

The Land Registry

Trading Fund



Annual Report 2003/04



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1. LAND REGISTRAR'S STATEMENT

In terms of our business, 2003/04 was a year in two halves. The first half continued the previous three years of decline in property market activity. The second saw a marked turn-around that has led to an unexpectedly strong financial performance for last year and opens up better prospects for the coming year. In terms of our strategic change plan, the year was one of hard work to address a variety of obstacles. Steady progress was made that contributed to securing the passage of the Land Titles Bill in July 2004 and gives us growing confidence that the long awaited centralized registration service, supported by the Integrated Registration Information System (IRIS), will be delivered later in the year.

Recovering Business

For 2002/03 the Trading Fund's revenue was 20% lower than it had been in 1999/00, reflecting a third full year of decline in property market activity. For the first quarter of 2003/04, revenue was nearly 14% below our budget and over 20% down on the equivalent quarter in 2002/03. The second quarter was marginally better but revenue for the first half year was still over 15% down on the same period in the previous year. October saw a big jump in business due to increased transactions in both the primary and the secondary residential markets. Residential sector activity remained at a relatively high level for the remainder of the year leading to greater demand for services to the private sector over the year as a whole as compared with 2002/03. Only the impact of weaker demand for services to Government Departments, reflecting their tight budgetary situation, and very low return on deposits, reflecting very low interest rates, left us at the end of the year still slightly short of 2002/03's overall revenue.

Against the threat of reduced revenue we had aimed to reduce expenditure significantly so as to keep down costs to customers. This was achieved. Overall expenses came down by 5.2%, the major contribution to which came from reduced staff costs.

The combined effect of recovery in our business volumes and reduction in our core costs puts the trading fund in a strong position for the coming year.

Central Registration

In my last report I anticipated that the reorganization of the department to deliver a unified registration and information service for the whole territory would be implemented in January 2004. This target was not achieved. The integrated registration information system (IRIS) on which the reorganization depends, was not ready to enter service then. Testing for the system is still continuing. It is expected that this will now be completed in the summer. Before IRIS can be put into service, a commencement day for the main parts of the Land Registration (Amendment) (2002) Bill has to be approved by the Legislative Council. This cannot be sought until all testing is satisfactorily completed. Given the legislative procedures that have to be satisfied, the



earliest commencement date for the central registration service and IRIS will be in December 2004.

I regret this delay in introducing the major service improvements for our customers that these will represent. All of us in the Department, together with our contractors, are working hard to ensure that our pledge to transform the quality of our service will be met without any further delay.

Title Registration

I reported last year that the Land Titles Bill had faced significant challenges when re-introduced into the Legislative Council. The mechanism to bring existing property under the new legislation and the provisions on indemnity and rectification were the areas most questioned in the Bills Committee. During the year the Land Registry legal team, with invaluable assistance from two experienced private sector solicitors engaged as consultants, developed a new approach to conversion in discussions with the Law Society working party on title registration. The new scheme, dubbed 'daylight conversion' won widespread support which opened the way for passage of the Bill.

The extent of the changes that were needed to the Bill, not just to give effect to the new conversion mechanism but also to address a wide variety of other issues raised during the 39 meetings of the Bills Committee required a massive redrafting exercise within only a few weeks. I would like to pay tribute to the outstanding work of Mr. Jeffrey Gunter and his team at the Law Drafting Division of the Department of Justice on this task. I would also like to thank the Law Society working party, under the Chairmanship of Mr. Peter Aherne for their willingness to volunteer so much time and to give such helpful comment and support to the development of the legislation. Many thanks are also due to Ms. Monica Lo, the Senior Solicitor in the Land Registry, who with her small team dealt with a prodigious demand for advice, papers and presentations over the last year. I am delighted that all their efforts have been rewarded with success.

Passage of the legislation holds out the promise of title registration being introduced into Hong Kong, giving owners and purchasers increased security and improving the efficiency of conveyancing. Before that promise can be realized, a great deal of further work is required and I expect that it will be at least two years before the legislation can be brought into effect. There are a number of issues on the legislation itself that we have undertaken to examine further with various parties. Regulations need to be drafted. Extensive guidance notes for professionals and public education material need to be prepared and presented. Further development of the IRIS will be needed. This work is already beginning and will place substantial demands on the Land Registry's management and manpower over the coming few years. We will be increasing our management strength to deal with this.

The Year Ahead

The major priority for this year is the successful conclusion of the system testing for IRIS and setting a firm date for implementing central registration. We will be reviewing our fees in the run up to the launch of central registration, taking account of the improved business position and the additional investments and commitments arising from passage of the Land Titles Ordinance. We will also be setting new standards for service delivery under the central registration system and for internet services after IRIS goes live. The preparation work for introduction of title registration will be divided into several streams. The further legal work is already beginning. Other aspects will only begin to pick up after we have got central registration up and running smoothly. Underlying all our work is our shared understanding of the need to maintain trust, improve service and increase the value that we give to the people of Hong Kong. That is reflected in the theme for staff development training this year, 'Upholding Integrity, Striving for Service Excellence' and I trust that it will be apparent to all who work with us and all who come to us for services during the year.

A handwritten signature in black ink, appearing to be 'K.A. Salkeld'.

K.A. Salkeld, J.P.
The Land Registrar & General Manager
The Land Registry Trading Fund, Hong Kong
11 August 2004



2. HIGHLIGHTS OF 2003/04

28 April 2003	Sale of the Street Index (35th edition) and the New Territories Lot/Address Cross Reference Table (4th edition) on compact disc
18 June 2003	Announcement of the enhanced performance pledges for 2003/04
22 June 2003	<p>The Land Registry staff participated in the Wan Chai Green Trail Walk held by the Environmental Campaign Committee in support of the World Environment Day 2003</p> 
22 October 2003	The Land Registry Trading Fund Annual Report 2002/03 published and uploaded onto the Registry's website
29 October 2003	The first round of System Acceptance Testing for the Integrated Registration Information System completed
8 February 2004	<p>Two Land Registry teams participated in the 2004 Standard Chartered Hong Kong Marathon. HK\$10,800 raised to support Hong Kong's disabled athletes</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



- 57 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 and must meet its expenditure with its own 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. 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 implementing a Change Programme aiming at bringing to its customers an efficient, unified registration service for the whole territory. At the core of the transformation lies a streamlined business process, supported by an Integrated Registration Information System (IRIS) replacing the existing fragmented computer systems. Upon implementation of the changes, a single, centralised registry and new organisation structure will be put in place.

The main development phase of IRIS was completed by October 2003. Since then we have been putting the new information management system through a stringent test programme. The test programme involves proving of individual functions; system integration; trial of the whole system; and refinement of functions and user interfaces. This part of the programme was not completed within the year as expected. At the end of March 2004 the system migration stage had not yet commenced, nor had the legal process for bringing the remaining parts of the Land Registration (Amendment) Ordinance 2002, which provides the legal framework for the unified registry structure, into effect. Our current expectation is that the IRIS system and central registration can be implemented in the last quarter of 2004.

Staff throughout the department will be using IRIS in their work. They are being provided with comprehensive user training. The training programme includes classes conducted in a training room specially designed for the purpose and hands-on practice sessions to allow users to get acquainted with the new functionality and operations. For our customers, a demonstration and tutorial kit will be available on the Registry's website well in advance of the live-run.

Accommodation

An office refurbishment programme is being carried out by phases. Major fitting-out works of the new Customer Centre on 19th Floor of Queensway Government Offices and most of the New Territories Search Offices have been completed. The new Customer Centre and New Territories Search Offices, completed with enhanced corporate identity and upgraded facilities, will serve our customers when the Integrated Registration Information System (IRIS) goes live.

The renovation of most of our back offices on various floors of Queensway Government Offices has been completed. The design of these new offices and the workstations installed have adopted modern ergonomic standards and environment-friendly building service technology. They provide a better and more efficient working environment for



our staff. The new Conference Room, which is located on 28th Floor, is equipped with the latest audio-visual equipment and can accommodate up to 60 attendees. It provides a suitable and comfortable venue for holding meetings, seminars and briefings. The new Learning Resource Centre (LRC) on the same floor comprises a library, 6 self-learning booths and a well equipped classroom. The LRC supports our department's commitment to promoting a learning culture and providing a variety of training to our staff, which in turn helps them deliver quality services to the community. The refurbishment of remaining office premises will start after the IRIS live-run.



A new look to our reception counter



Our new conference room



The lift lobby



New library



New self-learning booths

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 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 2004, the Land Registry Trading Fund achieved a net profit after taxation of HK\$89.5 million and attained a return on ANFA of 22%.

When compared with last year, the overall revenue decreased by HK\$5.6 million (down 1.5%), mainly due to decreased demand for services from Government Departments. Through effective cost controls and concerted efforts of the department, operating expenses decreased by HK\$15.0 million (down 5.2%).

Forecast

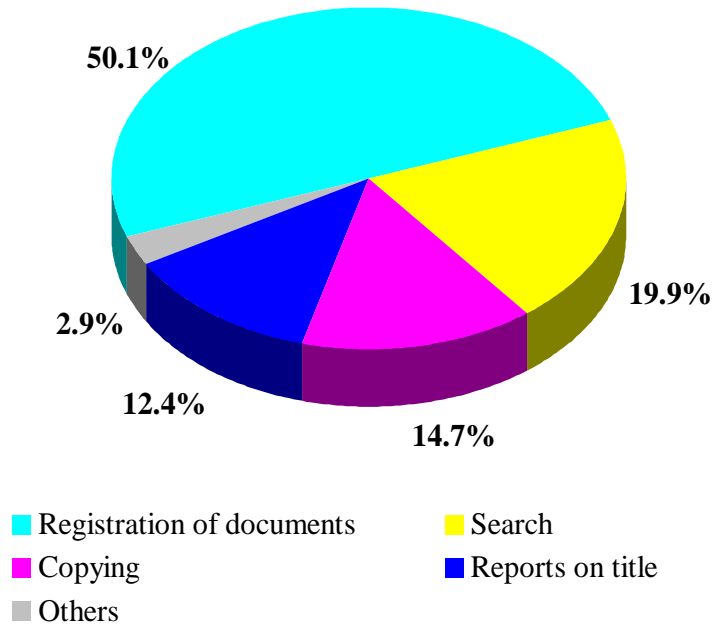
The Land Registry will continue to exercise strict control on costs. The implementation of IRIS will assist in increasing efficiency and keeping down recurrent costs. Rental costs will be reduced by about 40% after IRIS implementation as we will be able to reduce the size of offices in NT districts and release office space in Sai Wan Ho. Depreciation of the capital investment in the new system will tend to balance out this effect over the first five years of operation. The actual revenue and return on ANFA over the medium term will depend mainly on transaction volumes in the property market. This will depend on wider economic factors but we expect the recovery in market activity in the second half of 2003/04 to carry through into generally more stable business volumes.

Fees and Charges

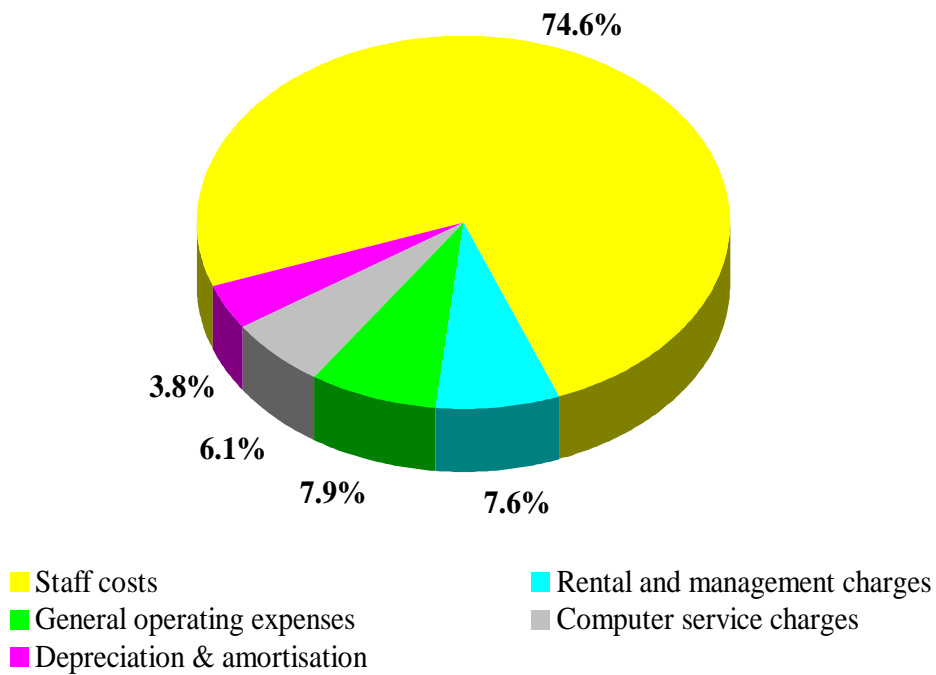
Fees and charges are reviewed annually to take into account the full cost of providing services, the impact of inflation or deflation, the retained reserves and the implementation of efficiency improvement projects and new services. No changes to fees and charges were made during the year. There has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



Revenue (per cent)



Operating Costs (per cent)



6. SERVICE

Service is at the core of the Land Registry's mission. Our information technology systems are being upgraded to raise the quality of our services and support sustained improvements in services over the coming decade. 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 the first half of 2003/04 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.

Development Projects and New Services

Land Registration System

The Land Registration System comprises the Land Registry's fully computerised system for the storage of historical and current information on property particulars, including owners' names and encumbrances. In August 2003, a standing programme was developed for the generation of monthly statistics on unsold flats in relation to the flat supply of the property market for the Housing Department.

Direct Access Services

The Direct Access Services is an online land search facility introduced in 1994. 79% of land searches and 70% of orders for copies of documents are being made through this service.

Document Imaging System

The Document Imaging System is the Land Registry's fully computerised system for secure storage and retrieval of land documents. As part of the ongoing IT improvements, the Openspool qserver (i.e. the printing software) was upgraded in June 2003 and the fax servers and formatting computers were tuned up in August and September to improve the stability and efficiency of the system.

Street Index Compact Disc

The Street Index was first compiled in the 19th century. In the 35th edition issued in 2003/04, 19 new streets and 163 new lots/sections/subsections were added.





New Territories Lot/Address Cross Reference Table Compact Disc

The New Territories Lot/Address Cross Reference Table (CRT) was first compiled in 2000. In the 4th edition issued in 2003/04, 41 new streets and 3,166 new lots/sections/subsections were added.

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 were 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.



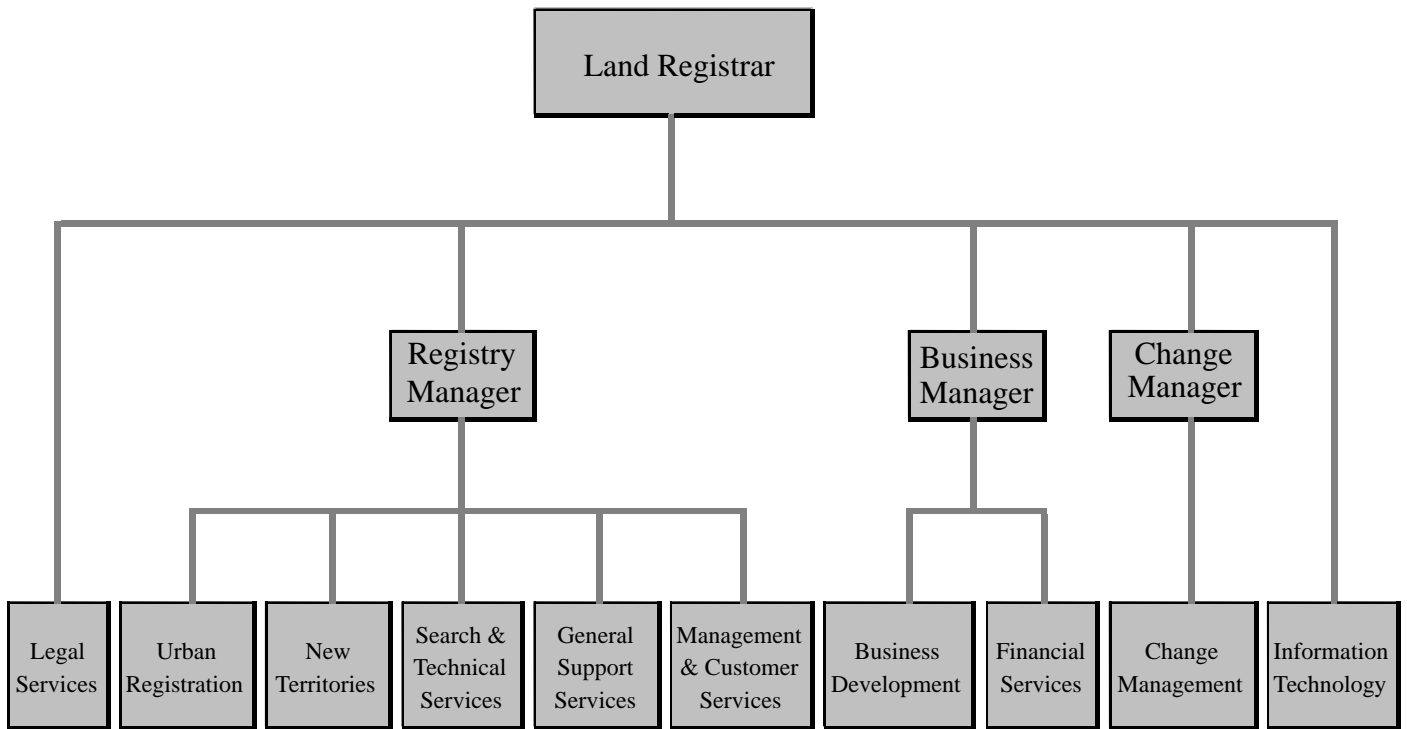
Colour Imaging of Plans

The Colour Imaging of Plans is one of the IT improvement projects to enhance the quality of colour plans provided to customers. The Land Registry completed digitising the plans attached to over 3.5 million registered documents in 2002. Conversion of incoming plans into electronic colour images is still underway. All the converted images are now stored securely on CD-ROMs for retrieval and will be migrated to the Integrated Registration Information System in future.



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
- Certification of copies of land records

Productivity

In the 2003/04 financial year, 523,129 land documents were lodged for registration, an increase of 0.5% compared with the previous year. An average of 1,920 documents were registered each working day.

Number of Land Documents Lodged for Registration Per Month in 2003/04

2003/04	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Yearly Total
Number	38,779	38,316	33,190	37,758	39,656	43,546	46,094	52,151	46,838	47,532	45,936	53,333	523,129

Number of Land Documents Lodged for Registration (2001/02 to 2003/04)

Year	Total number of documents lodged	Increase (decrease) compared with previous year	Average number of documents lodged per working day
2001/02	604,419	(7.4%)	2,268
2002/03	520,552	(13.9%)	1,907
2003/04	523,129	0.5%	1,920

19.9% (103,953) of the documents lodged for registration in 2003/04 were Sale and Purchase Agreements of building units, a 28.2% increase over the previous year. The total consideration of these Agreements was HK\$246,564 million, up 41.2% over the previous year. The number and consideration of these agreements are generally regarded as key indicators of property market activity.

Distribution of Land Documents Lodged for Registration in 2003/04	
Nature	Number
Agreements for Sale and Purchase of Building Units	103,953
Agreements for Sale and Purchase of Land	1,192
Assignments of Building Units	112,555
Assignments of Land	2,524
Building Mortgages/Building Legal Charges	109
Other Mortgages/Legal Charges	100,981
Others	201,815
Total	523,129

Number and Consideration of Sale and Purchase Agreements of Building Units Lodged for Registration Per Month in 2003/04													
2003/04	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Yearly Total
Number	6,382	5,090	6,013	7,658	7,947	6,866	11,219	9,648	8,771	9,468	10,967	13,924	103,953
Consideration (in HK\$ million)	12,846	9,395	11,510	16,706	15,307	13,868	32,101	21,312	19,476	22,630	30,487	40,926	246,564

Number and Consideration of Sale and Purchase Agreements (SPAs) of Building Units Lodged for Registration (2001/02 to 2003/04)				
Year	Total number of SPAs lodged	Increase (decrease) compared with previous year	Average number of SPAs lodged per working day	Total consideration of SPAs (in HK\$ million)
2001/02	89,733	4.1%	337	195,237
2002/03	81,075	(9.6%)	297	174,628
2003/04	103,953	28.2%	381	246,564

Among the 103,953 Sale and Purchase Agreements, 82.6% (85,814) were Sale and Purchase Agreements of residential units^(note), a 25.5% increase over the previous year. The total consideration of these Agreements was HK\$200,989 million, up 40.9% over the previous year.

Number and Consideration of Sale and Purchase Agreements of Residential Units Lodged for Registration Per Month in 2003/04													
2003/04	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Yearly Total
Number	5,373	4,130	4,833	6,525	6,559	5,632	9,360	7,811	6,967	7,726	9,449	11,449	85,814
Consideration (in HK\$ million)	10,520	7,488	8,969	12,493	12,203	11,247	27,729	17,637	15,370	18,028	26,311	32,994	200,989

Number and Consideration of Sale and Purchase Agreements (SPAs) of Residential Units Lodged for Registration (2001/02 to 2003/04)				
Year	Total number of SPAs lodged	Increase (decrease) compared with previous year	Average number of SPAs lodged per working day	Total consideration of SPAs (in HK\$ million)
2001/02	73,554	12.9%	276	158,209
2002/03	68,368	(7.1%)	250	142,630
2003/04	85,814	25.5%	315	200,989

Note: Sales of residential units refer to the Sale and Purchase Agreements with payment of stamp duty. These statistics do not include sales of units under the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme except those after payment of premium.

3,388,061 searches of land registers and records were made in 2003/04, a 9.5% increase over the previous year. 90.1% of these searches were conducted by private sector clients including solicitors' firms and estate agents. Approximately 12,430 searches were handled each working day.

Number of Searches of Land Registers and Records (2001/02 to 2003/04)			
Year	Total number of searches	Increase (decrease) compared with previous year	Average number of searches per working day
2001/02	3,498,462	(4.6%)	13,127
2002/03	3,095,254	(11.5%)	11,338
2003/04	3,388,061	9.5%	12,433

The online land search Direct Access Services (DAS), introduced since 15 September 1994, now accounts for 79% of searches of land registers and records.

Distribution of Searches of Land Registers and Records (2001/02 to 2003/04)				
DAS searches			Counter searches	
Year	Number	Per cent	Number	Per cent
2001/02	2,670,441	76.3	828,021	23.7
2002/03	2,354,594	76.1	740,660	23.9
2003/04	2,677,983	79.0	710,078	21.0

In 2003/04, the Land Registry provided 461,490 sets of imaged copies and photocopies of land documents to customers through counter searches and remote orders via DAS. This was 3.2% higher than in 2002/03.

Number of Sets of Imaged Copies and Photocopies of Land Records Supplied (2001/02 to 2003/04)			
Year	Total number of sets of imaged copies and photocopies supplied	Increase (decrease) compared with previous year	Average number of sets of imaged copies and photocopies supplied per working day
2001/02	449,059	(5.9%)	1,685
2002/03	447,095	(0.4%)	1,638
2003/04	461,490	3.2%	1,694

The Land Registry certified 0.7% fewer copies of land records compared to 2002/03.

Number of Copies of Land Records Certified (2001/02 to 2003/04)			
Year	Total number of copies of land records certified	Increase (decrease) compared with previous year	Average number of land records certified per working day
2001/02	63,997	(6.2%)	240
2002/03	55,842	(12.7%)	205
2003/04	55,461	(0.7%)	204

Performance Pledges

Performance Pledges were first launched in 1993. They are reviewed annually and higher targets are set regularly. For 2003/04, higher performance targets were set for:

- "All Services" service at the Central Search Office - the new target is within 30 minutes, down from 35 minutes in 2002/03 and from 50 minutes in 1997/98; and
- Providing computerised land registers and copies of imaged documents over the counter - down to 20 minutes from 22 minutes in 2002/03 and from 30 minutes in 1993/94.

The Land Registry exceeded all performance pledges in 2003/04. New service standards will be introduced when the Integrated Registration Information System goes live.

Performance monitoring is conducted by a combination of private and public sector Customer Liaison Groups and an in-house Performance Monitoring Committee. The objectives of the Customer Liaison Groups are to:

- improve the Registry's understanding of customers' needs and expectations;
- improve customers' understanding of the Registry's policies, services and procedures; and
- exchange views on operational and service delivery issues.

The private sector group is composed of representatives from the Law Society of Hong Kong, the Hong Kong Association of Banks, the Hong Kong Society of Accountants, the Hong Kong Institute of Surveyors, the Hong Kong Real Estate Agencies General Association and the Society of Hong Kong Real Estate Agents Limited. The public sector group comprises representatives from government departments which are frequent users of the Registry's services. A total of 6 Customer Liaison Group Meetings were held in 2003/04.



Members of the Customer Liaison Group (Private Sector)

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's 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.

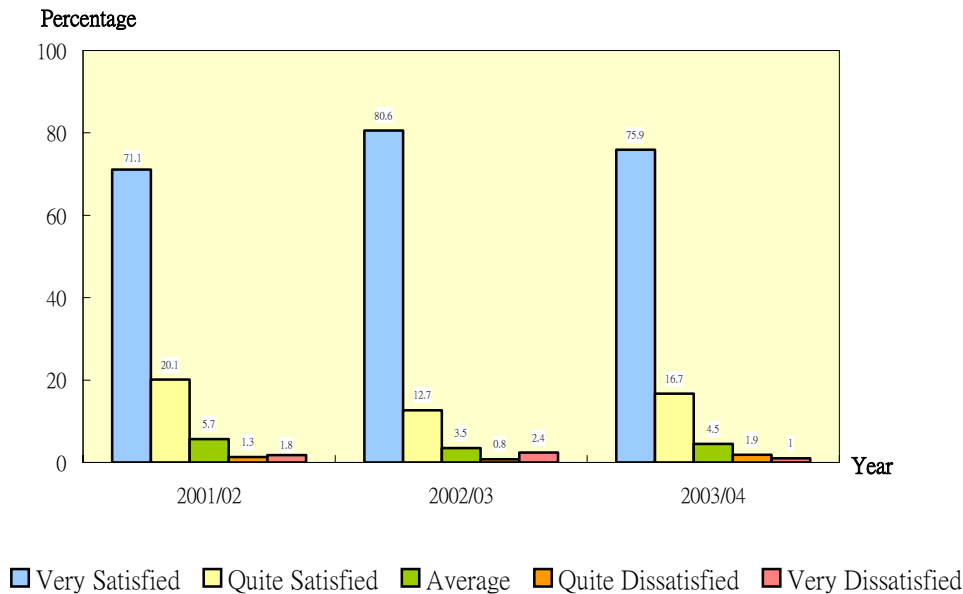
In 2003/04, the Customer Service Manager received over 18,250 commendations, enquiries, suggestions and complaints from our customers through the Customer Service Manager's Hotline and the Registry's website.

Number of Commendations, Enquiries, Suggestions and Complaints Received in 2003/04	
Commendations	47
Enquiries	18,202
Suggestions	10
Complaints	16

Every word of appreciation from our customers is passed on to the staff concerned. Their recognition has given us greater incentive to strive for even better quality service. We receive a wide range of enquiries daily covering legal, technical and procedural issues relating to our services and on statistics. Occasionally, we receive suggestions and complaints on our service delivery mode and time span. All enquiries, suggestions and complaints are recorded and analysed to help us continue to improve our services.

Customer Comment Cards and Suggestion Boxes are provided in all the offices of the Registry to collect feedback and suggestions from customers. The chart below shows the customer satisfaction rate drawn from the Comment Cards:

Customer Satisfaction Rate



The Registry's website is another convenient and effective means for our customers to obtain information, make enquiries or provide feedback on our services.

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 undertake a range of different work. This allows them to be re-deployed to meet changing operational needs. The permanent staff of the department are also supported by 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 2004, 475 permanent staff and 61 NCSC staff were employed.

Upon implementation of the Integrated Registration Information System, the management hierarchy of the Land Registry will be re-structured to suit the new mode of operation. Under the new organisation structure, the staffing establishment will be further reduced to 459 permanent staff and 25 NCSC staff. The deletion of posts will be effected when staff leave the service through the Second Voluntary Retirement Scheme and by natural wastage.

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.

To pave way for the smooth implementation of our new IRIS, "Teaming up with IRIS" was adopted as the Annual Staff Development Theme for 2003/04. The objective of the workshops was to enhance understanding and practical skills in achieving results through effective leadership and teamwork during organisational change. To enhance commitment from all participants, the workshops were all conducted at an outside venue. The spacious environment and huge open area facilitated group activities and free discussions which contributed to the success of the event. Each workshop was closed by either the Land Registrar or the Registry Manager to demonstrate solid and encouragement support from senior management.

In addition to theme development programmes, training in support of IRIS was the focus for the year. General training to transfer knowledge on use of the new system and technical training on operation of the new equipment were conducted concurrently. Skills in handling common personal or work-related problems and psychological reactions of staff in facing departmental changes was another identified training need. During the year, workshops on "Employee Counselling" were arranged for all officer grades staff to prepare them for the new challenges.

Apart from organising training courses, we aim to create an environment to help individuals to expand their capabilities and to help the department as a whole to give better service to our community.

For effective management of training information and to enhance staff involvement in staff development, a new Training Information System (TIS) was implemented. The TIS enables access of training records by individual officers and facilitates supervisors to assess the training and development needs of their subordinates via the departmental LAN system.

In the coming year, the Land Registry will focus on maintaining a clean, honest and accountable working team in support of the department's organisational change. Therefore, ethical training together with the practical training for IRIS will be our two main directions. Taking advantage of technology in training, e-learning will be employed to encourage staff in mastering their own learning. 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 our business operation.



Trainees participating in the flying dragon competition



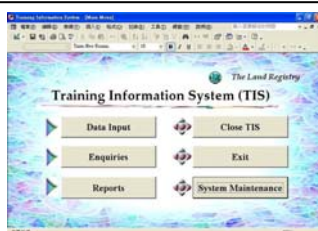
The Land Registrar giving closing remarks at the end of the workshop



Staff attending IRIS Training



The role-play session at the "Employee Counselling" workshop



The newly developed Training Information System



Fully equipped classroom with all the necessary AV equipment

Management Initiatives

In 2003, a consultancy study was conducted to review the Registry's existing training programmes for customer service and to identify our staff's training needs on customer service. Following the review, the consultant delivered a seminar on "Strategic Leadership Competence Development" for all senior staff. It strengthened the concepts and skills in leading our frontline staff to achieve the Registry's business objectives.

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, in reducing the use of paper and office supplies and encouraging waste reduction. In 2003, consumption of paper fell by 8.5%. Due to the installation of energy-efficient lighting and new office design, consumption of electricity in the departmental headquarters at Queensway Government Offices and in its Central Imaging Centre at Shatin dropped by 0.1% and 4.5% respectively. In the year, consumption of envelopes increased by 10.4% mainly due to the upsurge in business volume in the second half. Waste paper collected for recycling decreased by 22%. We will continue to observe our environmental policy and implement green measures to sustain improvement and achieve further savings in resources.

The Controlling Officer's Environmental Report for 2003 can be found at our website: www.landreg.gov.hk.

7. 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.

We closely monitor the procedures for handling searches based on personal information to ensure compliance with the Personal Data (Privacy) Ordinance. Provisions under the Land Registration (Amendment) Ordinance further protect personal data 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

Land Registration (Amendment) Ordinance

This was enacted in July 2002. Certain provisions were brought into effect in December 2002 but the main parts, which relate to the introduction of central registration in place of the separate urban and new territories registries, have yet to be implemented. The Integrated Registration Information System needs to be ready for operation before these parts of the legislation can be brought into effect. We expect to be able to lay the commencement notice before the Legislative Council for vetting when testing of the new computer system is completed.

Land Titles Ordinance

During the year 26 meetings of the Bills Committee were held to examine the proposed legislation. A new approach to bringing existing properties under the title registration system was developed to address objections to the provisions in the Bill. This was canvassed with the Law Society, Bar Association, Heung Yee Kuk, Consumer Council, Real Estate Developers Association, the Hong Kong Association of Banks and various other parties. As it proved generally acceptable to these parties it was presented to the Bills Committee, which agreed to consider the substantial amendments to the Bill and to the Land Registration Ordinance that were needed to give effect to the new conversion mechanism.

After a further 13 meetings during April, May and June 2004, the revised Bill was cleared by the Bills Committee on 21st June, passed through its second and third readings on 7th July and was gazetted on 23rd July. Only 8 of the 102 clauses in the original bill remain unchanged. Two new schedules have been added, one dealing with the conversion of existing land at the end of a 12 year 'incubation' period, the other setting out substantial amendments to the Land Registration Ordinance in preparation for that conversion. Extensive follow up work remains to be done, involving further review of certain aspects of the main legislation, preparation of regulations and professional guidance material, professional training, public education and development of supporting IT systems. Report will be made in due course to the Legislative Council on the progress with this preparation work before a commencement date for the Land Titles Ordinance is set. It is expected that at least two years will be required before commencement.



The Land Registrar giving a talk on the Land Titles Bill to solicitors

Trustworthy Technology

Maintaining a reliable, accessible registration system is the primary function of the Land Registry. We have been utilising modern information technology to increase the security, accuracy and accessibility of land records. The security design of the Integrated Registration Information System of the Land Registry is based on a comprehensive security risk assessment. Leading edge technologies for authenticity, integrity, confidentiality and availability have been deployed. To meet world class security standards, the Land Registry commissions external independent consultants to conduct security audits of the system regularly. Our aim is to ensure that our customers and the community 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 2003/04, 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 despite the fact that official visits and physical contacts were hampered by the outbreak of SARS in the first half of the year. In 2003/04, we received 12 delegations comprising over 90 visitors from the Mainland, Australia and a local government department. In October, the Change Manager attended the 10th International Land Policy Forum held in Japan. These contacts gave us a good opportunity to benchmark our services with the overseas jurisdictions, exchange experience in land registration and information on development projects, and look for new ideas on improving our operations and services.



Visitors on a guided tour to our office

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 her 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.

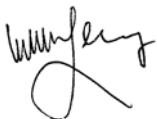
Basis of opinion

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 2004 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.



(LEUNG Kwok-kit, George)
Acting Assistant Director of Audit

for Director of Audit

Audit Commission
Hong Kong

10 September 2004

THE LAND REGISTRY TRADING FUND PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2004

Expressed in HK\$'000

	Note	2004	2003
Turnover	3	362,316	367,964
Operating costs	4	<u>(270,853)</u>	<u>(285,829)</u>
Profit from operations		91,463	82,135
Other income	5	4,037	8,395
Finance cost	6	<u>(395)</u>	<u>(1,606)</u>
Profit before tax		95,105	88,924
Taxation	7	<u>(5,561)</u>	<u>(13,559)</u>
Profit after tax		<u>89,544</u>	<u>75,365</u>
Dividend	8	<u>(44,772)</u>	<u>(37,682)</u>
Rate of return on fixed assets	9	<u>22.0%</u>	<u>20.6%</u>

The notes on the accounts form part of these accounts.

THE LAND REGISTRY TRADING FUND

BALANCE SHEET

As at 31 March 2004

Expressed in HK\$'000

	Note	2004	2003
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	10	<u>422,519</u>	<u>392,663</u>
Current assets			
Debtors and prepayments		14,635	11,468
Amounts due from related parties		5,542	5,585
Tax recoverable		7,357	6,179
Placements with banks		401,000	401,650
Cash and bank balances		<u>3,925</u>	<u>1,722</u>
		432,459	426,604
Current liabilities			
Deferred revenue	11	1,720	1,820
Short-term borrowings	12	-	23,660
Interest payable to Government		-	796
Customers' deposits	13	21,271	21,413
Creditors		3,068	3,429
Amounts due to related parties		24,356	27,778
Provision for employee benefits		<u>7,305</u>	<u>1,145</u>
		57,720	80,041
Net current assets		<u>374,739</u>	<u>346,563</u>
Total assets less current liabilities		797,258	739,226
Non-current liabilities			
Net deferred tax liabilities	14	17,879	10,966
Provision for employee benefits		62,546	63,289
NET ASSETS		<u>716,833</u>	<u>664,971</u>

The notes on the accounts form part of these accounts.

BALANCE SHEET *(continued)*

	Note	2004	2003
<hr/>			
CAPITAL AND RESERVES			
Trading fund capital	15	118,300	118,300
Retained earnings	16	553,761	508,989
Proposed dividend	8	44,772	37,682
		<u>716,833</u>	<u>664,971</u>



Mrs. Alice LEE
 Land Registrar and General Manager (Acting),
 Land Registry Trading Fund
 9 September 2004

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 2004

Expressed in HK\$'000

	Note	2004	2003
<hr/>			
BALANCE AT 1 APRIL, AS PREVIOUSLY REPORTED		664,971	683,697
Change in accounting policy in respect of employee benefits		-	(66,521)
Balance at 1 April, as restated		664,971	617,176
Profit for the year		89,544	75,365
Dividend paid		(37,682)	(27,570)
Balance at 31 March		716,833	664,971

The notes on the accounts form part of these accounts.

THE LAND REGISTRY TRADING FUND

CASH FLOW STATEMENT

For the year ended 31 March 2004

Expressed in HK\$'000

	Note	2004	2003
Cash flows from operating activities			
Profit from operations		91,463	82,135
Depreciation and amortisation		10,420	11,228
Decrease in deferred revenue		(100)	(772)
(Decrease)/Increase in creditors and amounts due to related parties		(3,783)	3,455
Increase/(Decrease) in provision for employee benefits		5,417	(2,087)
Decrease in customers' deposits		(142)	(1,301)
(Increase)/Decrease in debtors and amounts due from related parties		(3,948)	6,511
Profits tax refund		4,064	-
Profits tax paid		(3,890)	(19,080)
Net cash from operating activities		99,501	80,089

The notes on the accounts form part of these accounts.

CASH FLOW STATEMENT *(continued)*

	Note	2004	2003
Cash flows from investing activities			
Net decrease/(increase) in placements with banks (other than cash equivalents)		-	15,000
Proceeds from disposal of fixed assets		24	-
Capital projects		(40,300)	(50,750)
Rental received		-	549
Interest received		4,861	8,270
Net cash used in investing activities		(35,415)	(26,931)
Cash flows from financing activities			
Loan repayments	12	(23,660)	(23,660)
Interest paid		(1,191)	(2,561)
Dividend paid		(37,682)	(27,570)
Net cash used in financing activities		(62,533)	(53,791)
Net increase/(decrease) in cash and cash equivalents		1,553	(633)
Cash and cash equivalents at 1 April		2,372	3,005
Cash and cash equivalents at 31 March	17	3,925	2,372

The notes on the accounts form part of these accounts.



NOTES ON THE ACCOUNTS

For the year ended 31 March 2004

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.



Accounting policies (*continued*)

(d) Income Tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.



Accounting policies *(continued)*

The carrying amount of a deferred tax asset is reviewed at the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such deduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Land Registry Trading Fund has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met :

- in the case of current tax assets and liabilities, the Land Registry Trading Fund intends to settle them on a net basis; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority.

(e) Revenue recognition

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



Accounting policies *(continued)*

(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 (the Government) 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 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	2004	2003
Registration of documents	181,402	180,606
Search	72,005	66,719
Copying	53,173	52,306
Reports on title	45,013	56,978
Owners incorporation	6,296	7,490
Others	4,427	3,865
	<u>362,316</u>	<u>367,964</u>

4. Operating costs	2004	2003
Staff costs	202,105	207,494
General operating expenses	19,332	23,211
Computer service charges	16,372	19,195
Rental and management charges	20,682	22,750
Central administrative overheads	1,546	1,578
Depreciation and amortisation	10,420	11,228
Audit fees	396	373
	<u>270,853</u>	<u>285,829</u>



5. Other income	2004	2003
Rental income from the Government	-	548
Bank deposits interest	4,037	7,847
	<u>4,037</u>	<u>8,395</u>

6. Finance cost	2004	2003
Interest on Government loans	<u>395</u>	<u>1,606</u>



7. Taxation

- (i) In March 2003, the Government announced an increase in the Hong Kong profits tax rate from 16% to 17.5% for the fiscal year 2003/04. Notional profits tax is provided at 17.5% (2003 : 16%) of the estimated assessable profits for the year. 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. The amount of taxation charged/(credited) to the profit and loss account represents :

	2004	2003
Current Tax		
Notional profits tax	8,957	5,490
Over-provision in previous year (see note 7(ii))	<u>(10,309)</u>	<u>-</u>
	<u>(1,352)</u>	<u>5,490</u>
Deferred Tax		
Origination and reversal of temporary differences	<u>6,913</u>	<u>8,069</u>
Total income tax expense	<u>5,561</u>	<u>13,559</u>

- (ii) The provision for untaken leave liability (i.e. the estimated liability for annual leave earned but untaken by the employees) recognised in the accounts in provision for employee benefits in accordance with the Statement of Standard Accounting Practice (SSAP) 34 "Employee Benefits" since 2002-03 had previously been ruled by the Commissioner of Inland Revenue (CIR) as a non-deductible expense for tax purpose.

**Taxation** *(continued)*

After seeking legal advice, CIR advised in August 2004 that the provision for untaken leave liability (for the current year and for the one-off adjustment for prior years effected in the first year when adopting SSAP 34) would be allowed as a deductible expense for tax purpose.

As a result, adjustments have been made in respect of profits tax previously over provided.

(iii) Reconciliation between tax expense and accounting profit at applicable tax rates :

	2004	2003
Profit before tax	<u>95,105</u>	<u>88,924</u>
Notional tax on profit before tax	16,643	14,227
Over-provision in previous year (see note 7(ii))	(10,309)	-
Recognition of a previously unrecognised deferred tax asset	(66)	-
Tax effect of non-deductible expenses	-	(353)
Tax effect of non-taxable revenue	(707)	(1,255)
Effect on opening deferred tax balances resulting from an increase in tax rate	-	940
Actual tax expense	<u>5,561</u>	<u>13,559</u>



8. Dividend

A dividend of \$44.772 million being 50% of the profit after tax is proposed for the year ended 31 March 2004 (*2003 : \$37.682 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 2003	350,000	426,166	23,059	192	3,800	803,217
Additions	-	40,110	190	-	-	40,300
Disposal	-	-	(8,146)	(192)	-	(8,338)
At 31 March 2004	350,000	466,276	15,103	-	3,800	835,179
Aggregate Depreciation/ Amortisation						
At 1 April 2003	37,227	346,640	22,744	143	3,800	410,554
Charge for the year	3,851	6,194	350	25	-	10,420
Disposal	-	-	(8,146)	(168)	-	(8,314)
At 31 March 2004	41,078	352,834	14,948	-	3,800	412,660
Net Book Value						
At 31 March 2004	308,922	113,442	155	-	-	422,519
<i>At 31 March 2003</i>	<i>312,773</i>	<i>79,526</i>	<i>315</i>	<i>49</i>	<i>-</i>	<i>392,663</i>

**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.

	2004	2003
Search tickets	700	665
Subscription fees/other service charges	1,020	1,155
Balance at 31 March	<u>1,720</u>	<u>1,820</u>

12. Short-term borrowings

	2004	2003
Government loan repayable within one year at 31 March		
Set-up loan	<u>-</u>	<u>23,660</u>

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 last instalment had already been paid on 1 August 2003.

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.



13. Customers' deposits	2004	2003
Direct Access Services customers	20,115	20,261
Government departments	1,156	1,152
Balance at 31 March	<u>21,271</u>	<u>21,413</u>

14. Deferred tax

Major components of deferred tax recognised in the balance sheet and the movements during the year are as follows :

	Depreciation allowances in excess of the related depreciation	Other temporary differences	Total
Balance at 1 April 2003	10,966	-	10,966
Charged/(credited) to profit and loss account	7,020	(107)	6,913
Balance at 31 March 2004	<u>17,986</u>	<u>(107)</u>	<u>17,879</u>
Balance at 1 April 2002	2,897	-	2,897
Charged/(credited) to profit and loss account	8,069	-	8,069
Balance at 31 March 2003	<u>10,966</u>	<u>-</u>	<u>10,966</u>



15. Trading fund capital

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

	2004	2003
Balance at 1 April	118,300	<i>118,300</i>
Addition	-	-
Balance at 31 March	<u>118,300</u>	<u><i>118,300</i></u>

16. Retained Earnings

	2004	2003
Balance at 1 April, as previously reported	508,989	537,827
Change in accounting policy in respect of employee benefits	<u>-</u>	<u>(66,521)</u>
Balance at 1 April, as restated	508,989	471,306
Profit for the year	89,544	75,365
Proposed dividend	<u>(44,772)</u>	<u>(37,682)</u>
Balance at 31 March	<u>553,761</u>	<u><i>508,989</i></u>



	2004	2003
17. Analysis of the balance of cash and cash equivalents at end of year		
Cash and bank balances	3,925	1,722
Placements with banks (cash equivalents portion)	-	650
	<u>3,925</u>	<u>2,372</u>

18. 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 \$77 million (2003 : \$89 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 \$35 million (2003 : \$33 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.



19. Capital commitments

At 31 March 2004, the Land Registry Trading Fund had capital commitments, so far as not provided for in the financial statements, as follows :

	2004	2003
Contracted for	91,000	105,600
Authorised but not contracted for	<u>37,300</u>	<u>71,700</u>
	<u>128,300</u>	<u>177,300</u>

20. Operating lease commitments

At 31 March 2004, the total future minimum lease payments under operating leases of the Land Registry Trading Fund are payable as follows :

	2004	2003
LAND AND BUILDINGS		
Operating leases which expire :		
within one year	5,867	5,952
in the second to fifth years inclusive	<u>9,897</u>	<u>2,776</u>
	<u>15,764</u>	<u>8,728</u>



21. Adoption of new accounting standard in Hong Kong

The revised Statement of Standard Accounting Practice (SSAP) 12, Income Taxes, which was issued by the Hong Kong Institute of Certified Public Accountants (previously known as the Hong Kong Society of Accountants), sets out a revised method for the recognition of and accounting for deferred tax and additional disclosure requirements for income tax and deferred tax. SSAP 12 (revised) is applicable to financial statements relating to periods beginning on or after 1 January 2003. The Land Registry Trading Fund has adopted the provisions of SSAP 12 (revised) in preparing the financial statements for the year.

In prior years, deferred tax liabilities were provided under the liability method in respect of all material timing differences attributable to accelerated depreciation allowances on fixed assets except where it was considered that no liability would crystallise in the foreseeable future. Deferred tax assets were not recognised unless the realisation was assured beyond reasonable doubt.

In order to comply with the revised SSAP 12, the Land Registry Trading Fund adopted a new policy for deferred tax as set out in note 2(d). As a result of the adoption of this accounting policy, no material adjustment is required.