese University of Hong Kong	Ecological sustainability of vegetated steep soil cut-slopes	\$788,600.00
2.	The City University of Hong Kong	To establish a three dimensional, real-time marine environment monitoring system in the Hoi Ha Wan Marine Park with connection to the internet	\$128,500.00
3.	Friends of the Earth (HK) Charity Limited	Sustainable Energy: Survey on electricity consumption habits and energy saving perception of Hong Kong Residential users	\$142,960.00*
4.	The Hong Kong Baptist University	A Study of the Impact of Apple Snails on Macrophytes, Nutrients and Chlorophyll in Local Wetlands	\$477,280.00
5.	The Hong Kong Bird Watching Society Ltd.	Association of other waterbird species with wintering Black-faced Spoonbills Platalea minor in Hong Kong	\$91,650.00
6.	The Hong Kong Polytechnic University	Easy identification of dinoflaellates: Phase I - Rapid Identification of Dinoflaellates With Protein/peptide Mass Fingerprints Obtained Using MALDI-TFO Mass spectrometry	\$384,000.00
7.	The Hong Kong Polytechnic University	Investigation on the feasibility and enhancement methods of wind power utilization in high-rise buildings of Hong Kong	\$130,000.00*

8.	The Hong Kong Polytechnic University	On the Public's willingness-to-pay for improved acoustics of residential environments	\$401,920.00
9.	The University of Hong Kong	A Survey of Light Pollution in Hong Kong	\$148,000.00*
10.	The University of Hong Kong	Enhancement of integrated heat pumps for energy savings in hot water and air-conditioning at home	\$150,000.00*
11.	The University of Hong Kong	Stock and Ecological Status of Echinoderms in Hong Kong: Evaluation of Effectiveness of Marine Protected Areas using Sea Urchins as Model Organisms	\$392,620.00
Subtotal (I) :			\$3,235,530.00

* 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
12.	Chinese YMCA of Hong Kong [Tuen Mun Centre]	Environmental Education in Tuen Mun Phase 2	\$59,708.00
13.	Hong Kong Sheng Kung Hui [Ma On Shan (North) Children & Youth Integrated Services Centre]	Lovely Planet	\$7,661.00
14.	The Hong Kong Girl Guides Association	Save Our World and Save Ourselves	\$18,900.00
15.	Hong Kong Tuberculosis, Chest and Heart Diseases Association	Liberal Studies Health Promotion Projects on "Environment and Health" 2007-2008	\$38,591.00
16.	The Mental Health Association of H.K. [J.C. Building Halfway House 2]	To Create a Better Living Environment	\$10,260.00
17.	The Salvation Army [Tuen Mun Integrated Service for Young People]	Blue Walker	\$4,056.00
18.	The Chinese Rhenish Church Hong Kong Synod [Mrs Mann Tai Po Rhenish Neighbourhood Elderly Centre]	Green Partners	\$9,396.00
19.	Chinese YMCA of Hong Kong [Tsuen Wan Centre]	Seeing the World @ GreenArts	\$5,013.00
20.	Air Monitor Limited	Green Mind of South Asia Teenagers (Sea Shore Ecology 2008)	\$4,660.00
21.	SKH Tang Shiu Kin Secondary School	Living in Harmony with the Environment	\$8,620.00
22.	The Evangelical Lutheran Church of Hong Kong [Cheung Wah Kindergarten]	To Promote Green Activities	\$1,571.00
23.	Christian Alliance S W Chan Memorial College	To Love the Nature, to Cherish Resources	\$1,600.00

	Applicant	Project Title	Approved Amount
24.	Kwun Tong Resident Association	Green Youngster Project	\$8,308.00
25.	Friends of the Earth (HK) Charity Limited	No More Disposable Chopsticks	\$150,000.00
26.	Kadoorie Farm and Botanic Garden Corporation	Greening Hong Kong Starts at Home: Workshop Series No.1-Climate-Friendly Greening	\$86,859.00
27.	Kadoorie Farm and Botanic Garden Corporation	Zero Waste Packaging	\$113,840.00
28.	Tai Po Environmental Association	One Tonne Challenge @ Schools	\$150,000.00
Subtotal (II) :			\$679,043.00

Programme on Source Separation of Domestic Waste

	Applicant	Estates	Approved Amount
29.	The Incorporated Owners of Wing Tak Mansion, Pak Tai Street	Wing Tak Mansion	\$1,269.40
30.	畢架山峰環保小組#	Mount Beacon	\$20,329.00
31.	Aegean Coast Owners' Committee	Aegean Coast	\$94,933.00
32.	The Incorporated Owners of Tsui Chuk Garden#	Tsui Chuk Garden	\$7,262.40
33.	Whampoa Garden Owners Representatives' Committee#	Block 1-18, Site 2, Whampoa Garden	\$44,500.00
34.	The Owners' Committee of Fairview Height#	Fairview Height	\$11,550.00
35.	Whampoa Garden Owners Representatives' Committee#	Block 1-5, Site 7, Whampoa Garden	\$11,880.00
36.	Kenswood Court Estate Owners' Committee#	Kenswood Court, Kingswood Villas	\$172,360.00
37.	The Incorporated Owners of Mei Foo Sun Chuen-Stage IV	Mei Foo Sun Chuen-Stage IV	\$26,507.25
38.	The Incorporated Owners of Tsz Oi Court Stage III#	Tsz Oi Court Stage III	\$192,000.00
39.	Owners Committee of Waldorf Garden	Waldorf Garden	\$103,200.00
40.	The Incorporated Owners of Yue King Building	Yue King Building	\$20,460.00
41.	The Incorporated Owners of Shaukeiwan Plaza	Shaukeiwan Plaza	\$38,745.00
42.	The Incorporated Owners of Vista Paradiso#	Vista Paradiso	\$85,500.00
43.	Estate Owners' Committee of Laguna Verde#	Laguna Verde	\$94,297.50
44.	The Incorporated Owners of New Man Lee Building#	New Man Lee Building	\$17,600.00

45.	The Incorporated Owners of Tuen Mun Tai Hing Gardens Phase II	Tuen Mun Tai Hing Gardens Phase II	\$63,415.00
46.	The Incorporated Owners of Wing Fok Centre#	Wing Fok Centre	\$134,400.00
47.	The Incorporated Owners of Sunglow Building	Sunglow Building	\$4,776.00
48.	The Incorporated Owners of Fu Yau Building	Fu Yau Building	\$9,000.00
49.	Madam S. H. Ho Residence for Medical Students, The University of Hong Kong	Madam S. H. Ho Residence for Medical Students, The University of Hong Kong	\$5,180.00
50.	R C Lee Hall, The University of Hong Kong	R C Lee Hall, The University of Hong Kong	\$10,360.00
51.	Lee Hysan Hall, The University of Hong Kong	Lee Hysan Hall, The University of Hong Kong	\$11,200.00
52.	Wei Lun Hall, The University of Hong Kong	Wei Lun Hall, The University of Hong Kong	\$11,200.00
53.	University Hall, The University of Hong Kong	University Hall, The University of Hong Kong	\$2,400.00
54.	Lady Ho Tung Hall, The University of Hong Kong	Lady Ho Tung Hall, The University of Hong Kong	\$15,280.00
55.	Starr Hall, The University of Hong Kong	Starr Hall, The University of Hong Kong	\$18,905.00
56.	Swire Hall, The University of Hong Kong	Swire Hall, The University of Hong Kong	\$8,000.00
57.	Lee Shau Kee Hall, The University of Hong Kong	Lee Shau Kee Hall, The University of Hong Kong	\$12,000.00
58.	Morrison Hall, The University of Hong Kong	Morrison Hall, The University of Hong Kong	\$12,000.00
59.	Suen Chi Sun Hall, The University of Hong Kong	Suen Chi Sun Hall, The University of Hong Kong	\$12,000.00
60.	Environmental Protection Team, The Grandiose#	The Grandiose	\$86,700.00
61.	The Incorporated Owners of Harcourt Garden#	Harcourt Garden	\$9,600.00

62.	The Incorporated Owners of Lung Cheung Court#	Lung Cheung Court	\$63,200.00
63.	La Costa Village Owner's Committee	La Costa, Discovery Bay	\$34,400.00
64.	Parkridge Village Owners' Committee	Parkridge Village, Discovery Bay	\$29,452.50
65.	The Owners' Committee of Whampoa Garden (Site 1)#	Block 1-5, Site 1, Whampoa Garden	\$12,543.00
66.	Kingswood Villas Locwood Court Estate Owners' Committee	Locwood Court, Kingswood Villas	\$183,255.00
67.	The Incorporated Owners of On Ning Garden#	On Ning Garden	\$182,170.96
68.	Siena One Village Owners' Committee#	Siena One, Discovery Bay	\$25,434.50
69.	Siena Two A Village Owners' Committee#	Siena Two A, Discovery Bay	\$2,970.00
70.	Siena Two B Village Owners' Committee#	Siena Two B, Discovery Bay	\$28,091.50
71.	Chianti Village Owners' Committee#	Chianti, Discovery Bay	\$23,220.00
72.	Hillgrove Village Owners' Committee#	Hillgrove, Discovery Bay	\$17,293.50
73.	The Incorporated Owners of Dragon Inn Court	Dragon Inn Court	\$4,350.00
74.	The Incorporated Owners of Oscar By The Sea#	Oscar By The Sea	\$140,712.00
75.	The Incorporated Owners of Sun Tuen Mun Centre#	Sun Tuen Mun Centre	\$201,663.00
76.	The Incorporated Owners of Beauty Court (Robinson Road) #	Beauty Court	\$22,773.00
77.	La Vista Village Owners' Committee#	La Vista and La Serene, Discovery Bay	\$12,380.00
78.	Environmental Protection Team, Casa Marina I#	Casa Marina I	\$23,520.00
		Subtotal (III):	\$2,376,238.51

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

Nature Conservation Management Agreement Projects

	Applicant	Project Title	Approved Amount
79.	Tai Po Environmental Association(TPEA)	Management Agreement on the Private Land with High Conservation Value at Fung Yuen Valley Site of Special Scientific Interest in Tai Po, Hong Kong	\$2,849,990.00
80.	The Conservancy Association	Nature Conservation Management for Long Valley	\$3,974,964.00
		Subtotal (IV) :	\$6,824,954.00

Public Education Programme under the "Policy Framework"

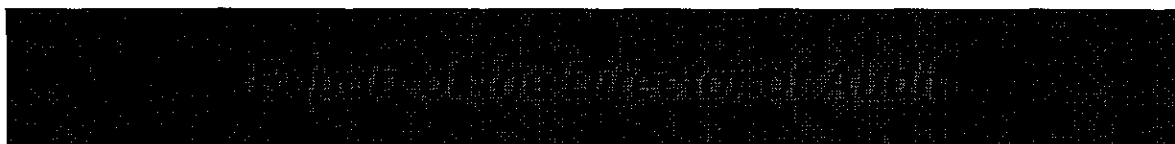
	Applicant	Project Title	Approved Amount
81.	Green Student Council	Be Green, Use Bags Properly	\$499,996.00
82.	Green Sense	Green Festival	\$496,925.00
83.	Green Council	Establishment of the Hong Kong Green Purchasing Charter (HKGPC) with an Accompanying Awareness Raising Programme	\$463,770.00
84.	Tai Po Environmental Association	Green Rural Waste Reduction Scheme	\$489,190.00
85.	Caritas Hong Kong	Computer Printers, Scanners and Accessories (PSA) Collection, Reuse and Recycle Campaign 2008	\$499,800.00
86.	Tai Po Environmental Association	Amazing Journey of Waste	\$500,000.00
		Subtotal (V) :	\$2,949,681.00

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

	Project Title	Participating bodies	Approved Amount
87.	World Environment Day 2007	~ Community organisations ~ District Councils ~ Environmental Protection Department ~ Green groups ~ Non-government organizations ~ Primary and secondary schools	\$850,000.00
88.	Hong Kong Environmental Protection Festival 2008	~ Community organisations ~ District Councils ~ Environmental Protection Department ~ Green groups ~ Non-government organisations ~ Primary and secondary schools	\$1,680,000.00
89.	7 th Hong Kong Green School Award	~ Education Bureau ~ Environmental Protection Department ~ Hong Kong Institute of Education ~ Hong Kong Productivity Council ~ Vocational Training Council ~ Pre-schools, primary and secondary schools	\$798,200.00
90.	Student Environmental Protection Ambassador Scheme 2007/2008	~ Education Bureau ~ Environmental Protection Department ~ Primary and secondary schools	\$1,169,720.00

	Project Title	Participating bodies	Approved Amount
91.	Hong Kong Awards for Environmental Excellence 2008	~ Environmental Protection Department ~ Advisory Council on the Environment ~ Business Environment Council ~ the Chinese General Chamber of Commerce ~ the Chinese Manufacturers Association of Hong Kong ~ Federation of Hong Kong Industries ~ the Hong Kong Chinese Importers & Exporters Association ~ the Hong Kong Council of Social Service ~ Hong Kong General Chamber of Commerce ~ Hong Kong Productivity Council ~ Businesses in Hong Kong ~ Public Sector and NGOs	\$6,500,000.00
92.	Promotion Programme on Source Separation of Waste	Residential housing estates and buildings	\$5,000,000.00
93.	Partnership and Capacity Building Programmes	~ Green groups ~ Community organisations ~ Pre-schools, primary and secondary schools ~ Business organisations	\$250,000.00
94.	Sharing with EE&CA Project Organizations	~ Community Groups ~ Green Groups ~ Pre-schools, Primary and secondary, tertiary schools	\$3,000.00
95.	Green Roofing Pilot Project	Tung Wah Group of Hospitals	\$294,280.00

	Project support to Environmental Campaign Committee	
96.	General support (including website maintenance fee, auditing fee, etc.)	\$235,000.00
97.	Project Coordinating Staff for Business Partnership Liaison Team , Community Liaison Team, EE&CA Projects Team, and Schools Liaison Team	\$2,184,000.00
Subtotal (VI) :		\$18,964,200.00
Total (I)+(II)+(III)+(IV)+(V)+(VI) :		\$35,029,646.51



Audit Commission
The Government of the Hong Kong Special Administrative Region

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 26 to 32, which comprise the balance sheet as at 31 March 2008, 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's responsibility for the financial statements

The Secretary for the Environment 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, 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 2008 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

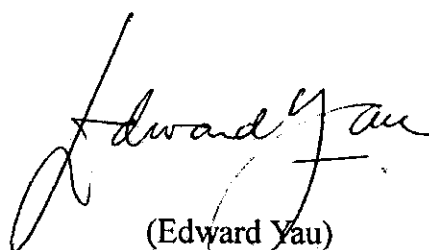
24 June 2008

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

**Environment and Conservation Fund
Balance Sheet as at 31 March 2008**

	2008	2007
	HK\$	HK\$
Current Assets		
Interest receivable	811,733	294,174
Bank deposits	1,075,349,001	83,429,673
Cash at bank	304,680	110,481
	<u>1,076,465,414</u>	<u>83,834,328</u>
 Fund Balance	 <u>1,076,465,414</u>	 <u>83,834,328</u>

The accompanying notes 1 to 7 form part of these financial statements.



(Edward Yau)

Secretary for the Environment
Trustee of the Environment and Conservation Fund

24 June 2008

Environment and Conservation Fund
Income and Expenditure Account for the year ended 31 March 2008

	Note	2008 HK\$	2007 HK\$
Income			
Government grant		1,000,000,000	-
Interest		3,897,115	3,645,366
Refund of grants		3,467	3,699
		1,003,900,582	3,649,065
Expenditure			
Grants to Environmental Campaign Committee	4	6,475,590	7,687,468
Grants for environmental research and other projects		4,793,906	3,537,358
		11,269,496	11,224,826
Surplus / (Deficit) for the year		992,631,086	(7,575,761)

The accompanying notes 1 to 7 form part of these financial statements.

Environment and Conservation Fund
Statement of Changes in Equity for the year ended 31 March 2008

	2008	2007
	HK\$	HK\$
Fund Balance:		
Balance at 1 April 2007	83,834,328	91,410,089
Surplus / (Deficit) for the year	992,631,086	(7,575,761)
Balance at 31 March 2008	<u>1,076,465,414</u>	<u>83,834,328</u>

The accompanying notes 1 to 7 form part of these financial statements.

Environment and Conservation Fund
Cash Flow Statement for the year ended 31 March 2008

	2008	2007
	HK\$	HK\$
Cash flows from operating activities		
Surplus / (Deficit) for the year	992,631,086	(7,575,761)
Interest income	(3,897,115)	(3,645,366)
Net cash from / (used in) operating activities	<u>988,733,971</u>	<u>(11,221,127)</u>
Cash flows from investing activities		
Interest received	3,379,556	3,699,340
Net cash from investing activities	<u>3,379,556</u>	<u>3,699,340</u>
Net increase / (decrease) in cash and cash equivalents	992,113,527	(7,521,787)
Cash and cash equivalents at 1 April 2007	83,540,154	91,061,941
Cash and cash equivalents at 31 March 2008	<u>1,075,653,681</u>	<u>83,540,154</u>
Analysis of the balances of cash and cash equivalents		
Bank deposits with original maturity within three months	1,075,349,001	83,429,673
Cash at bank	304,680	110,481
	<u>1,075,653,681</u>	<u>83,540,154</u>

The accompanying notes 1 to 7 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 early 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. Financial Instruments

The Fund's major financial instruments are bank deposits. The main risks associated with these financial instruments are credit risk and market risk.

(a) Credit risk

In order to minimise the credit risk, the Fund's bank deposits are placed with reputable licensed banks in Hong Kong.

(b) Market risk

The Fund is also exposed to market risk arising from fluctuations in interest rates. It is estimated that if the interest rates on bank deposits had been 100 basis points higher/lower and all other variables were held constant, the Fund's surplus for the year would have increased/decreased by approximately HK\$1,200,000 (2006/07: HK\$900,000). This sensitivity analysis is based on the average amount of the Fund's bank deposits during the year and on the assumption that higher/lower interest rates were applicable throughout the year.

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:

	2008 HK\$	2007 HK\$
Receipts during the year		
Grants	6,475,590	7,687,468
Interest	19,521	24,577
Sponsorships	-	37,000
	<u>6,495,111</u>	<u>7,749,045</u>
Payments during the year	<u>(6,879,801)</u>	<u>(7,325,834)</u>
	(384,690)	423,211
Balance at 1 April 2007	1,500,000	1,076,789
Balance at 31 March 2008	<u><u>1,115,310</u></u>	<u><u>1,500,000</u></u>

5. Capital Management

The capital of the Fund consists solely of the accumulated fund balance. The Fund's objectives when managing capital are:

- to comply with the Environment and Conservation Fund Ordinance; and
- to maintain a strong capital base to fund educational, research and other projects and activities in relation to environmental and conservation matters.

The Fund manages its capital to ensure that the level is adequate to fund future grants and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

6. Commitments

As at 31 March 2008, the commitments for approved grants payable to organisations subject to satisfactory progress or completion of the relevant projects were HK\$10,727,975 (2007: HK\$2,955,389).

7. 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.