

Consolidated Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2016

	Note	2016 HK\$'000	2015 HK\$'000
Assets			
Investments with the Exchange Fund	3	853,155,234	838,271,830
Deposits with banks	4	1,258,984	1,210,399
Cash and bank balances	5	3,295,918	3,127,945
Advances	6	3,041,990	2,877,375
	7	860,752,126	845,487,549
Liabilities			
Deposits	8	(17,810,275)	(16,926,787)
Suspense Accounts	9	(54,216)	(46,644)
	10	(17,864,491)	(16,973,431)
		<u>842,887,635</u>	<u>828,514,118</u>
Representing:			
Consolidated Fund Balance			
Balance at beginning of year		828,514,118	755,716,652
Surplus for the year		14,373,517	72,797,466
Balance at end of year	11, 12, 13	<u>842,887,635</u>	<u>828,514,118</u>

Notes 1 to 18 form part of these financial statements.

Martin SIU
Director of Accounting Services
22 August 2016



Consolidated Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash and bank balances at beginning of year		3,127,945	3,615,364
Revenue	14, 15	450,006,819	478,668,046
Expenditure	14, 16	(435,633,302)	(396,182,786)
Surplus for the year before repayment of government bonds and notes	17	14,373,517	82,485,260
Repayment of government bonds and notes		-	(9,687,794)
Surplus for the year after repayment of government bonds and notes	17	14,373,517	72,797,466
Other cash movements	18	(14,205,544)	(73,284,885)
Cash and bank balances at end of year		3,295,918	3,127,945

Notes 1 to 18 form part of these financial statements.

Martin SIU
Director of Accounting Services
22 August 2016



Consolidated Account

NOTES TO THE FINANCIAL STATEMENTS

1. Purpose

The Consolidated Account gives an overview of the financial position and cash resources of the Government of the Hong Kong Special Administrative Region.

2. Accounting Policies

- (i) The Consolidated Account covers the General Revenue Account and the following eight Funds: Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund. It excludes the Bond Fund, the balance of which is not part of the fiscal reserves.
- (ii) The Consolidated Account is prepared on a cash basis. Fixed assets and liabilities including those in the Capital Investment Fund and the Loan Fund are not shown in the Statement of Assets and Liabilities of the Consolidated Account but are shown by way of note (Notes 7 and 10).
- (iii) Inter-fund transfers as set out in Note 14(i) are eliminated in full on consolidation.
- (iv) For the purposes of these financial statements, a contingent liability is defined as:
 - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
 - (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.
- (v) Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Foreign currency balances are translated into Hong Kong dollars at weighted average cost.

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3. Investments with the Exchange Fund

(i) These are investments and deposits held:

	2016 HK\$'000	2015 HK\$'000
Investments (Notes (ii) to (iv) below)		
General Revenue Account	516,978,886	487,049,458
Capital Works Reserve Fund	59,877,819	77,870,016
Capital Investment Fund	2,835,100	1,443,087
Civil Service Pension Reserve Fund	27,128,846	27,028,846
Disaster Relief Fund	14,539	15,584
Innovation and Technology Fund	41,743	987,214
Land Fund (Note (iii) below)	219,729,659	219,729,659
Loan Fund	4,469,548	2,471,662
Lotteries Fund	22,016,138	21,621,933
	853,092,278	838,217,459
Deposits		
General Revenue Account	13,471	9,072
Capital Works Reserve Fund	48,267	44,661
Loan Fund	1,118	538
Lotteries Fund	100	100
	62,956	54,371
	853,155,234	838,271,830

- (ii) The investments represent the cost of investments together with the investment income received in the year being reported.
- (iii) Pursuant to the directive of the Financial Secretary in the 2015-16 Budget, the Future Fund was established on 1 January 2016 with an initial endowment of HK\$219.73 billion from the balance of the Land Fund as a notional savings account within the fiscal reserves (Note 12). The Future Fund placement is held in the Exchange Fund for securing higher investment returns over a ten-year investment period in accordance with an arrangement entered into with the Hong Kong Monetary Authority in December 2015. Investment income on the Future Fund placement is payable at a composite rate computed on a weighted average basis with reference to the agreed rate under the Investment Portfolio (Note (iv) below) and the rate of return linked with the performance of the Long-Term Growth Portfolio. The Future Fund together with investment income compounded on an annual basis is retained within the Exchange Fund until 31 December 2025 or upon decision of the Financial Secretary for withdrawal, whichever is the earlier.
- (iv) The part of the fiscal reserves outside the Future Fund (Note (iii) above) is referred to as Operating and Capital Reserves (Note 12). Investment income on the Operating and Capital Reserves placement with the Exchange Fund is calculated, in accordance with an arrangement entered into with the Hong Kong Monetary Authority in 2007, on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes (replaced by three-year government bond with effect from 1 January 2016) for the previous year subject to a minimum of zero percent, whichever is the higher. The rate of return for the calendar year 2015 was 5.5% (2014: 3.6%). The annual investment income is receivable on 31 December of each year. The investment income of HK\$45.15 billion for the calendar year 2015 was set aside and retained within the Exchange Fund, and not received (Note 15(i)).

Consolidated Account

4. Deposits with Banks

These are Hong Kong dollar and foreign currency deposits placed with licensed banks in Hong Kong:

	2016	2015
	HK\$'000	HK\$'000
General Revenue Account	<u>1,258,984</u>	<u>1,210,399</u>

5. Cash and Bank Balances

These balances cover cash in hand, in transit, with banks and agents, and with public officers for operating standing or special imprest accounts as provided under section 22 of the Public Finance Ordinance:

	2016	2015
	HK\$'000	HK\$'000
General Revenue Account	3,279,897	3,106,602
Capital Works Reserve Fund	952	4,101
Capital Investment Fund	1	1
Innovation and Technology Fund	1	183
Loan Fund	15,067	17,057
Lotteries Fund	-	1
	<u>3,295,918</u>	<u>3,127,945</u>

6. Advances

These are moneys paid out from time to time to individuals or organisations for a variety of reasons and are either recoverable or chargeable to expenditure upon authority being given:

	2016	2015
	HK\$'000	HK\$'000
General Revenue Account	<u>3,041,990</u>	<u>2,877,375</u>

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7. Assets

Apart from those assets shown in the Statement of Assets and Liabilities (Note 2(ii)), there are also the following assets:

	2016 HK\$'000	2015 HK\$'000
Investments		
Capital Investment Fund		
Equity holdings	124,795,346	123,077,992
Other investments	465,913,116	454,316,039
	590,708,462	577,394,031
Loans Outstanding		
Capital Investment Fund		
Loans to investees	917,454	2,635,126
Loan Fund		
Housing loans	3,122,638	3,121,128
Education loans	16,763,924	15,951,654
Other loans	4,267,875	3,804,839
	25,071,891	25,512,747
Total	615,780,353	602,906,778

8. Deposits

These are moneys received from time to time from individuals or organisations for a variety of reasons and are in due course either repayable or transferable to revenue:

	2016 HK\$'000	2015 HK\$'000
General Revenue Account	16,032,856	15,350,634
Capital Works Reserve Fund	1,756,652	1,556,334
Loan Fund	18,200	17,375
Lotteries Fund	2,567	2,444
	17,810,275	16,926,787

Consolidated Account

9. Suspense Accounts

These Suspense Accounts are established under Resolutions passed by the Legislative Council under section 30 of the Public Finance Ordinance:

	2016 HK\$'000	2015 HK\$'000
Correctional Services Industries (Note (i) below)	29,441	37,521
Government Logistics Department — Unallocated Stores (Note (i) below)	7,628	7,420
The Special Coin (Note (ii) below)	(91,372)	(91,658)
The Financial Secretary Incorporated (Note (iii) below)	87	73
	<u>(54,216)</u>	<u>(46,644)</u>

- (i) The balances on the Correctional Services Industries Suspense Account and the Government Logistics Department — Unallocated Stores Suspense Account represent the cost of stocks in hand.
- (ii) The balance on The Special Coin Suspense Account represents the unutilised balance of net proceeds arising from issuing and dealing with special and commemorative coins.
- (iii) The balance on The Financial Secretary Incorporated Suspense Account represents the net amount arising from dealing with the regrant or renewal of Government Leases and managing the properties comprised therein.

10. Liabilities

The following outstanding liabilities under the Loans Ordinance (Cap. 61) are not included in the Statement of Assets and Liabilities (Note 2(ii)):

	2016 HK\$'000	2015 HK\$'000
Outstanding government bonds and notes (Note (i) below)	1,500,000	1,500,000

- (i) Following a resolution passed under section 3(1) of the Loans Ordinance, the Government issued in July 2004 bonds and notes totalling HK\$20 billion to retail and institutional investors. These include institutional notes of US\$1.25 billion denominated in United States dollars. The net proceeds were credited to the Capital Works Reserve Fund. The outstanding bonds and notes are denominated in Hong Kong dollars with maturity in July 2019. During the financial year, there were payments of interest of HK\$77 million on the notes but no repayment of principal.

Consolidated Account

11. Contingent Liabilities

As at 31 March 2016, the Government had the following contingent liabilities:

- (i) guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance amounting to HK\$33,453 million (2015: HK\$31,614 million);
- (ii) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to HK\$24,079 million (2015: HK\$27,022 million);
- (iii) legal claims, disputes and proceedings amounting to HK\$12,053 million (2015: HK\$12,773 million);
- (iv) guarantees provided under the SME Loan Guarantee Scheme amounting to HK\$5,253 million (2015: HK\$6,406 million);
- (v) guarantees provided under the Special Loan Guarantee Scheme amounting to HK\$3,504 million (2015: HK\$20,442 million);
- (vi) possible capital subscriptions to the Asian Development Bank amounting to HK\$5,990 million (2015: HK\$5,892 million); and
- (vii) guarantees provided under a commercial loan of the Hong Kong Science and Technology Parks Corporation amounting to HK\$2,002 million (2015: HK\$2,048 million).

The Government was relieved of its obligations as the guarantor under a commercial loan of the Ocean Park Corporation (2015: HK\$1,388 million).

12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2016			2015
	Operating and Capital Reserves (Note 3(iv)) HK\$'000	Future Fund (Note 3(iii)) HK\$'000	Total HK\$'000	HK\$'000
General Revenue Account	508,486,156	-	508,486,156	478,855,628
Capital Works Reserve Fund	58,170,386	-	58,170,386	76,362,444
Capital Investment Fund	2,835,101	-	2,835,101	1,443,088
Civil Service Pension Reserve Fund	27,128,846	-	27,128,846	27,028,846
Disaster Relief Fund	14,539	-	14,539	15,584
Innovation and Technology Fund	41,744	-	41,744	987,397
Land Fund	-	219,729,659	219,729,659	219,729,659
Loan Fund	4,467,533	-	4,467,533	2,471,882
Lotteries Fund	22,013,671	-	22,013,671	21,619,590
	623,157,976	219,729,659	842,887,635	828,514,118

Consolidated Account

13. Commitments

Commitments comprise the outstanding balances of capital and non-recurrent funding approvals that may result in future cash outflows. The commitments were as follows:

	2016	2015
	HK\$'000	HK\$'000
Capital works	342,990,741	307,642,224
Land acquisition	6,181,799	3,907,116
Capital subventions	33,995,697	36,122,374
Plant, vehicles, systems and equipment	16,293,327	17,093,846
Non-recurrent expenditure	27,856,507	28,924,907
Investments	71,350	88,704
Loans and non-recurrent grants	31,096,572	23,367,143
	<u>458,485,993</u>	<u>417,146,314</u>

14. Revenue and Expenditure

(i) Inter-fund transfers totalling HK\$3,180 million between the General Revenue Account and the eight Funds specified in Note 2(i) are eliminated in full on consolidation.

(ii) Revenue

Revenue comprises operating revenue and capital revenue.

Operating revenue comprises all revenue items of the General Revenue Account (except certain items such as disposal proceeds of government quarters and other assets, estate duty, loan repayments received and recovery from Housing Authority, etc. which are classified as capital revenue) and all receipts of the Land Fund.

Capital revenue comprises all receipts of the other seven Funds and capital revenue items of the General Revenue Account.

(iii) Expenditure

Expenditure comprises operating expenditure and capital expenditure.

Operating expenditure comprises all expenditure of the General Revenue Account, except equipment, works and capital subventions of a minor nature which are classified as capital expenditure.

Capital expenditure comprises all payments of the Capital Works Reserve Fund (excluding repayment of government bonds and notes), Capital Investment Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund and capital expenditure items of the General Revenue Account.

Consolidated Account

15. Revenue

	2016		2015
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating revenue			
Internal revenue	266,814,991	291,206,257	301,620,849
Duties	10,317,071	10,711,592	10,009,743
General rates	21,711,000	22,733,427	22,272,387
Motor vehicle taxes	10,335,247	9,311,023	9,548,701
Royalties and concessions	2,886,100	2,954,947	2,915,758
Other operating revenue	43,020,645	44,436,237	47,355,693
Operating revenue before investment income	355,085,054	381,353,483	393,723,131
Investment income			
Investments with the Exchange Fund (Note (i) below)	-	-	-
Others	-	178,340	210,528
	37,501,000	178,340	210,528
Operating revenue after investment income	392,586,054	381,531,823	393,933,659
Capital revenue			
Land premium	70,000,000	60,892,837	77,804,086
Asset sales	215,526	209,279	108,231
Other capital revenue	7,580,813	7,368,316	6,818,322
Capital revenue before investment income	77,796,339	68,470,432	84,730,639
Investment income			
Investments with the Exchange Fund (Note (i) below)	-	-	-
Others	-	4,564	3,748
	7,199,000	4,564	3,748
Capital revenue after investment income	84,995,339	68,474,996	84,734,387
Total revenue	477,581,393	450,006,819	478,668,046

- (i) Pursuant to the Financial Secretary's directive in December 2015, the HK\$45.15 billion investment income for the calendar year 2015 (comprising HK\$38.23 billion under operating revenue and HK\$6.92 billion under capital revenue) was set aside and retained within the Exchange Fund as further injection to the Housing Reserve, and not received on 31 December 2015. The Housing Reserve was established in December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in Note 3(iv) and shall be receivable on a date as determined by the Financial Secretary. Together with the investment return of HK\$1.51 billion on the initial provision set aside from the HK\$27.49 billion investment income for the calendar year 2014, the total sums earmarked as Housing Reserve amounted to HK\$74.15 billion.

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16. Expenditure

	2016		2015
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating expenditure			
Recurrent expenditure			
Personal emoluments	66,966,034	68,152,175	64,581,089
Personnel related expenses	35,899,134	35,411,444	31,781,337
Departmental expenses	28,503,215	28,566,712	27,354,663
Other charges	67,519,554	63,565,104	59,481,895
Subventions	124,859,088	128,836,286	121,890,580
Additional commitments	837,000	-	-
Total recurrent expenditure	324,584,025	324,531,721	305,089,564
Non-recurrent expenditure	7,552,330	22,833,228	11,227,471
Additional commitments	22,164,000	-	-
Total non-recurrent expenditure	29,716,330	22,833,228	11,227,471
Operating expenditure	354,300,355	347,364,949	316,317,035
Capital expenditure			
Capital expenditure other than interest and other expenses on government bonds and notes	86,449,733	88,191,052	79,540,625
Interest and other expenses on government bonds and notes	77,302	77,301	325,126
Capital expenditure	86,527,035	88,268,353	79,865,751
Total expenditure	440,827,390	435,633,302	396,182,786

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17. Surplus/(Deficit)

	2016		2015
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating Account			
Operating revenue	392,586,054	381,531,823	393,933,659
Operating expenditure	(354,300,355)	(347,364,949)	(316,317,035)
Operating surplus	38,285,699	34,166,874	77,616,624
Capital Account			
Capital revenue	84,995,339	68,474,996	84,734,387
Capital expenditure	(86,527,035)	(88,268,353)	(79,865,751)
Capital (deficit)/surplus	(1,531,696)	(19,793,357)	4,868,636
Surplus for the year before repayment of government bonds and notes	36,754,003	14,373,517	82,485,260
Repayment of government bonds and notes	-	-	(9,687,794)
Surplus for the year after repayment of government bonds and notes	36,754,003	14,373,517	72,797,466

18. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities:

	2016 HK\$'000	2015 HK\$'000
Increase in Assets		
Investments with the Exchange Fund	(14,883,404)	(71,286,676)
Deposits with banks	(48,585)	(774,796)
Advances	(164,615)	(203,261)
	(15,096,604)	(72,264,733)
Increase/(Reduction) in Liabilities		
Deposits	883,488	(992,365)
Suspense Accounts	7,572	(27,787)
	891,060	(1,020,152)
	(14,205,544)	(73,284,885)

Consolidated Account

Consolidated Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2007 to 2016

HK\$Billion

