

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2018**

(Expressed in Hong Kong dollars)

	Note	2018 \$ million	2017 \$ million
Operating revenue			
Taxes, rates and duties	4	368,938	326,369
Rental income	5	34,538	32,500
Fees and charges	6	15,838	12,663
Utilities	7	4,408	4,229
Royalties and concessions	8	3,247	10,723
Other operating revenue	9	8,012	16,345
Total operating revenue		434,981	402,829
Operating expenses			
Salaries, allowances and other employee benefits	10	(106,981)	(103,800)
Other operating expenses	11	(75,409)	(74,616)
Recurrent subventions	12	(145,843)	(136,469)
Social security payments	13	(42,530)	(41,550)
Depreciation	28	(15,835)	(15,325)
Total operating expenses	14	(386,598)	(371,760)
Surplus from operating activities		48,383	31,069
Non-operating revenue / (expenses)			
Land premia	15	154,477	134,637
Net revenue from home ownership assistance schemes	16	6,049	1,690
Interest and investment income	17(a)	69,731	44,934
Capital expenses	18	(63,164)	(65,438)
Interest expenses	19	(35,844)	(36,305)
Actuarial loss on pensions	24	(27,227)	(23,280)
Share of profits and losses of government business enterprises	20	45,194	23,591
Surplus of the Exchange Fund	27	122,491	35,124
Net non-operating revenue		271,707	114,953
Net surplus for the year		320,090	146,022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

(Expressed in Hong Kong dollars)

	Note	2018 \$ million	2017 \$ million
Financial assets			
Investments with the Exchange Fund	17(b)	1,117,372	964,736
Investments in and loans to government business enterprises	20	369,939	334,759
Other investments	21	270,034	276,733
Loans and advances	22	29,299	26,894
Other assets	23	184,203	155,132
Cash and cash equivalents	3(c)	12,982	9,400
		1,983,829	1,767,654
Liabilities			
Provision for pensions	24	(964,599)	(919,197)
Bonds and notes issued	25	(123,235)	(127,891)
Other liabilities	26	(65,821)	(62,845)
		(1,153,655)	(1,109,933)
Net financial assets		830,174	657,721
Net assets of the Exchange Fund	27	714,677	591,531
Fixed assets	28	486,317	459,032
Net assets		2,031,168	1,708,284
Reserves			
General Reserve	29	830,174	657,721
Exchange Fund Reserve	27	714,677	591,531
Capital Expenditure Reserve	30	486,317	459,032
		2,031,168	1,708,284

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

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018**

(Expressed in Hong Kong dollars)

	2018 \$ million	2017 \$ million
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus from operating activities	48,383	31,069
Adjustments for:		
Depreciation	15,835	15,325
(Increase) / Decrease in stocks, accounts receivable, etc.	(321)	360
Decrease in liabilities and provisions	(13,206)	(11,569)
Write-off	27	5
Donated fixed assets received	(72)	(38)
Loss / (Gain) on disposal of fixed assets	2	(9,652)
	2,265	(5,569)
Net cash inflow from operating activities	50,648	25,500
CASH FLOWS FROM NON-OPERATING ACTIVITIES		
Receipt of land premia	164,759	127,933
Capital expenses paid	(63,165)	(65,438)
Increase in investments with the Exchange Fund	(152,636)	(111,581)
Receipt of interest and dividends	40,012	44,372
Additions to fixed assets	(43,515)	(39,647)
Decrease in other investments (including government business enterprises)	12,753	2,590
Loans made	(5,390)	(5,369)
Loan repayments received	2,217	1,926
Interest paid	(2,173)	(2,185)
Net cash inflow / (outflow) from home ownership assistance schemes		
Development of properties	4,506	(1,859)
Home Purchase / Assistance Loans	(20)	6
Repayments of government bonds and notes	(24,485)	(27,022)
Proceeds from issue of government bonds	19,417	37,770
Proceeds from sale of housing loans	293	170
Proceeds from disposal of fixed assets	361	6,551
Net cash outflow from non-operating activities	(47,066)	(31,783)
Net increase / (decrease) in cash and cash equivalents	3,582	(6,283)
Cash and cash equivalents at beginning of year	9,400	15,683
Cash and cash equivalents at end of year	12,982	9,400

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 2018

(Expressed in Hong Kong dollars)

	2018 \$ million	2017 \$ million
General Reserve	830,174	657,721
– 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	964,599	919,197
Bonds and notes issued	123,235	127,891
Other liabilities	32,664	32,522
	1,120,498	1,079,610
<u>Assets recognised under the accrual basis but not the cash basis</u> (Note (a))		
Investments	(274,711)	(274,388)
Loans	(28,454)	(25,404)
Other assets	(169,220)	(142,506)
	(472,385)	(442,298)
<u>Share of undistributed reserves of government business enterprises</u> (Note (b))	(216,688)	(185,884)
<u>Share of net financial assets of other entities</u> (Note (c))	(158,665)	(155,189)
	(375,353)	(341,073)
Fiscal Reserves – as reported in the cash-based Consolidated Account	1,102,934	953,960

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 REPORTED UNDER THE ACCRUAL BASIS AND UNDER THE CASH BASIS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in Hong Kong dollars)

	2018 \$ million	2017 \$ million
Surplus	320,090	146,022
– 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	45,402	44,451
Net decrease in other provisions	(501)	(51)
Depreciation of fixed assets	11,634	11,668
Net increase in interest expenses on bonds and notes	1	1
Net (increase) / decrease in stocks in hand	(75)	96
Loss / (gain) on disposal of fixed assets	2	(9,652)
Exchange gain on foreign currency translation	(26)	(11)
Net increase in accrued expenses	61	200
Net decrease / (increase) in prepaid expenses	32	(152)
Net increase in accrued revenue	(26,919)	(19,231)
	29,611	27,319
<u>Revenue / (Expenses) recognised under the cash basis but not the accrual basis (Note (a))</u>		
Additions to fixed assets	(28,367)	(26,382)
Investments made	(456)	(9,493)
Net increase in loans	(3,369)	(3,526)
Proceeds from sale of housing loans	293	170
Proceeds from disposal of fixed assets	361	6,551
	(31,538)	(32,680)
<u>Share of surpluses of other consolidated entities not included in the cash-based Consolidated Account</u>		
Government business enterprises and the Exchange Fund (Note (b))	(167,685)	(58,715)
Net amount received from government business enterprises (Note (c))	12,893	37,327
Other entities (Note (d))	(14,398)	(8,200)
	(169,190)	(29,588)
Surplus – as reported in the cash-based Consolidated Account	148,973	111,073

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(b)(ii) for a list of the entities.
- (d) 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.