

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2017**

(Expressed in Hong Kong dollars)

	Note	2017 \$ million	2016 (as restated) \$ million
Operating revenue			
Taxes, rates and duties	4	326,369	330,610
Rental income	5	32,500	30,391
Fees and charges	6	12,663	15,093
Royalties and concessions	7	10,723	2,954
Utilities	8	4,229	4,081
Other operating revenue	9	16,345	8,280
Total operating revenue		402,829	391,409
Operating expenses			
Salaries, allowances and other employee benefits	10	(103,800)	(98,287)
Other operating expenses	11	(74,616)	(81,888)
Recurrent subventions	12	(136,469)	(130,759)
Social security payments	13	(41,550)	(38,676)
Depreciation	28	(15,325)	(13,642)
Total operating expenses	14	(371,760)	(363,252)
Surplus from operating activities		31,069	28,157
Non-operating revenue / (expenses)			
Land premia	15	134,637	63,333
Net revenue from home ownership assistance schemes	16	1,690	2,103
Interest and investment income	17(a)	44,934	53,268
Capital expenses	18	(65,438)	(58,783)
Interest expenses	19	(36,305)	(36,031)
Actuarial loss on pensions	24	(23,280)	(35,779)
Share of profits and losses of government business enterprises	20	23,591	36,011
Surplus / (Deficit) of the Exchange Fund	27	35,124	(70,629)
Net non-operating revenue / (expenses)		114,953	(46,507)
Net surplus / (deficit) for the year		146,022	(18,350)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

(Expressed in Hong Kong dollars)

	Note	2017 \$ million	2016 (as restated) \$ million
Financial assets			
Investments with the Exchange Fund	17(b)	964,736	853,155
Investments in and loans to government business enterprises	20	334,759	338,650
Other investments	21	276,733	263,672
Loans and advances	22	26,894	24,194
Other assets	23	155,132	132,580
Cash and cash equivalents	3(c)	9,400	15,683
		1,767,654	1,627,934
Liabilities			
Provision for pensions	24	(919,197)	(874,746)
Bonds and notes issued	25	(127,891)	(117,509)
Other liabilities	26	(62,845)	(61,200)
		(1,109,933)	(1,053,455)
Net financial assets		657,721	574,479
Net assets of the Exchange Fund	27	591,531	556,407
Fixed assets	28	459,032	431,635
Net assets		1,708,284	1,562,521
Reserves			
General Reserve	29	657,721	574,479
Exchange Fund Reserve	27	591,531	556,407
Capital Expenditure Reserve	30	459,032	431,635
		1,708,284	1,562,521

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

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017**

(Expressed in Hong Kong dollars)

	2017 \$ million	2016 (as restated) \$ million
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus from operating activities	31,069	28,157
Adjustments for:		
Depreciation	15,325	13,642
Decrease / (Increase) in stocks, accounts receivable, etc.	360	(2,467)
Decrease in liabilities and provisions	(11,569)	(10,132)
Write-off	5	7
Donated fixed assets received	(38)	(2)
Gain on disposal of fixed assets	(9,652)	(587)
	(5,569)	461
Net cash inflow from operating activities	25,500	28,618
CASH FLOWS FROM NON-OPERATING ACTIVITIES		
Receipt of land premia	127,933	60,885
Capital expenses	(65,438)	(58,809)
Increase in investments with the Exchange Fund	(111,581)	(14,883)
Receipt of interest and dividends	44,372	18,694
Additions to fixed assets	(39,647)	(39,637)
Decrease in other investments (including government business enterprises)	2,590	5,527
Loans made	(5,369)	(3,190)
Loan repayments received	1,926	1,911
Interest paid	(2,185)	(2,285)
Net cash (outflow) / inflow from home ownership assistance schemes		
Development of properties	(1,859)	(1,226)
Home Purchase / Assistance Loans	6	27
Repayments of government bonds and notes	(27,022)	(28,000)
Proceeds from issue of government bonds	37,770	31,879
Proceeds from sale of housing loans	170	209
Proceeds from disposal of fixed assets	6,551	1,049
Net cash outflow from non-operating activities	(31,783)	(27,849)
Net (decrease) / increase in cash and cash equivalents	(6,283)	769
Cash and cash equivalents as at the beginning of the financial year	15,683	14,914
Cash and cash equivalents as at the end of the financial year	9,400	15,683

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 2017

(Expressed in Hong Kong dollars)

	2017 \$ million	2016 (as restated) \$ million
General Reserve	657,721	574,479
– 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	919,197	874,746
Bonds and notes issued	127,891	117,509
Other liabilities	32,522	32,576
	1,079,610	1,024,831
<u>Assets recognised under the accrual basis but not the cash basis</u> (Note (a))		
Investments	(274,388)	(254,475)
Loans	(25,404)	(21,997)
Other assets	(142,506)	(123,492)
	(442,298)	(399,964)
<u>Share of undistributed reserves of government business enterprises</u> (Note (b))	(185,884)	(199,879)
<u>Share of net financial assets of other entities</u> (Note (c))	(155,189)	(156,579)
	(341,073)	(356,458)
Fiscal Reserves – as reported in the cash-based Consolidated Account	953,960	842,888

Note:

- (a) Refer to Note 34(a)(i), (iv), (v) and (vi) for a list of the entities.
- (b) Refer to Note 34(b)(ii) for a list of the entities.
- (c) Refer to Note 34(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 2017**

(Expressed in Hong Kong dollars)

	2017 \$ million	2016 (as restated) \$ million
Surplus / (Deficit)	146,022	(18,350)
– 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	44,451	58,914
Net decrease in other provisions	(51)	(199)
Depreciation of fixed assets	11,668	10,127
Net increase in interest expenses on bonds and notes	1	1
Net decrease / (increase) in stocks in hand	96	(180)
Gain on disposal of fixed assets	(9,652)	(587)
Exchange (gain) / loss on foreign currency translation	(11)	20
Net increase / (decrease) in accrued expenses	200	(36)
Net increase in prepaid expenses	(152)	(345)
Net increase in accrued revenue	(19,231)	(48,162)
	27,319	19,553
<u>Revenue / (Expenses) recognised under the cash basis but not the accrual basis (Note (a))</u>		
Additions to fixed assets	(26,382)	(24,755)
Investments made	(9,493)	(17)
Net increase in loans	(3,526)	(1,474)
Proceeds from sale of housing loans	170	209
Proceeds from disposal of fixed assets	6,551	1,049
	(32,680)	(24,988)
<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))	(58,715)	34,618
Net amount received from government business enterprises	37,327	10,305
Other entities (Note (c))	(8,200)	(6,764)
	(29,588)	38,159
Surplus – as reported in the cash-based Consolidated Account	111,073	14,374

Note:

- (a) Refer to Note 34(a)(i) (except item 9), (iv), (v) and (vi) for a list of the entities.
(b) Refer to Note 34(b) for a list of the entities.
(c) Refer to Note 34(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.