

The Land Registry

Trading Fund



Annual Report 2002/03

Securing your property, Supporting an open market

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1. TEN-YEAR REVIEW

“The objective of establishing the Trading Fund is to improve the quality of services provided to the customers of the Land Registry” said the Secretary for Planning, Environment and Lands on 30 June 1993 when introducing the motion to establish the Land Registry as a Trading Fund Department. “I can fairly say that all professionals who have to deal with the Land Registry are looking forward to the setting up of the trading fund so that we can obtain the services expected of an international financial centre” responded the Convenor of the Bills Committee. How far has that objective been realised and those hopes fulfilled over the first decade of the Trading Fund? A comparison between performance standards in 1993 and 2003 gives a clear answer to that question.

Performance Pledges

The table below compares the actual performance of the Land Registry in 1993 before creation of the Trading Fund and the performance pledges that we aim to meet this year before the introduction of central registration and our new Integrated Registration Information System (IRIS).

	Service Type	Standard for 1993/94	Standard for 2003/04
1.	Registration of land documents	26 working days	20 working days
2.	Search of computerized land registers and records	30 minutes	20 minutes
3.	Supply of copies of land records	30 minutes	20 minutes
4.	Certification of copies of land records	8 working days	5 working days for imaged copies with plans and 3 working days for imaged copies without plans
5.	‘All Services’ service at the Central Search Office	No standard	30 minutes
6.	Certification of computerised land registers	No standard	½ working day
7.	Certified copies of computerised land registers via Direct Access Services (DAS)	No standard	2 working days
8.	Certified copies of land records via DAS	No standard	5 working days
9.	Supply of copies of land records ordered via DAS	No standard	Dispatch within 1 working day
10.	Approval of Memorial Day Book applications	No standard	2 working days
11.	Delivery of Memorial Day Book diskettes by courier	No standard	Dispatch within 1 working day excluding Saturdays
12.	Approval of Monthly Memorial Information on Mortgage Transactions applications	No standard	2 working days
13.	Delivery of Monthly Memorial Information on Mortgage Transactions diskettes by courier	No standard	Dispatch within 6 working days excluding Saturdays at the beginning of the month

Note: Performance Pledges for Service Types '5' to '13' were introduced after 1993/94.

Building Better Service

Improvement to service has followed from commitment to a number of key factors.

Staff Training and Development

In March 1996, the Land Registry set up its own Training Unit to enhance staff's learning capacity and support a culture of self-development and continuous learning among all members of the department. A Human Resources Management Plan was developed in 1996 and communicated to all staff. It is regularly reviewed and enhanced to encourage further improvement by staff and to meet rising public expectations for quality service. An in-house Learning Resource Centre has been established at the Training Unit in the main office and remote learning facilities provided to all branch offices.

In January 1997, a performance incentive scheme was introduced. It aims to encourage increased productivity, reduced process costs and stronger teamwork.

In 2002, a programme was begun to send Land Registration Officers on attachment to Land Registries overseas that have developed advanced systems. This aims to familiarise the department's officers with the potential of new systems to improve registry services. It also provides an introduction to the requirements of operating a title registration which we aim to introduce to ultimately replace the existing deeds registration system.

New Technology

In September 1994, customers who previously had to come to the various land registries to request searches of information in the registers began to receive information in their own offices. The 'Direct Access Services' introduced that month allowed full computerised searching of the Urban land registers. By September 1995 this service was extended to the New Territories Town Lots and by April 1997 was extended to all parts of the territory.

To assist customers carry out searches more conveniently, in January 1999, the Central Search Office began to offer a cross district search service. This was extended to the New Territories Land Registry offices in October 2000, allowing the public to visit any office and conduct land searches across the whole territory.

To enable the Direct Access Services to cover the whole of Hong Kong, a programme to convert all one million manual registers kept in the New Territories offices into computer records was begun in May 1994 and was completed in April 1997.

In July 1996, work began to convert all 144 million pages of land documents held by the Registry into digital images for easy storage and retrieval. The work was completed in just two years. All registered land documents are now recorded on optical disks and can be retrieved and reproduced at high speed to meet customer requirements.

To improve further the usefulness of documents to customers, a programme to convert 3.5 million plans attached to land documents into high quality colour images was begun in March 2002. The work proceeded smoothly and was extended to cover the 539 volumes of Block Government Leases. These, together with all existing plans, were completed in February 2003.

A range of information that assists analysts, estate agents and conveyancers has been made available in electronic format through diskettes or compact disks. Memorial Day Book data has been offered on disk since 1995 and Monthly Memorial Information on Mortgage Transactions since 2000. The Street Index for urban properties was issued in compact disk format in 1999 and the Lot/Address Cross Reference Table for the New Territories was published in this form in 2000.

Strategic Planning

As a customer service oriented organisation, the Land Registry has set out systematically to improve the quality of its services while maintaining an efficient, cost effective organisation. In June 1998, the Land Registry secured support from the Secretary for Planning, Environment and Lands for a comprehensive programme of change to the legislation, organisation and information systems employed by the Land Registry so as to deliver best practice services to meet the expectations of the public and the business community.

The key step in this strategy was to secure amendment to the Land Registration Ordinance to allow the organisational merging of the Urban and New Territories Land Registries. This was achieved in July 2002, allowing the Land Registry to initiate the contract for the Integrated Registration Information System (IRIS) in August that year. IRIS will provide the technological support for the organisational change. Both will be put into operation together in early 2004.


Financial Discipline

The Land Registry has been required to achieve a 10% annual rate of return on average net fixed assets. It has had to pay dividends and notional tax on profits as well as repay start up loans and find the resources to fund further investment in facilities and equipment. The target rate of return has been met in every year of our first decade. We have made no increases in fees and charges since 1996. We have repaid \$212.9 million in start up loans. We have already invested \$426.2 million in capital projects to improve services and have committed ourselves to a further \$155.4 million for phase 1 of the strategic change plan.

Looking Back and Looking Forward

The preceding pages show that the Land Registry Trading Fund has done much to live up to expectations placed in it by Government and by the public when it was set up a decade ago. But satisfaction of past expectations is not sufficient. At the heart of the changes in the department over the last decade has been preparation to do even better for the community we serve in the years ahead.

2. HIGHLIGHTS OF 2002/03

22 Apr 2002	Sale of the New Territories Lot/Address Cross Reference Table (3rd edition) on compact disk
1 Jul 2002	Launch of the revised Land Registry homepage including a Memorial Form Easy Guide
3 Jul 2002	The Land Registration (Amendment) Bill passed by the Legislative Council
25 Jul 2002	<p>Announcement ceremony for the Integrated Registration Information System contract</p> 
31 Jul 2002	Announcement of the enhanced performance pledges for 2002/03
1-27 Nov 2002	A Customer Satisfaction Survey conducted by an independent consultant
30 Nov 2002	Conversion of all existing plans into colour images completed
12 Dec 2002	Certain provisions of the Land Registration (Amendment) Ordinance 2002, introducing a new service of colour imaging of plans, to improve the performance of the registration and search functions of the Land Registry, and regulate certain existing practices of the Land Registry, came into operation



18 Dec 2002	The revised Land Titles Bill gazetted and reintroduced in the Legislative Council
16 Feb 2003	<p>Land Registry teams participated in Standard Chartered Marathon 2003. \$7,850 raised to support Hong Kong's disabled athletes</p> 
24 Feb 2003	<p>Awarded the Grand Prize, Quality Award, Cost-effectiveness Award and Improvement Award (small group category) in the Civil Service Outstanding Customer Service Award 2002/03</p> 

3. VISION, MISSION, VALUES

Our Duty

- To safeguard the evidence used to prove interests in land and property
- To give public access to information that supports open markets in property and open access to social and economic services
- To safeguard individual rights to privacy

Our Vision

- To be the best in all that we do

Our Mission

- To ensure secure, customer friendly land registration and information services
- To develop our human resources, information technology and service environment so as to ensure improvement in service quality and value to our customers
- To advocate reform of Hong Kong's land registration system through introduction of title registration

Our Values

- Integrity - to customers, partners and colleagues we observe the highest ethical standards
- Excellence - we aim to excel in all that we do
- Respect - we show respect and trust to our customers, partners and colleagues
- Learning - we learn constantly from each other, from our partners, customers and comparable organisations elsewhere how to provide better services to the community



Our Value to Hong Kong

- Over half of all Hong Kong families own registered property or are becoming property owners
- Banks and financial institutions loan around HK\$1,000 billion against the security of registered land and property
- Over 3 million searches of registered information take place each year
- 56 Government departments use Land Registry information for purposes ranging from planning studies and criminal investigations to guidance on allocating public housing benefits and social security
- Registered information traces property transactions back to 1844. Some records have information going back to the 1700s. The registers are a resource for the economic and social history of Hong Kong



4. THE LAND REGISTRY TRADING FUND

In August 1993 the Land Registry was established as one of Hong Kong's first Trading Fund Departments.

Under the trading fund model, the Land Registry governs its own finances, balancing expenditure with income. The Land Registry has flexibility to respond to the service needs of clients and customers through autonomy in capital investment projects to enhance services and operational efficiency.

The Land Registrar serves as the General Manager of the Land Registry Trading Fund.

The Trading Fund's Annual Report and the certified financial statements by the Director of Audit must be tabled in the Hong Kong Legislative Council each year.

5. LAND REGISTRAR'S STATEMENT



Business conditions were challenging for the Land Registry Trading Fund during 2002/03. They are likely to remain difficult in the coming year. We are continuing with service development programmes. Passage of the Land Registration (Amendment) Ordinance was secured. The Land Titles Bill has been reintroduced into the Legislative Council and is subject to detailed scrutiny that is likely to continue through the coming year. The commitment of the members of the department to earn the trust of the community through high quality, high value service has been given recognition in the Civil Service Awards for Customer Service Excellence. We have identified areas for improved training and service provision so as to continue to raise the quality of our services in coming years.

Turnover fell by nearly 10% from the previous year. This reflected continuous weakness in the property market that was only partly offset by an increase in services to Government. Revenues have now come down by 40% compared with 1997/98. On the positive side, our expenditure has also been reduced substantially – by 26% compared with 1997/98. While this in part reflects increased productivity and a steady reduction in establishment, the major reason for reduced expenditure has been lower depreciation costs. These costs will increase in the coming year due to the investments we are now making in new technology and office refurbishment. We will have to rely more on increasing productivity and further streamlining of our organisation to ensure that our finances remain healthy if business volumes remain weak.

The investments that we are now making in new technology and accommodation are putting us in good position to improve both productivity and quality of service. Together they are enabling us to create an efficient, comprehensive registration service for the whole territory. These investments were made possible by the enactment of the Land Registration (Amendment) Ordinance in July 2002, which provides the legal framework for replacing the current nine separate registries with a single registry serving the whole of Hong Kong. The legislation will be brought into effect as soon as the Integrated Registration Information System (IRIS) is fully tested and ready for use. We expect this to be by January 2004.

Customer service centres will be maintained in most of the New Territories districts for the time being, but the separate New Territories registries will be closed. The staff, together with those from our branch office in Sai Wan Ho, will be transferred to our headquarters in Admiralty where they can be deployed most efficiently to meet registration and service delivery needs.

At present the registration process takes between two and three weeks. When our new system is introduced we expect immediately to be able to complete the process within one week and will aim to reduce the time further as we gain experience with the new technology. Our information services will also be provided over the Internet, making access easier and cheaper.

These service improvements lie ahead but the Land Registry was given recognition for what it has already done in the 2002 Civil Service wide Customer Service Excellence Awards scheme. The Improvement Award, Cost-effectiveness Award, Quality Award and Grand Prize in the small department category together say a great deal about my colleagues in this department. To follow up on this achievement, a detailed study of customer and staff perceptions has already been conducted to identify aspects of service, training, management and facilities that need to be addressed in order to further raise our standards in coming years.

The reintroduction of the Land Titles Bill in December 2002 and the commencement of deliberation by a Bills Committee in March 2003 has absorbed much of my time over the year. The conversion mechanism and the scope of the indemnity scheme clearly remain problematic and much detailed negotiation will be needed to bring the legislation through. While it will not bring immediate benefits and represents a heavy undertaking on top of managing the introduction of IRIS and our new organisation structure, it is fundamental to providing the ease, security and efficiency in dealing in land that is commensurate with Hong Kong's social and economic needs.

Looking back on the last year it has again been my pleasure to serve with all the staff of the Land Registry to give good service to Hong Kong. Looking forward, I am confident that we can achieve the best in all that we do to serve you.



K. A. Salkeld, J.P.

The Land Registrar & General Manager

The Land Registry Trading Fund, Hong Kong

16 September 2003

6. VALUE

There are three core principles that we believe best represent our organisation: **Value, Service** and **Trust**. These principles drive our performance and are the foundation of everything the Land Registry does.

The Land Registry provides security for the homes of over half of Hong Kong's people – for many their most valuable physical possession. The Land Registry is a value-driven organisation demonstrated by progress this year in our Strategic Change and Information Technology Renewal programme and in our Financial Management.

Strategic Change and IT Renewal

The Land Registry is transforming the Land Registration System of Hong Kong to meet the present and future need of the community. The Change Programme entails replacing the nine district registration offices now in existence by a centralised registration system and introducing a Land Titles Registration System. It will bring international best practice in service quality and capability. The plan is being taken forward through new technology, new legislation, improved facilities and staff training.

In 2002/03, the Land Registry achieved significant progress with its Strategic Change Plan. The Legislative Council enacted the Land Registration (Amendment) Ordinance in July 2002. The Ordinance empowers the Land Registry to merge the eight New Territories District Land Registries with the Urban Registry to create a comprehensive Registration Service for the whole territory. It also allowed the Land Registry to proceed with a HK\$146 million contract to deliver the Integrated Registration Information System (IRIS). Development of this robust platform is in full swing. We have defined the details of the requirement specifications and completed the system analysis and design of the new mission critical system. Land Registry staff are now contributing to the system construction process and the planning for system integration tests.

Value-added IRIS services such as shorter business processing time, fast Internet access, enhanced data security and recovery, one-stop counter service, self-help service and a Chinese language facility for IRIS, highlight our commitments to the vision of being the best in all that we do.

A new design of memorial form is being developed to suit users' needs, and to obtain maximum operation efficiency for both front office operation and updating of the land register. The new design follows the international best practice of property-based approach. The format of the land register will also be revised to provide clearer presentation and greater convenience to users.

To allow us to deploy our new information technology effectively to support our new business flow, the Land Registry offices are being refurbished. The improved offices will provide an improved service environment for customers and a better working environment for our staff when IRIS rolls out in January 2004.

Accommodation

Under the office refurbishment programme, a Customer Centre comprising Information Desk, Deeds Lodgement and Land Search service counters and public waiting area is being fitted out on the 19th Floor of Queensway Government Offices. This Customer Centre with a complete new look and enhanced corporate identity will be equipped with self-service search terminals and upgraded facilities. In the New Territories, fitting-out work for new Search Offices is underway to provide counter search services as well as self-service search terminals. The open design of the Customer Centre and the district Search Offices reflects the nature of the Land Registry's business: customer-friendly, added value service for clients.



Our office in the old days



A new look of our office

The renovation of all the offices of the department is being carried out by phases. Each floor will provide both sufficient working space and auxiliary facilities including training and meeting areas. With the installation of up-to-date workstations, the renovated office area provides a better working environment that allows effective deployment of our new information technology, supports our future work-flow operation under IRIS and helps staff deliver services more efficiently.

Financial Management

Financial Objectives

In accordance with the general provisions of the Trading Funds Ordinance, the Land Registry has established and pursued clearly defined financial objectives. These include:

- meeting expenses incurred in the provision of services to the public and government departments out of the income of the Trading Fund, taking one year with another;
- making prompt repayment of loans and related interest to the Government for funds borrowed at the time of setting up the Trading Fund; and
- achieving a reasonable return, as determined by the Financial Secretary, on the average net fixed assets (ANFA) employed. The current prescribed rate is 10% per annum.

Actual Performance

In the year ended 31 March 2003, the Land Registry Trading Fund achieved a net profit after taxation of HK\$75.4 million and attained a return on ANFA of 20.6%.

When compared with last year, the overall revenue decreased by HK\$37.7 million (down 9.3%), mainly due to decrease in workload. Through effective cost controls and concerted efforts under the Enhanced Productivity Programme, operating expenses decreased by HK\$25.9 million (down 8.3%).

Forecast

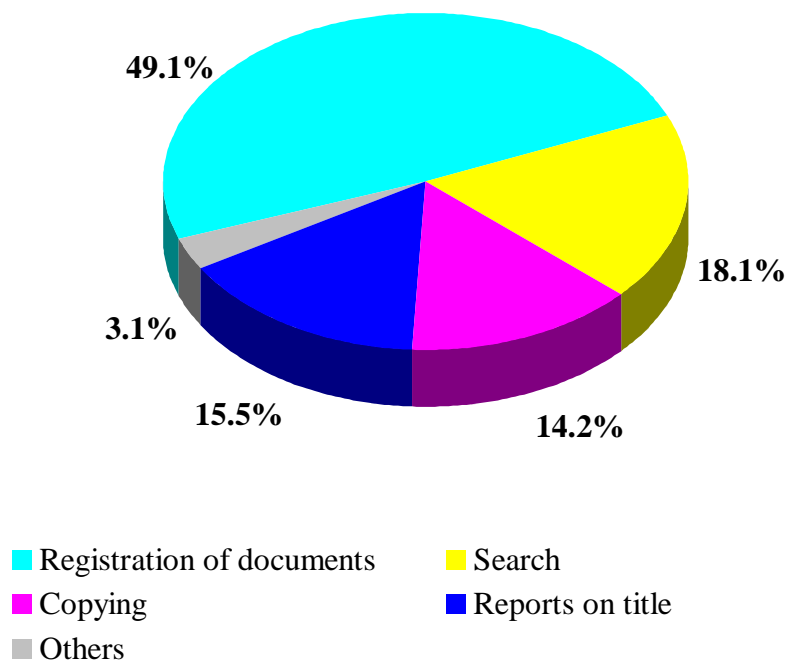
We expect to see continued relative weakness in demand for services from the public in the coming year together with lower demand from government departments. Strict cost control will be needed to maintain the required rate of return.

Fees and Charges

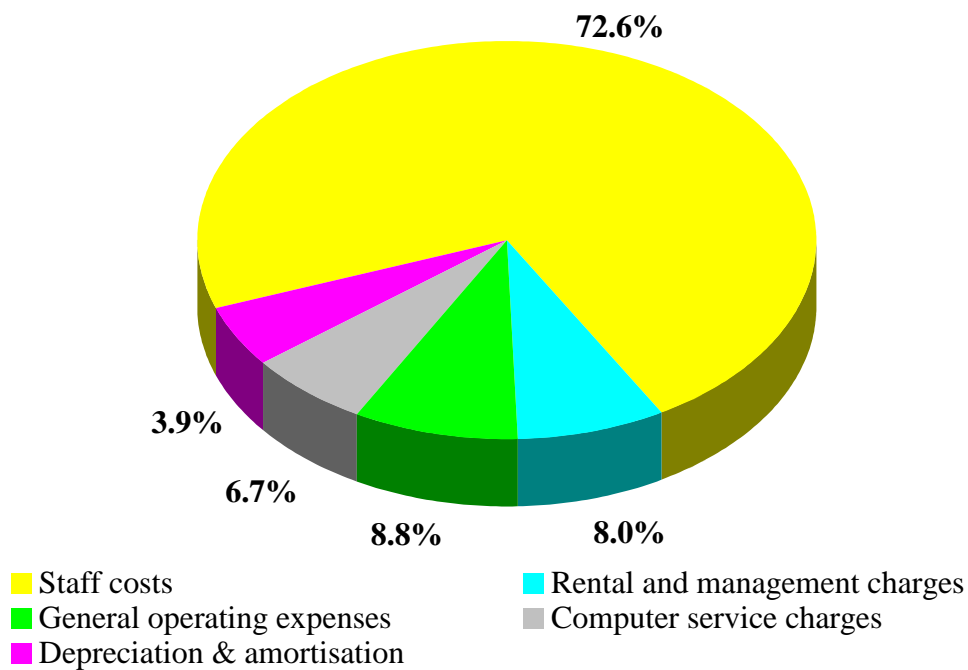
Fees and charges are reviewed annually to take into account the full cost of providing Land Registry services, the impact of inflation or deflation, the retained reserves and the implementation of efficiency improvement projects and new services. There has been no statutory fee revision since June 1996. No increases are planned.



Revenue (per cent)



Operating Costs (per cent)



7. SERVICE

Service is at the core of the Land Registry's mission. Our information technology systems will soon match the best available in any land registry. Our human resource development demonstrates our commitment to staff and customer satisfaction.

The Land Registry aims to give Hong Kong the best standards of service. Although a weaker property market in 2002/03 resulted in a decline in the levels of demand for most Registry services, we continued to improve the range and quality of our services. Business practices were reviewed to seek out efficiencies so as to maintain low costs to clients and customers. This year we will review our customer service standards to identify opportunities and targets for further improvement.

Development Projects and New Services

Land Registration System (LRS)

The LRS comprises the Land Registry's fully computerised system for the storage of historical and current information on property particulars, including owners' names and encumbrances. During the year the system was enhanced to tightening the control on Owner's Properties Information Check by other government departments.

Direct Access Services (DAS)

DAS is an on-line land search facility introduced in 1994. Around 80% of land searches and 72% of orders for copies are being made through this service. The DAS help desk service was enhanced to be even more efficient and user-friendly by allowing checking of remote orders by order date and other order details.

Document Imaging System (DIS)

The DIS is the Land Registry's fully computerised system for secure storage and retrieval of land documents. As part of the ongoing IT improvements, the tapes for database and system backup were upgraded to Digital Data Storage III in June 2002 and the firmware of all jukeboxes was upgraded in October and November 2002 to improve the efficiency of the system.

Street Index Compact Disk

A Street Index was first compiled in the 19th century. 2001/02 saw the 34th edition of Street Index issued on compact disk. In this edition, 14 new streets and 116 new lots/sections/subsections were added.

New Territories Lot/Address Cross Reference Table (CRT) Compact Disk

The 3rd edition of CRT issued in 2002/03 correlates property addresses and buildings with lot numbers to help land searches in the New Territories. In this edition, 37 new streets and 1,949 new lots/sections/subsections were added. Building/development names available in Chinese were also incorporated in the CRT as a further improvement.



In response to the customers' feedback, a licensing arrangement for the sale of the 35th edition of Street Index and the 4th edition of CRT was introduced for purchasers with more than one computer terminal linked by a computer network. Under the new arrangement, a licence fee of HK\$2,000 for a computer network linked with less than 50 terminals and HK\$4,000 for a computer network linked with 50 terminals or more are charged. To tie in with the new licensing arrangement, the sale of the 35th edition of Street Index was synchronised with the 4th edition of CRT to April 2003. The price was reduced from HK\$300 to HK\$250 for each copy.

Colour Imaging of Plans (CIP)

To provide better quality services to customers, the Land Registry started the CIP Project in March 2002. All the plans attached to registered documents (over 3.5 million) were converted into electronic colour images and stored securely on CD-ROMs for filing and retrieval at the end of November 2002.



Colour Imaging of Plans Kick-off Ceremony



With the completion of the conversion, the quality of plans is preserved and its storage is more secure. Customers also benefit from the colour imaging of plans service as high quality colour plan copies are provided to them without any increase in fees. This project brings new technology to provide higher quality and better value services to the community and also completes the conversion of all of the Land Registry data into accessible digital format that can be used by the Integrated Registration Information System in future.

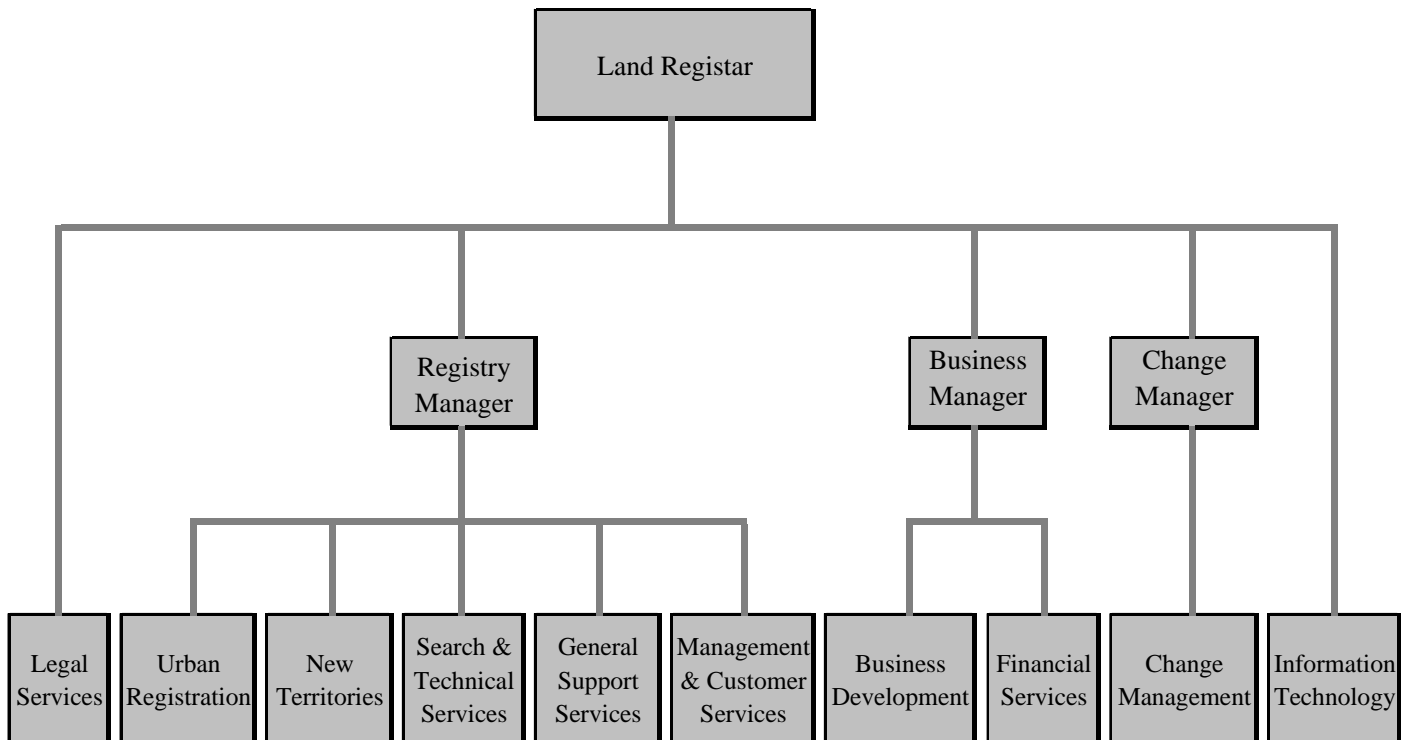


Plans scanning



Operations and Customer Focus

Management Structure



The Land Registry's key services are:

- Registration of land documents;
- Search of land registers and records;
- Supply of copies of land records; and
- Certification of copies of land records.



Productivity

In the 2002/03 financial year, 520,552 land documents were lodged for registration, a decrease of 13.9% compared with the previous year. An average of 1,907 documents were registered each working day.

Number of Land Documents Lodged for Registration Per Month in 2002/03													
2002/03	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Yearly Total
Number	44,854	46,641	52,056	51,262	43,786	37,498	48,076	40,159	35,407	45,397	37,750	37,666	520,552

Distribution of Land Documents Lodged for Registration in 2002/03	
Nature	Number
Agreements for Sale and Purchase of Building Units	81,075
Agreements for Sale and Purchase of Land	969
Assignments of Building Units	116,779
Assignments of Land	2,751
Building Mortgages/Building Legal Charges	50
Other Mortgages/Legal Charges	115,082
Others	203,846
Total	520,552

15.6% (81,075) of the documents lodged for registration in 2002/03 were Sale and Purchase Agreements of building units, a 9.6% decrease from the previous year. The total consideration of these Agreements were HK\$174,628 million, down 10.6% from the previous year. The number and consideration of these agreements are generally regarded as key indicators of property market activity.



Number and Consideration of Sale and Purchase Agreements of Building Units Lodged for Registration Per Month in 2002/03													
2002/03	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Yearly Total
Number	8,456	8,470	8,311	6,166	6,053	7,178	6,807	5,808	6,111	7,293	4,622	5,800	81,075
Consideration (in HK\$million)	17,264	20,341	19,043	15,768	13,439	14,980	13,474	10,447	12,975	14,638	7,969	14,290	174,628

There were 2,346,058 registered property owners as at the end of 2002/03 financial year, a 4.7% increase compared with 2001/02. The registered property owners include companies as well as individuals.

3,095,254 searches of land registers and records were made in 2002/03, a 11.5% drop from the previous year. 88.3% of these searches were conducted by private sector clients including solicitors' firms and estate agents. Approximately 11,340 searches were handled each working day.

The on-line land search Direct Access Services (DAS), introduced since 15 September 1994, now accounts for 76% of searches of land registers and records.

In 2002/03, the Land Registry provided 447,095 sets of imaged copies and photocopies of land documents to customers through counter searches and remote orders via DAS. This was 0.4% lower than in 2001/02. The Land Registry certified 12.7% fewer copies of land records compared to 2001/02.

Performance Pledges

Performance Pledges were first launched in 1993. They are reviewed annually and higher targets are set regularly. For 2002/03 higher performance targets were set for:

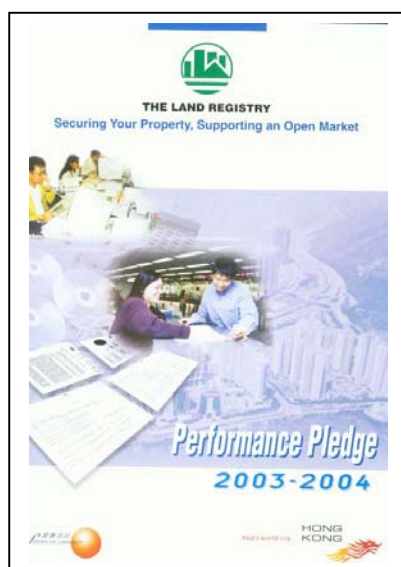
- 'All Services' service at the Central Search Office - the new target is within 35 minutes, down from 40 minutes in 2001/02 and from 50 minutes in 1997/98;
- Providing computerised land registers and copies of imaged documents over the counter - down to 22 minutes from 25 minutes in 2001/02 and from 30 minutes in 1993/94; and
- Providing certified copies of computerised land registers ordered through the Direct Access Services - down to 2 working days from 2 ½ working days in 2001/02 and from 5 working days in 1998/99.

A new performance pledge was introduced for the sale of Monthly Memorial Information on Mortgage Transactions (MMIM):

- The service standard for the approval of MMIM applications is 2 working days.
- The service standard for the delivery of MMIM diskettes by courier is 6 working days (excluding Saturdays) at the beginning of the month.

The Land Registry met or exceeded all performance pledges in 2002/03.

Performance monitoring is conducted by a combination of public and private sector Customer Liaison Groups and internal Land Registry staff committees.



Customer Focus

The Land Registry has a dedicated Management and Customer Services Division that is responsible for planning and coordinating customer service.

Our established aims are:

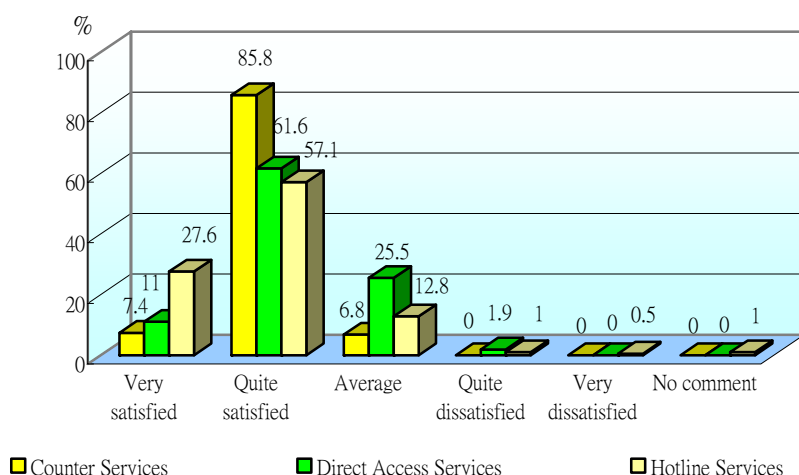
- To ensure delivery of value-for-money quality services to customers;
- To reach out to customers and make the Land Registry readily accessible;
- To keep existing and prospective customers well informed of the Land Registry services, activities and/or changes affecting them;
- To anticipate and understand customer needs and expectations;
- To ensure prompt and positive action to satisfy customers; and
- To promote a business-friendly Land Registry.

In 2002/03, the Customer Service Manager received over 18,400 commendations, enquiries, suggestions and complaints from our customers.

Number of Commendations, Enquiries, Suggestions and Complaints Received in 2002/03	
Commendations	81
Enquiries	18,287
Suggestions	11
Complaints	22

Every appreciation we received from our customers was passed on to the staff concerned. Enquiries, suggestions and complaints were recorded and analysed to facilitate continuous improvement to our services.

Customer Satisfaction Levels



Our achievements in providing quality customer service were recognised in the Outstanding Customer Service Award 2002/03 organised by the Civil Service Bureau in which the Land Registry was awarded the Grand Prize, Quality Award, Cost-effectiveness Award and Improvement Award in the small group category (departments with less than 1,000 staff). A Customer Satisfaction Survey by an independent consultant commenced in November 2002. Over 93% of our customers were satisfied with our counter services while 73% were satisfied with our Direct Access Services and 85% were satisfied with our hotline services. Their recognition has given us greater incentive to do our very best to serve in the years ahead. To further improve the customer satisfaction level, an action plan on the recommendations was established for the management to take forward.



The Land Registry received 4 awards including the Grand Prize in the Civil Service Outstanding Customer Service Award 2002/03

Human Resources Development

Staffing

To provide the best service possible to the people of Hong Kong, it is the policy of the Land Registry to keep its manpower resources flexible. This flexibility comes from the ability of Land Registry's staff to be redeployed to meet changing operational needs and by supplementing permanent staff with non-civil service contract (NCSC) staff. The employment of such contract staff allows the Registry to respond easily to changes in operational or business needs while containing costs. As at 31 March 2003, 497 permanent staff and 52 NCSC staff were employed.

Development and Training

The investment that the Land Registry puts in training and development is a sign of our commitment to giving staff the support they need to work well together and to expand their individual capabilities. The Land Registry formulates an annual Departmental Training Plan that serves as the blueprint for all training and development (T&D) activities. The Land Registry is a government leader in implementing this system and its T&D plan was used as the model for the Government's 2001 guide for all departments, the Guide on Preparing a Departmental T&D Plan.

'Changing Creatively: Seeking Continuous Improvement' was the Annual Staff Development Theme for 2002/03. The workshops aimed at stimulating creativity in problem solving and exploring ways to sustain a learning culture with the ultimate aim of continuous improvement for meeting the challenges of organisational change ahead.



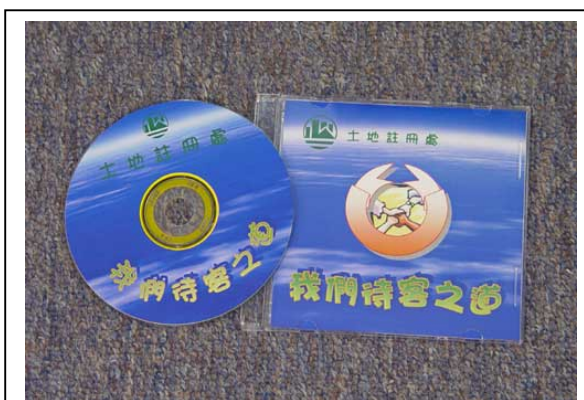
Participants 'created' various interesting gestures in the 'ice-breaking' game

In addition to theme development programmes, the Land Registry organised a variety of in-house activities to equip staff with the necessary knowledge and skills, such as land related knowledge and customer service skills, to cope with the business needs of the department.



The Land Registrar demonstrated his full support by actively participating in the class activity

During the year, the Land Registry staff produced a VCD on good customer service. In this, the three winners of the Best Counter Staff Award 2001 shared their experience in providing good customer service.



In-house production of a VCD on good customer service

To give staff insight into the operation and management of land registration in other jurisdictions, two short attachments with the Department of Land Administration of the State of Western Australia and the Singapore Land Authority were arranged for four Land Registration Officers this year. The programmes broaden officers' perspective and assist them to manage organisational changes more effectively.

In the coming year, the Land Registry will focus on management and technical training in support of the department's organisational change. The Registry will regularly review the effectiveness of training activities so as to ensure that training will improve efficiency of the workplace and add value to the business operation.

Management Initiatives

During 2002/03, a consultancy study on the performance appraisal system was carried out with the objectives to strengthen the existing system and improve the management of performance.

Staff Relations

The Land Registry recognises that effective communication between management and staff is essential to provide quality service to clients and customers. The Land Registry is committed to providing an environment that promotes communication between staff at all levels.

Green Management and Environmental Improvement

The Land Registry continues to improve its performance in the efficient use of resources and energy as well as minimising the use of paper and office supplies while collecting waste paper for recycling purpose. In 2002, consumption of paper and envelopes fell by 8.4% and 23.4% respectively. The waste paper collected increased by 1%. Conversion of the User's Guide to the Street Index and the New Territories Lot/Address Cross Reference Table from paper to compact disk also contributed to saving resources.

The Controlling Officer's Environmental Report for 2002 can be found at our website: <http://www.info.gov.hk/landreg>.

8. TRUST

Maintaining and enhancing trust in the registers is fundamental to the work of the Land Registry. We work constantly to uphold and improve the integrity, clarity and accessibility of registered information, while safeguarding individual privacy.

During 2002/03, we closely monitored the procedures for handling searches based on personal information to assure compliance with the Personal Data (Privacy) Ordinance. Provisions under the Land Registration (Amendment) Bill which were brought into effect in December 2002 give better protection against Land Registry information being used to trace information about individuals.

By strengthening our legal framework and implementing our new technology initiatives, we aim to maintain and further the community's trust in the Land Registry.

A Trustworthy Legal Framework

The Land Registration Ordinance dates back to 1844. It is the oldest Government ordinance still operating in Hong Kong and provides for a system of registration of deeds that affect interests in land.

The deed registers give a history of transactions and interests in property but they do not directly guarantee who holds title. Legal advice has to be sought on this.

The Land Registry is pursuing a two-part programme to improve the legal framework. First is amending the existing Land Registration Ordinance in order to improve the efficiency with which the deeds registration system operates. Second is to introduce a new ordinance to allow the introduction of title registration. Under a title registration system, the register provides conclusive evidence of ownership, giving greater certainty to all parties. The title register is also backed by an indemnity scheme to give greater protection against fraud or error.

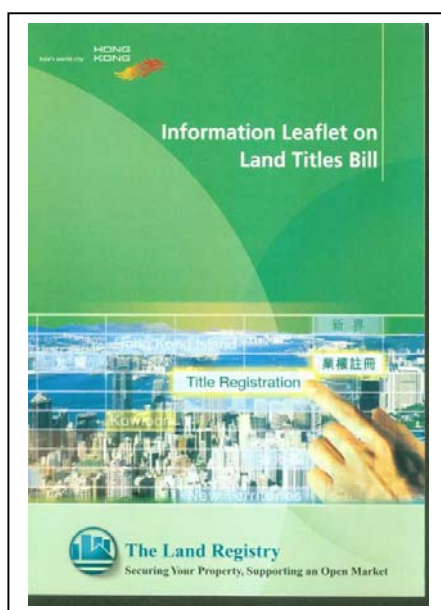
Land Registration (Amendment) Ordinance

The Ordinance was enacted on 3 July 2002. Provisions on registration of certain classes of certified copy instruments, temporary withdrawal of instruments from registration, search of copies of withheld instruments, colour imaging of plans, deletion of names of parties from Memorial Day Books, verification of memorials and correction of memorials were brought into effect on 12 December 2002. The main provisions relating to the establishment of a central registration service, standardisation of forms and insertion of known Chinese names and addresses in the memorials, new requirements on plans, new internal registration procedures within the Land Registry, new notice procedures for collection of instruments, changes in the search of the Land Registry records and fees will be brought into effect in early 2004.



Land Titles Bill

The revised Land Titles Bill was gazetted on 6 December 2002 and received its first reading on 18 December. A Bills Committee commenced deliberations in March 2003. The deliberations are continuing.



Trustworthy Technology

The security design of the Integrated Registration Information System of the Land Registry has been developed based on a comprehensive security risk assessment. The design includes measures for all aspects of system security - authenticity, integrity, confidentiality and availability. These are implemented by deploying leading edge information technology. An independent consultant will be engaged to conduct external security audits of the system periodically. Our aim is to ensure that our clients and customers can

- Trust the integrity of the data in the system;
- Trust the integrity of operations and use of the data; and
- Trust that the system will be available for use whenever it is needed.

In 2002/03, the Land Registry, with our partners and contractors, maintained a high level of availability for existing systems. No security breaches were recorded. No loss of data was encountered.



Relationships

The Land Registry relies on many different relationships to deliver services successfully to the community. We depend on our staff to give courteous and efficient service. We depend on business partners to develop and maintain efficient systems. We depend on the suppliers and users of information for its accuracy and correct use. Finally, we depend on all of these people for feedback on the quality of our services and ideas on improvement.

Our policy is to treat all with whom we deal with respect. We listen carefully to them and are open and clear in what we say to them. We seek solutions that help clients and customers as well as achieving our objectives. Our aim is to create partnerships of trust that help to give better service to all.

Our relationship with customers is beyond geographical boundary. We maintain close ties with our overseas counterparts and exchange experience in land registration and information on development projects. In 2002/03, we received 16 delegations comprising over 250 visitors from the Mainland, Malaysia, Singapore and Japan in addition to the local institutions. We paid visits to our Shenzhen and Beijing counterparts. Attachments to overseas Land Registries were arranged for Land Registration Officers to broaden their exposure and look for new ideas on improving our operations and services. The Land Registrar also attended the International Registrars' Conference held in Australia. These contacts gave us a good opportunity to benchmark our services with the overseas jurisdictions.



Visitors on a guided tour to our office

9. TEN-YEAR STATISTICAL SUMMARY

	2002/03	2001/02	2000/01	1999/00	1998/99	1997/98	1996/97	1995/96	1994/95	1993/94
Land Documents Lodged for Registration										
Number	520,552	604,419	652,425	672,304	627,637	893,200	807,588	582,989	532,181	652,803
Increase (decrease) compared with previous year (%)	(13.9)	(7.4)	(3.0)	7.1	(29.7)	10.6	38.5	9.5	(18.5)	(0.6)
Average number per working day	1,907	2,268	2,412	2,467	2,312	3,296	2,991	2,159	1,964	2,396
Sale and Purchase Agreements of Building Units Lodged for Registration										
Number	81,075	89,733	86,214	90,923	114,350	177,861	170,008	109,634	96,138	145,407
Increase (decrease) compared with previous year (%)	(9.6)	4.1	(5.2)	(20.5)	(35.7)	4.6	55.1	14.0	(33.9)	9.8
Average number per working day	297	337	319	334	421	656	630	406	355	534
Consideration (in HK\$ million)	174,628	195,237	212,621	245,625	314,059	736,096	613,393	302,633	324,298	444,812
Increase (decrease) compared with previous year (%)	(10.6)	(8.2)	(13.4)	(21.8)	(57.3)	20.0	102.7	(6.7)	(27.1)	40.7
Property Owners										
Number at end of year	2,346,058	2,241,244	2,138,413	2,030,060	1,961,891	1,875,033	1,807,638	1,746,382	1,675,646	1,597,680
Increase over previous year (Number)	104,814	102,831	108,353	68,169	86,858	67,395	61,256	70,736	77,966	77,044
(%)	4.7	4.8	5.3	3.5	4.6	3.7	3.5	4.2	4.9	5.1
Searches of Land Registers and Records										
* Search via DAS (Number)	2,354,594	2,670,441	2,849,235	2,916,329	2,732,051	3,642,624	2,715,066	1,396,648	310,264	-
(%)	76.1	76.3	77.7	76.8	75.5	66.9	51.2	40.7	8.0	-
Counter search (Number)	740,660	828,021	819,288	880,756	887,081	1,805,761	2,586,950	2,034,851	3,571,112	4,268,416
(%)	23.9	23.7	22.3	23.2	24.5	33.1	48.8	59.3	92.0	100.0
Total number	3,095,254	3,498,462	3,668,523	3,797,085	3,619,132	5,448,385	5,302,016	3,431,499	3,881,376	4,268,416
Increase (decrease) compared with previous year (%)	(11.5)	(4.6)	(3.4)	4.9	(33.6)	2.8	54.5	(11.6)	(9.1)	13.6
Average number per working day	11,338	13,127	13,562	13,934	13,330	20,105	19,637	12,709	14,322	15,664
Imaged Copies, Microfilmed Copies and Photocopies of Land Records Supplied										
Number	447,095	449,059	477,416	525,944	557,868	747,531	606,176	405,223	460,872	405,779
Increase (decrease) compared with previous year (%)	(0.4)	(5.9)	(9.2)	(5.7)	(25.4)	23.3	49.6	(12.1)	13.6	24.8
Average number per working day	1,638	1,685	1,765	1,930	2,055	2,758	2,245	1,501	1,701	1,489
Certified Copies of Land Records Supplied										
Number	55,842	63,997	68,199	85,246	93,273	193,061	220,572	181,699	193,554	234,714
Increase (decrease) compared with previous year (%)	(12.7)	(6.2)	(20.0)	(8.6)	(51.7)	(12.5)	21.4	(6.1)	(17.5)	2.4
Average number per working day	205	240	252	313	344	712	817	673	714	861

* DAS was first introduced for search of urban properties in September 1994 and extended to New Territories properties by phases from March 1995.

10. *FINANCIAL REPORT*

REPORT OF THE DIRECTOR OF AUDIT TO THE LEGISLATIVE COUNCIL

I have audited the attached financial statements which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the General Manager, Land Registry Trading Fund and the Director of Audit

Under section 7(4) of the Trading Funds Ordinance (Cap. 430), the General Manager, Land Registry Trading Fund is responsible for the submission of financial statements prepared in accordance with generally accepted accounting principles and signed by him to me. In preparing the financial statements, the General Manager, Land Registry Trading Fund 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 those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined and audited the financial statements referred to above in accordance with section 7(5) of the Trading Funds 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the General Manager, Land Registry Trading Fund in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Land Registry Trading Fund's circumstances, 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 financial statements are free from material misstatement. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the Land Registry Trading Fund as at 31 March 2003 and of the results of its operations and cash flows for the year then ended and have been properly prepared in accordance with the manner provided in section 7(4) of the Trading Funds Ordinance.



(WONG Kau-on, Peter)
Assistant Director of Audit
for Director of Audit

Audit Commission
Hong Kong
6 September 2003



THE LAND REGISTRY TRADING FUND

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

Expressed in HK\$'000

	Note	2003	2002
Turnover	3	367,964	405,641
Operating costs	4	<u>(285,829)</u>	<u>(311,678)</u>
Profit from operations		82,135	93,963
Other income	5	8,395	15,945
Finance cost	6	<u>(1,606)</u>	<u>(3,467)</u>
Profit before tax		88,924	106,441
Taxation	7	<u>(13,559)</u>	<u>(15,220)</u>
Profit after tax		75,365	91,221
Dividend	8	(37,682)	(27,570)
Rate of return on fixed assets	9	20.6%	26.4%

K.A. SALKELD, J.P.

Land Registrar and General Manager,
Land Registry Trading Fund
5 September 2003

The notes on the accounts form part of these accounts.

THE LAND REGISTRY TRADING FUND

BALANCE SHEET

As at 31 March 2003

Expressed in HK\$'000

	Note	2003	2002
ASSETS			
Non-current assets			
Fixed assets	10	<u>392,663</u>	<u>353,141</u>
Current assets			
Debtors and prepayments		11,468	12,453
Amounts due from related parties		5,585	11,535
Tax recoverable		6,179	-
Placements with banks		401,650	416,820
Cash and bank balances		<u>1,722</u>	<u>2,185</u>
		426,604	442,993
Current liabilities			
Deferred revenue	11	1,820	2,592
Short-term borrowings	12	23,660	23,660
Interest payable to Government		796	1,751
Customers' deposits	13	21,413	22,714
Creditors		3,429	3,210
Amounts due to related parties		27,778	24,542
Provision for employee benefits		1,145	3,241
Tax payable		<u>-</u>	<u>7,411</u>
		80,041	89,121
Net current assets		<u>346,563</u>	<u>353,872</u>
Total assets less current liabilities		739,226	707,013
Non-current liabilities			
Deferred tax	14	10,966	2,897
Provision for employee benefits		63,289	63,280
Government loan	15	<u>-</u>	<u>23,660</u>
NET ASSETS		<u>664,971</u>	<u>617,176</u>
CAPITAL AND RESERVES			
Trading fund capital	16	118,300	118,300
Retained earnings	17	508,989	471,306
Proposed dividend	8	<u>37,682</u>	<u>27,570</u>
		664,971	617,176

The notes on the accounts form part of these accounts.

THE LAND REGISTRY TRADING FUND

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

Expressed in HK\$'000

	Note	2003	2002
Balance at 1 April 2002, as previously reported		683,697	619,484
Change in accounting policy in respect of employee benefits	22(c)	(66,521)	(65,842)
Balance at 1 April 2002, as restated		617,176	553,642
Profit for the year, as previously reported			91,900
Change in accounting policy in respect of employee benefits	22(c)		(679)
Profit for the year (2002 : as restated)		75,365	91,221
Dividend paid		(27,570)	(27,687)
Balance at 31 March 2003		664,971	617,176

The notes on the accounts form part of these accounts.



THE LAND REGISTRY TRADING FUND

CASH FLOW STATEMENT

For the year ended 31 March 2003

Expressed in HK\$'000

	Note	2003	2002
Cash flows from operating activities			
Profit from operations		82,135	93,963
Depreciation and amortisation		11,228	18,036
Employee benefits		(2,087)	679
Decrease in deferred revenue		(772)	(872)
Increase in creditors and amounts due to related parties		3,455	1,546
Decrease in customers' deposits		(1,301)	(458)
Decrease/(Increase) in debtors and amounts due from related parties		6,511	(4,979)
Profits tax paid		(19,080)	(9,299)
Net cash from operating activities		80,089	98,616

The notes on the accounts form part of these accounts.

CASH FLOW STATEMENT *(continued)*

	Note	2003	2002
Cash flows from investing activities			
Net decrease/(increase) in placements with banks (other than cash equivalents)		15,000	(191,000)
Capital projects		(50,750)	(10,848)
Rental received		549	3,227
Interest received		8,270	13,146
Net cash used in investing activities		(26,931)	(185,475)
Cash flows from financing activities			
Loan repayments	15	(23,660)	(23,660)
Interest paid		(2,561)	(6,058)
Dividend paid		(27,570)	(27,687)
Net cash used in financing activities		(53,791)	(57,405)
Net decrease in cash and cash equivalents		(633)	(144,264)
Cash and cash equivalents at 1 April 2002		3,005	147,269
Cash and cash equivalents at 31 March 2003	18	2,372	3,005

The notes on the accounts form part of these accounts.



NOTES ON THE ACCOUNTS

For the year ended 31 March 2003

Expressed in HK\$'000

1. Status of the Land Registry Trading Fund

The Land Registry Trading Fund was established on 1 August 1993 under the Legislative Council Resolution passed on 30 June 1993 pursuant to sections 3, 4 and 6 of the Trading Funds Ordinance (Cap. 430). The Land Registry administers a land registration system by maintaining an up-to-date Land Register and provides its customers with services and facilities for searches of the Land Register and related land records. The Land Registry also processes applications for the incorporation of owners.

2. Accounting policies

(a) Basis of accounting

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong.

(b) Fixed assets

- (i) Fixed assets appropriated to the Land Registry Trading Fund on 1 August 1993 are stated at the value contained in the Legislative Council Resolution for the setting up of the Land Registry Trading Fund. Fixed assets acquired since 1 August 1993 and costing more than \$100,000 on an individual basis are stated at their costs of acquisition.
- (ii) For capital projects under development, the costs include the actual direct expenditure and staff costs for planning, design and supervision during the development period.

**Accounting policies** (*continued*)**(c) Depreciation and amortisation**

Depreciation

- (i) Depreciation is provided on a straight-line basis calculated to write off the cost of assets less residual value over their estimated useful lives. The annual rates of depreciation used are :

Buildings	3.3%
Computer systems	20%
Equipment, furniture and fittings	10% - 20%
Office car	20%

- (ii) Land is regarded as a non-depreciating asset.

Amortisation

Capital projects are amortised over a period of five years. Full year amortisation is charged if a project starts commissioning on or before 30 September of the year, while half-year amortisation is charged for a project commissioned after 30 September.

(d) Deferred tax

Provision is made for deferred tax in respect of all material timing differences attributable to accelerated depreciation allowances on fixed assets except where it is considered that no liability will crystallise in the foreseeable future.

**Accounting policies** (*continued*)**(e) Revenue recognition**

Revenue is recognised as services are provided. Interest income is recognised on an accrual basis.

(f) Employee benefits

Salaries and annual leave are accrued and recognized as an expense in the year in which the associated services are rendered by the staff. Staff oncosts including pensions, housing and non-monetary benefits provided to the staff by the Government of the Hong Kong Special Administrative Region are charged to the Land Registry Trading Fund and recognized as an expense in the year in which the associated services are rendered.

(g) Related parties

The Land Registry Trading Fund is a separate accounting entity within the Government of the Hong Kong Special Administrative Region established under the Trading Funds Ordinance (Cap. 430). During the year, the Land Registry Trading Fund has entered into transactions with various related parties, including Government bureaux and departments, trading funds and financially autonomous bodies controlled or significantly influenced by the Government, in the ordinary course of its business.

(h) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of acquisition.

3. Turnover

	2003	2002
Registration of documents	180,606	215,670
Search	66,719	75,496
Copying	52,306	58,158
Reports on title	56,978	42,867
Owners incorporation	7,490	7,580
Others	3,865	5,870
	367,964	405,641



4. Operating costs	2003	2002
Staff costs	207,494	223,855
General operating expenses	23,211	21,261
Computer service charges	19,195	22,754
Rental and management charges	22,750	23,809
Central administrative overheads	1,578	1,568
Depreciation and amortisation	11,228	18,036
Audit fees	373	395
	285,829	311,678

5. Other income	2003	2002
Rental income from Government	548	3,227
Bank deposits interest	7,847	12,718
	8,395	15,945

6. Finance cost	2003	2002
Interest on Government loans	1,606	3,467

7. Taxation

Notional profits tax is provided at the rate of 16% (2002 : 16%). A payment in lieu of profits tax calculated on the basis of the provisions of the Inland Revenue Ordinance (Cap. 112) will be made to the Government. Provision is made for deferred tax in respect of all material timing differences attributable to accelerated depreciation allowances on fixed assets except where it is considered that no liability will crystallise in the foreseeable future.

	2003	2002
Notional profits tax	5,490	15,560
Deferred tax for the year		
Capital allowances in excess of /(less than) related depreciation charge	7,798	(340)
Adjustment due to a change of profits tax rate	271	-
	8,069	(340)
Taxation for the year	13,559	15,220

8. Dividend

A dividend of \$37.682 million being 50% of the profit after tax is proposed for the year ended 31 March 2003 (2002 : \$27.570 million).

9. Rate of return on fixed assets

This is calculated as a percentage of operating profit and interest income after taxation to Average Net Fixed Assets (ANFA). The Land Registry Trading Fund is expected to meet a target return of 10% per annum on ANFA as determined by the Financial Secretary.

10. Fixed assets

	Land and Buildings	Computer Systems	Equipment, Furniture and Fittings	Office Car	Set- up Costs	Total
Cost or Valuation						
At 1 April 2002	350,000	375,416	23,059	192	3,800	752,467
Additions	-	50,750	-	-	-	50,750
At 31 March 2003	350,000	426,166	23,059	192	3,800	803,217
Aggregate Depreciation/ Amortisation						
At 1 April 2002	33,376	339,611	22,434	105	3,800	399,326
Charge for the year	3,851	7,029	310	38	-	11,228
At 31 March 2003	37,227	346,640	22,744	143	3,800	410,554
Net Book Value						
At 31 March 2003	312,773	79,526	315	49	-	392,663
At 31 March 2002	316,624	35,805	625	87	-	353,141

**11. Deferred revenue**

This represents outstanding search tickets and subscription fees/other service charges received in advance of which services have not yet been rendered.

	2003	2002
Search tickets	665	604
Subscription fees/other service charges	<u>1,155</u>	<u>1,988</u>
Balance at 31 March 2003	<u>1,820</u>	<u>2,592</u>

12. Short-term borrowings

Government loan repayable within one year at
31 March 2003
(see also note 15)
Set-up loan

	2003	2002
	<u>23,660</u>	<u>23,660</u>

13. Customers' deposits

Direct Access Services customers
Government departments

	2003	2002
	20,261	21,562
	<u>1,152</u>	<u>1,152</u>
Balance at 31 March 2003	<u>21,413</u>	<u>22,714</u>

14. Deferred tax

Balance at 1 April 2002
Provision for the year

	2003	2002
	2,897	3,237
	<u>8,069</u>	<u>(340)</u>
Balance at 31 March 2003	<u>10,966</u>	<u>2,897</u>

**15. Government loan****2003****2002**

Government loan repayable
after one year at
31 March 2003

-23,660

A set-up loan of \$236.6 million from the Capital Investment Fund was made in accordance with the resolution passed by the Legislative Council on 30 June 1993 to finance part of initial assets valued at \$354.9 million appropriated to the Land Registry Trading Fund effective from 1 August 1993. The loan is repayable in ten equal annual instalments of \$23.66 million starting from 1 August 1994. The tenth instalment due to be payable on 1 August 2003 is shown under short-term borrowings.

Interests for the loan is paid on the amount outstanding at the average of the best lending rates quoted by the continuing members of the Committee of the Hong Kong Association of Banks.

16. Trading fund capital

This represents the Government's investment in the Land Registry Trading Fund.

2003**2002**

Balance at 1 April 2002
Addition

118,300

118,300

--

Balance at 31 March 2003

118,300118,300



17. Retained earnings	2003	2002
Balance at 1 April 2002, as previously reported	537,827	473,497
Change in accounting policy in respect of employee benefits (see <i>note 22(c)</i>)	<u>(66,521)</u>	<u>(65,842)</u>
Balance at 1 April 2002, as restated	471,306	407,655
Profit for the year, as previously reported		91,900
Change in accounting policy in respect of employee benefits		(679)
Profit for the year (2002 : as restated)	75,365	91,221
Proposed dividend	<u>(37,682)</u>	<u>(27,570)</u>
Balance at 31 March 2003	<u>508,989</u>	<u>471,306</u>
18. Analysis of the balances of cash and cash equivalents at end of year	2003	2002
Cash and bank balances	1,722	2,185
Placements with banks (cash equivalents portion)	<u>650</u>	<u>820</u>
	<u>2,372</u>	<u>3,005</u>



19. Related party transactions

Apart from those separately disclosed in the accounts, the other material related party transactions for the year are summarised as follows :-

- (a) Services provided to related parties included registration of land documents, search of land registers and records, supply of copies of land records and reports on title. The total revenue derived from these services amounted to \$89 million (2002: \$78 million). This amount is included in Turnover under note 3.
- (b) Services received from related parties included computer services, accommodation, central administration and auditing. The total cost incurred on these services amounted to \$33 million (2002: \$40 million). This amount is included in Operating Costs under note 4.

Charging for services rendered to or received from related parties was on the same basis, that is, at the rates payable by the general public for services which were also available to the public or on a full cost recovery basis for services which were available only to related parties.

20. Capital commitments

At 31 March 2003, the Land Registry Trading Fund had capital commitments, so far as not provided for in the financial statements, as follows :

	2003	2002
Contracted for	105,600	21,900
Authorised but not contracted for	71,700	149,600
	<u>177,300</u>	<u>171,500</u>

21. Operating lease commitments

At 31 March 2003, the total future minimum lease payments under operating leases of the Land Registry Trading Fund are payable as follows :

	2003	2002
LAND AND BUILDINGS		
Operating leases which expire :		
within one year	5,952	454
in the second to fifth years inclusive	2,776	14,738
over five years	-	-
	<u>8,728</u>	<u>15,192</u>

22. Adoption of new and revised accounting standards in Hong Kong

The following new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants, which became effective for accounting periods beginning on or after 1st January 2002, were adopted for the preparation of these financial statements :

(a) SSAP 1 (revised) “Presentation of Financial Statements”

A statement of changes in equity is presented as a separate component of the financial statements in order to comply with the new requirements of SSAP 1 (revised).

(b) SSAP 15 (revised) “Cash Flow Statements”

The format of the cash flow statement has been revised to follow the new requirements of SSAP 15 (revised).

(c) SSAP 34 “Employee Benefits”

In order to comply with the new requirements of SSAP 34, a provision is made for the estimated liability for annual leave as a result of services rendered by the staff up to the balance sheet date. This represents a change in accounting policy as in previous years no provision was made for this liability. This change in accounting policy has been accounted for retrospectively and the comparative figures have been restated to conform with the changed policy. The provisions for unused annual leave of the staff at 31 March 2003 and 2002 were \$64.434 million and \$66.521 million respectively. The amount of \$2.087 million, being a decrease for the year, was credited to the profit and loss account under the item of staff costs; and the amount of \$66.521 million was charged against the retained earnings at 1 April 2002 as prior year adjustment (see note 17).

23. Comparative figures

Certain comparative figures have been restated and reclassified based on the requirements of the new and revised accounting standards adopted as set out in note 22.