

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 HK\$ million	2015 HK\$ million
Operating revenue			
Taxes, rates and duties	4	330,610	336,568
Rental income	5	30,391	28,784
Fees and charges	6	15,093	14,530
Utilities	7	4,081	3,972
Royalties and concessions	8	2,954	2,900
Other operating revenue	9	7,637	6,761
Total operating revenue		390,766	393,515
Operating expenses			
Salaries, allowances and other employee benefits	10	(98,287)	(93,315)
Other operating expenses	11	(81,888)	(68,607)
Recurrent subventions	12	(130,759)	(122,797)
Social security payments	13	(38,676)	(36,751)
Depreciation	28	(13,470)	(12,022)
Total operating expenses	14	(363,080)	(333,492)
Surplus from operating activities		27,686	60,023
Non-operating revenue / (expenses)			
Land premia	15	63,333	76,554
Net revenue from home ownership assistance schemes	16	2,103	2,483
Interest and investment income	17(a)	53,268	45,369
Capital expenses	18	(58,783)	(52,469)
Interest expenses	19	(36,031)	(28,004)
Actuarial loss on pensions	24	(35,779)	(52,004)
Share of profits and losses of government business enterprises	20	36,011	28,498
Deficit of the Exchange Fund	27	(70,629)	(10,632)
Net non-operating (expenses) / revenue		(46,507)	9,795
Net (deficit) / surplus for the year		(18,821)	69,818

The notes on pages 45 to 65 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	2016 HK\$ million	2015 HK\$ million
Financial assets			
Investments with the Exchange Fund	17(b)	853,155	838,272
Investments in government business enterprises	20	338,650	314,024
Other investments	21	263,672	266,576
Loans and advances	22	24,194	22,817
Other assets	23	132,580	82,341
Cash and cash equivalents	3(c)	15,683	14,914
		1,627,934	1,538,944
Liabilities			
Provision for pensions	24	(874,746)	(815,832)
Bonds and notes issued	25	(117,509)	(113,655)
Other liabilities	26	(56,872)	(55,785)
		(1,049,127)	(985,272)
Net financial assets		578,807	553,672
Net assets of the Exchange Fund	27	556,407	627,036
Fixed assets	28	417,903	392,292
Net assets		1,553,117	1,573,000
Represented by:			
General Reserve	29	578,807	553,672
Exchange Fund Reserve	27	556,407	627,036
Capital Expenditure Reserve	30	417,903	392,292
		1,553,117	1,573,000

The notes on pages 45 to 65 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

	2016 HK\$ million	2015 HK\$ million
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus from operating activities	27,686	60,023
Adjustments for:		
Depreciation	13,470	12,022
(Increase) / Decrease in stocks, accounts receivable, etc.	(2,467)	2,449
Decrease in liabilities and provisions	(9,489)	(11,421)
Write-off	7	102
Donated fixed assets received	(2)	-
Gain on disposal of fixed assets	(587)	(417)
	932	2,735
Net cash inflow from operating activities	28,618	62,758
CASH FLOWS FROM NON-OPERATING ACTIVITIES		
Receipt of land premia	60,885	77,791
Capital expenses	(58,809)	(52,499)
Increase in investments with the Exchange Fund	(14,883)	(71,287)
Receipt of interest and dividends	18,694	19,273
Additions to fixed assets	(39,637)	(34,122)
Decrease / (Increase) in other investments (including government business enterprises)	5,527	(12,716)
Loans made	(3,190)	(3,492)
Loan repayments received	1,911	1,920
Interest paid	(2,285)	(2,677)
Net cash (outflow) / inflow from home ownership assistance schemes		
Sale of flats and development of properties	(1,226)	1,595
Home Purchase / Assistance Loans	27	48
Repayments of government bonds and notes	(28,000)	(30,535)
Proceeds from issue of government bonds	31,879	38,800
Proceeds from sale of housing loans	209	108
Proceeds from disposal of fixed assets	1,049	697
Net cash outflow from non-operating activities	(27,849)	(67,096)
Net increase / (decrease) in cash and cash equivalents	769	(4,338)
Cash and cash equivalents as at the beginning of the financial year	14,914	19,252
Cash and cash equivalents as at the end of the financial year	15,683	14,914

The notes on pages 45 to 65 form part of these financial statements.

STATEMENT OF RECONCILIATION BETWEEN THE GENERAL RESERVE REPORTED UNDER THE ACCRUAL BASIS AND THE CONSOLIDATED FUND BALANCE (FISCAL RESERVES) REPORTED UNDER THE CASH BASIS AS AT 31 MARCH 2016

	2016 HK\$ million	2015 HK\$ million
General Reserve	578,807	553,672
– as reported in the accrual-based Consolidated Statement of Financial Position		
Adjustments for:		
<u>Liabilities recognised under the accrual basis but not the cash basis</u> (Note (a))		
Provision for pensions	874,746	815,832
Bonds and notes issued	117,509	113,655
Other liabilities	28,248	28,057
	1,020,503	957,544
<u>Assets recognised under the accrual basis but not the cash basis</u> (Note (a))		
Investments	(255,765)	(250,186)
Loans	(21,997)	(22,447)
Other assets	(123,492)	(75,030)
	(401,254)	(347,663)
<u>Share of undistributed reserves of government business enterprises</u> (Note (b))	(198,589)	(173,945)
<u>Share of net financial assets of other entities</u> (Note (c))	(156,579)	(161,094)
	(355,168)	(335,039)
Fiscal Reserves – as reported in the cash-based Consolidated Account	842,888	828,514

Note:

- (a) Refer to Note 35(a)(i), (iv), (v) and (vi) for a list of the entities.
- (b) Refer to Note 35(b)(ii) for a list of the entities.
- (c) Refer to Note 35(a)(i) item 9, (ii) and (iii) for a list of the entities.

The notes on pages 45 to 65 form part of these financial statements.

**STATEMENT OF RECONCILIATION BETWEEN THE SURPLUSES / DEFICITS REPORTED
UNDER THE ACCRUAL BASIS AND UNDER THE CASH BASIS
FOR THE YEAR ENDED 31 MARCH 2016**

	2016 HK\$ million	2015 HK\$ million
(Deficit) / Surplus	(18,821)	69,818
– as reported in the accrual-based Consolidated Statement of Financial Performance		
Adjustments for:		
<u>(Revenue) / Expenses recognised under the accrual basis but not the cash basis (Note (a))</u>		
Net increase in pension liabilities	58,914	68,675
Net increase in other provisions	444	1,017
Depreciation of fixed assets	9,955	8,738
Net increase / (decrease) in interest expenses on bonds and notes	1	(76)
Net increase in stocks in hand	(180)	(124)
Gain on disposal of fixed assets	(587)	(417)
Exchange loss / (gain) on foreign currency translation	20	(10)
Exchange gain on bonds and notes	-	(9)
Net (decrease) / increase in accrued expenses	(36)	26
Net increase in prepaid expenses	(345)	(42)
Net increase in accrued revenue	(48,162)	(28,934)
	20,024	48,844
<u>Revenue / (Expenses) recognised under the cash basis but not the accrual basis (Note (a))</u>		
Additions to fixed assets	(24,755)	(22,343)
Return of capital	-	64
Investments made	(17)	(11)
Net increase in loans	(1,474)	(1,717)
Repayments of government bonds and notes	-	(9,688)
Proceeds from sale of housing loans	209	108
Proceeds from disposal of fixed assets	1,049	697
	(24,988)	(32,890)
<u>Share of (surpluses) and deficits of other consolidated entities not included in the cash-based Consolidated Account</u>		
Government business enterprises and the Exchange Fund (Note (b))	34,618	(17,866)
Net amount received from government business enterprises	10,305	14,211
Other entities (Note (c))	(6,764)	(9,320)
	38,159	(12,975)
Surplus – as reported in the cash-based Consolidated Account	14,374	72,797

Note:

- (a) Refer to Note 35(a)(i) (except item 9), (iv), (v) and (vi) for a list of the entities.
(b) Refer to Note 35(b) for a list of the entities.
(c) Refer to Note 35(a)(i) item 9, (ii) and (iii) for a list of the entities.

The notes on pages 45 to 65 form part of these financial statements.