

Consolidated Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Investments with the Exchange Fund	3	503,156,778	380,077,664
Deposits with banks	4	456,282	367,640
Cash and bank balances	5	4,740,227	3,161,867
Advances	6	2,181,665	2,171,409
Suspense Accounts	7	39,869	47,046
	8	510,574,821	385,825,626
Liabilities			
Deposits	9	(17,550,322)	(16,449,535)
Suspense Accounts	7	(109,997)	(111,888)
	10	(17,660,319)	(16,561,423)
		<u>492,914,502</u>	<u>369,264,203</u>
Representing:			
Consolidated Fund Balance			
Balance at 1 April 2007		369,264,203	310,662,566
Surplus for the year		123,650,299	58,601,637
Balance at 31 March 2008	11, 12	<u>492,914,502</u>	<u>369,264,203</u>

The accompanying Notes 1 to 18 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Consolidated Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 \$'000	2007 \$'000
Cash and bank balances at 1 April 2007		3,161,867	2,608,972
Revenue	14, 15	358,464,678	288,014,295
Expenditure	14, 16	(234,814,379)	(229,412,658)
Surplus	17	123,650,299	58,601,637
Other cash movements	18	(122,071,939)	(58,048,742)
Cash and bank balances at 31 March 2008		<u>4,740,227</u>	<u>3,161,867</u>

The accompanying Notes 1 to 18 form part of these accounts.

Mrs. Lucia LI
Director of Accounting Services
15 August 2008



Consolidated Account

NOTES ON THE ACCOUNTS

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 eight Funds established or deemed to have been established under section 29 of the Public Finance Ordinance (Cap. 2), viz. 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.
- (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 (see Notes 8 and 10).
- (iii) The Consolidated Account excludes inter-fund transfers as set out in Note 14(i).
- (iv) Currency balances other than Hong Kong dollars are stated at weighted average cost.

3. Investments with the Exchange Fund

- (i) These are investments and deposits held:

	2008 \$'000	2007 \$'000
Investments		
General Revenue Account	255,223,782	157,142,574
Capital Works Reserve Fund	65,817,184	52,432,373
Capital Investment Fund	562,304	-
Civil Service Pension Reserve Fund	18,508,928	17,294,055
Disaster Relief Fund	28,034	30,535
Innovation and Technology Fund	4,317,442	4,341,661
Land Fund	150,467,409	140,591,160
Loan Fund	1,631,020	-
Lotteries Fund	6,151,111	5,341,962
(see(ii) and (iii) below)	502,707,214	377,174,320
Deposits		
General Revenue Account	303,608	188,769
Capital Works Reserve Fund	126,945	238,567
Capital Investment Fund	1	55,570
Innovation and Technology Fund	1	124,807
Loan Fund	19,008	2,118,090
Lotteries Fund	1	177,541
	449,564	2,903,344
	503,156,778	380,077,664

- (ii) The investments represent the cost of investments together with interest of \$27.61 billion received in the year ended 31 March 2008.
- (iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average rate of return of the Exchange Fund's investment portfolio over the past six years, subject to the annual investment return in any year being guaranteed to be not lower than the average yield of three-year Exchange Fund Notes for the previous year.

Consolidated Account

4. Deposits with Banks

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

	2008	2007
	\$'000	\$'000
General Revenue Account	456,223	366,029
Capital Works Reserve Fund	59	1,611
	<u>456,282</u>	<u>367,640</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:

	2008	2007
	\$'000	\$'000
General Revenue Account	4,658,772	3,090,671
Capital Works Reserve Fund	6,850	31,266
Capital Investment Fund	2	1
Innovation and Technology Fund	1	2,883
Loan Fund	38,695	24,316
Lotteries Fund	35,907	12,730
	<u>4,740,227</u>	<u>3,161,867</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:

	2008	2007
	\$'000	\$'000
General Revenue Account	2,086,076	2,069,304
Capital Works Reserve Fund	95,589	102,105
	<u>2,181,665</u>	<u>2,171,409</u>

7. Suspense Accounts

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

	2008	2007
	\$'000	\$'000
Assets:		
Correctional Services Industries	33,836	38,509
Government Logistics Department—Unallocated Stores	6,033	8,537
	39,869	47,046
Liabilities:		
The Special Coin	(108,176)	(109,416)
The Financial Secretary Incorporated	(1,821)	(2,472)
	(109,997)	(111,888)
Net balance	<u>(70,128)</u>	<u>(64,842)</u>

Consolidated Account

7. Suspense Accounts (Continued)

The balance on the Correctional Services Industries Suspense Account and the Government Logistics Department—Unallocated Stores Suspense Account represent the cost of stocks in hand.

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.

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.

8. Assets

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

	2008 \$'000	2007 \$'000
Investments:		
Capital Investment Fund		
Equity holdings	112,964,815	111,939,698
Other investments	390,370,946	386,213,924
	503,335,761	498,153,622
Loans Outstanding:		
Capital Investment Fund		
Loans to investees	7,090,880	7,836,843
Loan Fund		
Housing loans	3,214,559	3,279,161
Education loans	10,677,657	10,040,967
Other loans	3,850,095	3,063,977
Lotteries Fund		
Loan to a charitable institution	284	404
	24,833,475	24,221,352
Total	528,169,236	522,374,974

9. 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:

	2008 \$'000	2007 \$'000
General Revenue Account	16,527,360	15,355,861
Capital Works Reserve Fund	931,400	1,002,189
Loan Fund	4,132	3,596
Lotteries Fund	87,430	87,889
	17,550,322	16,449,535

Consolidated Account

10. Liabilities

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

	2008	2007
	\$'000	\$'000
Outstanding Toll Revenue Bond (see (i) below)	2,637,620	4,200,117
Other outstanding government bonds and notes (see (ii) below)	17,426,750	17,467,188
	<u>20,064,370</u>	<u>21,667,305</u>

- (i) Following a resolution passed under section 3(1) of the Loans Ordinance (Cap. 61), the Government issued in May 2004 a \$6 billion Toll Revenue Bond to Hong Kong Link 2004 Limited to be repaid by the net toll revenue receivable of the specified Government-owned tunnels and bridges. The net proceeds were credited to the Capital Works Reserve Fund. The outstanding Toll Revenue Bond will mature by May 2016 but may be fully repaid before then. During the financial year, repayments of \$1.56 billion principal and payments of \$0.17 billion interest were made.
- (ii) Following a resolution passed under section 3(1) of the Loans Ordinance (Cap. 61), the Government issued in July 2004 bonds and notes totalling \$20 billion to retail and institutional investors. These include institutional notes of US\$1.25 billion denominated in United States dollar. The net proceeds were credited to the Capital Works Reserve Fund. Of the outstanding amount, the retail bonds of \$2.70 billion matured in July 2008 and the institutional notes totalling \$14.73 billion will mature within the period July 2009 to July 2019. During the financial year, interest payments of \$0.80 billion were made.
- (iii) The institutional notes denominated in United States dollar are translated into Hong Kong dollar at the rate of exchange ruling on the last working day of the year.

11. Contingent Liabilities

There are contingent liabilities as listed below, with the maximum amount of each liability as at 31 March 2008 indicated in brackets:

General Revenue Account

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (\$12,787 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (\$4,055 million);
- (iii) Litigation (\$42 million).

Capital Investment Fund

Possible capital subscriptions to the Asian Development Bank (\$2,295 million).

Loan Fund

Guarantees provided under a special finance scheme for small and medium enterprises (\$34 million).

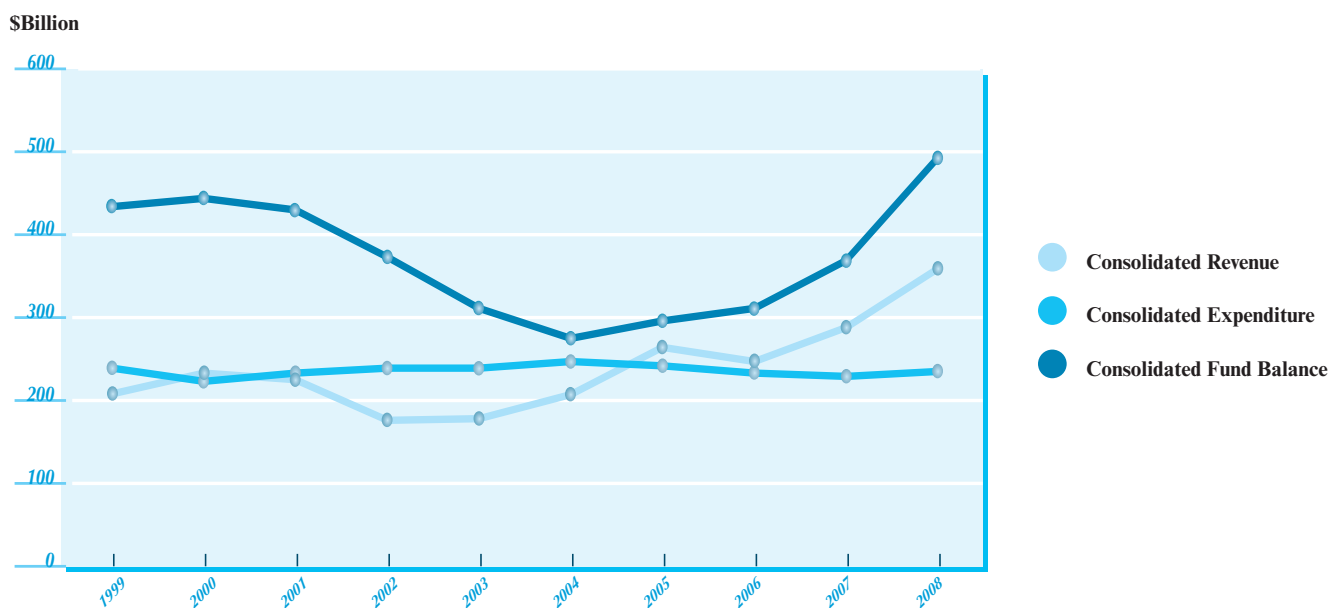
Consolidated Account

12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2008 \$'000	2007 \$'000
General Revenue Account	246,130,973	147,436,644
Capital Works Reserve Fund	65,115,227	51,803,733
Capital Investment Fund	562,307	55,571
Civil Service Pension Reserve Fund	18,508,928	17,294,055
Disaster Relief Fund	28,034	30,535
Innovation and Technology Fund	4,317,444	4,469,351
Land Fund	150,467,409	140,591,160
Loan Fund	1,684,591	2,138,810
Lotteries Fund	6,099,589	5,444,344
	492,914,502	369,264,203

Consolidated Revenue, Expenditure and Fund Balance for the years ended 31 March 1999 to 2008



13. Commitments

Innovation and Technology Fund

The approved grants that were unpaid as at 31 March 2008 amounted to \$561 million.

Lotteries Fund

The approved grants that were unpaid as at 31 March 2008 amounted to \$1,896 million.

Consolidated Account

14. Revenue and Expenditure

(i) The consolidated revenue and expenditure exclude inter-fund transfers totaling \$32,367 million between the General Revenue Account and various Funds established under section 29 of the Public Finance Ordinance.

(ii) Revenue (see note 15 for an analysis)

Revenue comprises operating revenue and capital revenue.

Operating revenue comprises all revenue items of the General Revenue Account (except certain items such as estate duty, repayment of loans and advances, etc. which are classified as capital revenue) and the Land Fund.

Capital revenue comprises all receipts of various Funds (except Land Fund) and capital revenue items of the General Revenue Account.

(iii) Expenditure (see note 16 for an analysis)

Expenditure comprises operating expenditure and capital spending.

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 spending is the aggregate of capital expenditure, advances and equity investments from the Capital Investment Fund. Capital expenditure comprises all expenditure of various Funds (excluding advances and investments from the Capital Investment Fund) and capital expenditure items of the General Revenue Account.

15. Revenue

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating revenue:			
Internal revenue	148,872,610	200,448,087	154,356,965
Duties	6,288,796	7,059,525	7,022,970
General rates	11,552,000	9,494,544	15,467,273
Motor vehicle taxes	4,464,610	5,552,874	4,334,659
Royalties and concessions	781,331	863,270	609,964
Other operating revenue	29,564,228	31,014,267	30,036,674
Operating revenue before investment income	201,523,575	254,432,567	211,828,505
Investment income	19,882,406	21,881,215	22,591,425
Operating revenue after investment income	221,405,981	276,313,782	234,419,930
Capital revenue:			
Land premium	38,500,000	62,317,880	37,000,413
Asset sales	299,229	63,292	107,215
Other capital revenue	7,547,260	13,731,085	9,659,690
Capital revenue before investment income	46,346,489	76,112,257	46,767,318
Investment income	6,092,257	6,038,639	6,827,047
Capital revenue after investment income	52,438,746	82,150,896	53,594,365
Total Revenue	273,844,727	358,464,678	288,014,295

Consolidated Account

16. Expenditure

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating expenditure:			
Recurrent expenditure			
Personal emoluments	46,090,374	46,658,379	44,434,569
Personnel related expenses	19,138,818	18,429,495	17,535,596
Departmental expenses	19,356,903	18,079,308	16,742,369
Other charges	39,312,347	37,163,479	35,176,676
Subventions	77,502,775	79,114,779	75,609,250
Additional commitments	4,199,873	-	-
Total recurrent expenditure	205,601,090	199,445,440	189,498,460
Non-recurrent expenditure	3,402,005	5,288,060	4,474,723
Additional commitments	5,196,905	-	-
Total non-recurrent expenditure	8,598,910	5,288,060	4,474,723
Operating expenditure	214,200,000	204,733,500	193,973,183
Capital spending:			
Capital expenditure other than interest and other expenses on bonds and notes	33,437,744	29,180,926	28,939,262
Advances and equity investment made by Capital Investment Fund	-	100,040	3,124,297
Capital spending before interest and other expenses on bonds and notes issued	33,437,744	29,280,966	32,063,559
Repayment of bonds and notes	-	-	2,550,000
Interest and other expenses on bonds and notes issued	799,115	799,913	825,916
	799,115	799,913	3,375,916
Capital spending	34,236,859	30,080,879	35,439,475
Total Expenditure	248,436,859	234,814,379	229,412,658

Consolidated Account

17. Surplus/(deficit)

	2008		2007
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating Account:			
Operating revenue	201,523,575	254,432,567	211,828,505
Operating expenditure	(214,200,000)	(204,733,500)	(193,973,183)
Surplus/(deficit) before investment income	(12,676,425)	49,699,067	17,855,322
Investment income	19,882,406	21,881,215	22,591,425
Operating surplus after investment	7,205,981	71,580,282	40,446,747
Capital Financing Statement:			
Capital revenue	46,047,260	76,048,965	46,660,103
Asset sales	299,229	63,292	107,215
	46,346,489	76,112,257	46,767,318
Capital spending	(33,437,744)	(29,280,966)	(32,063,559)
Surplus before investment income/interest expenses	12,908,745	46,831,291	14,703,759
Investment income	6,092,257	6,038,639	6,827,047
Interest and other expenses	(799,115)	(799,913)	(825,916)
Surplus after investment income/interest expenses	18,201,887	52,070,017	20,704,890
Repayment of bonds and notes	-	-	(2,550,000)
Capital financing surplus after repayment of bonds and notes	18,201,887	52,070,017	18,154,890
Surplus for the year	25,407,868	123,650,299	58,601,637

18. Other Cash Movements

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

	2008 \$'000	2007 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(123,079,114)	(60,400,338)
Deposits with banks	(88,642)	319,356
Advances	(10,256)	66,703
Suspense Accounts	7,177	5,607
	(123,170,835)	(60,008,672)
Increase/(Reduction) in Liabilities:		
Deposits	1,100,787	1,982,348
Suspense Accounts	(1,891)	(22,418)
	1,098,896	1,959,930
	(122,071,939)	(58,048,742)