

Consolidated Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2009

	Note	2009 \$'000	2008 \$'000
Assets			
Investments with the Exchange Fund	3	506,087,930	503,156,778
Deposits with banks	4	382,961	456,282
Cash and bank balances	5	3,316,348	4,740,227
Advances	6	2,470,209	2,181,665
Suspense Accounts	7	42,707	39,869
	8	512,300,155	510,574,821
Liabilities			
Deposits	9	(17,827,125)	(17,550,322)
Suspense Accounts	7	(108,757)	(109,997)
	10	(17,935,882)	(17,660,319)
		<u>494,364,273</u>	<u>492,914,502</u>
Representing:			
Consolidated Fund Balance			
Balance at 1 April 2008		492,914,502	369,264,203
Surplus for the year		1,449,771	123,650,299
Balance at 31 March 2009	11, 12	<u>494,364,273</u>	<u>492,914,502</u>

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

LI Kwok-tso
 Director of Accounting Services
 14 August 2009



Consolidated Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 \$'000	2008 \$'000
Cash and bank balances at 1 April 2008		4,740,227	3,161,867
Revenue	14, 15	316,561,901	358,464,678
Expenditure	14, 16	(315,112,130)	(234,814,379)
Surplus	17	1,449,771	123,650,299
Other cash movements	18	(2,873,650)	(122,071,939)
Cash and bank balances at 31 March 2009		3,316,348	4,740,227

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

LI Kwok-tso
Director of Accounting Services
14 August 2009



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:

	2009 \$'000	2008 \$'000
Investments		
General Revenue Account	269,260,629	255,223,782
Capital Works Reserve Fund	38,159,559	65,817,184
Capital Investment Fund	504,258	562,304
Civil Service Pension Reserve Fund	20,253,534	18,508,928
Disaster Relief Fund	36,455	28,034
Innovation and Technology Fund	4,147,358	4,317,442
Land Fund	164,650,096	150,467,409
Loan Fund	1,512,880	1,631,020
Lotteries Fund	7,193,594	6,151,111
(see(ii) and (iii) below)	505,718,363	502,707,214
Deposits		
General Revenue Account	254,953	303,608
Capital Works Reserve Fund	101,260	126,945
Capital Investment Fund	1	1
Innovation and Technology Fund	1	1
Loan Fund	13,252	19,008
Lotteries Fund	100	1
	<u>369,567</u>	<u>449,564</u>
	<u>506,087,930</u>	<u>503,156,778</u>

- (ii) The investments represent the cost of investments together with interest of \$46.36 billion received in the year ended 31 March 2009.
- (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:

	2009	2008
	\$'000	\$'000
General Revenue Account	382,899	456,223
Capital Works Reserve Fund	62	59
	<u>382,961</u>	<u>456,282</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:

	2009	2008
	\$'000	\$'000
General Revenue Account	3,288,404	4,658,772
Capital Works Reserve Fund	1,850	6,850
Capital Investment Fund	1	2
Innovation and Technology Fund	1	1
Loan Fund	26,091	38,695
Lotteries Fund	1	35,907
	<u>3,316,348</u>	<u>4,740,227</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:

	2009	2008
	\$'000	\$'000
General Revenue Account	2,383,800	2,086,076
Capital Works Reserve Fund	86,409	95,589
	<u>2,470,209</u>	<u>2,181,665</u>

7. Suspense Accounts

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

	2009	2008
	\$'000	\$'000
Assets:		
Correctional Services Industries	36,583	33,836
Government Logistics Department—Unallocated Stores	6,124	6,033
	42,707	39,869
Liabilities:		
The Special Coin	(106,851)	(108,176)
The Financial Secretary Incorporated	(1,906)	(1,821)
	(108,757)	(109,997)
Net balance	<u>(66,050)</u>	<u>(70,128)</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:

	2009 \$'000	2008 \$'000
Investments:		
Capital Investment Fund		
Equity holdings	114,067,171	112,964,815
Other investments	395,596,027	390,370,946
	509,663,198	503,335,761
Loans Outstanding:		
Capital Investment Fund		
Loans to investees	7,056,961	7,090,880
Loan Fund		
Housing loans	3,184,514	3,214,559
Education loans	11,407,911	10,677,657
Other loans	3,722,452	3,850,095
Lotteries Fund		
Loan to a charitable institution	-	284
	25,371,838	24,833,475
Total	535,035,036	528,169,236

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:

	2009 \$'000	2008 \$'000
General Revenue Account	16,930,754	16,527,360
Capital Works Reserve Fund	798,358	931,400
Loan Fund	6,391	4,132
Lotteries Fund	91,622	87,430
	17,827,125	17,550,322

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)):

	2009	2008
	\$'000	\$'000
Outstanding Toll Revenue Bond (see (i) below)	1,932,460	2,637,620
Other outstanding government bonds and notes (see (ii) below)	14,688,125	17,426,750
	<u>16,620,585</u>	<u>20,064,370</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. Of the outstanding Toll Revenue Bond, 0.8 billion matured in May 2009 and the rest will mature by May 2016 but may be fully repaid before then. During the financial year, repayments of \$0.71 billion principal and payments of \$0.11 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 institutional notes, \$3.50 billion matured in July 2009 and the rest will mature within the period August 2014 to July 2019. During the financial year, interest payments of \$0.75 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 2009 indicated in brackets:

General Revenue Account

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (\$17,120 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (\$4,035 million);
- (iii) Guarantees provided under the Special Loan Guarantee Scheme (\$3,248 million); and
- (iv) Litigation (\$23 million).

Capital Investment Fund

Possible capital subscriptions to the Asian Development Bank (\$2,070 million).

Loan Fund

- (i) Guarantees provided under a commercial loan of the Ocean Park Corporation and interest (\$1,190 million); and
- (ii) Guarantees provided under a special finance scheme for small and medium enterprises (\$18 million).

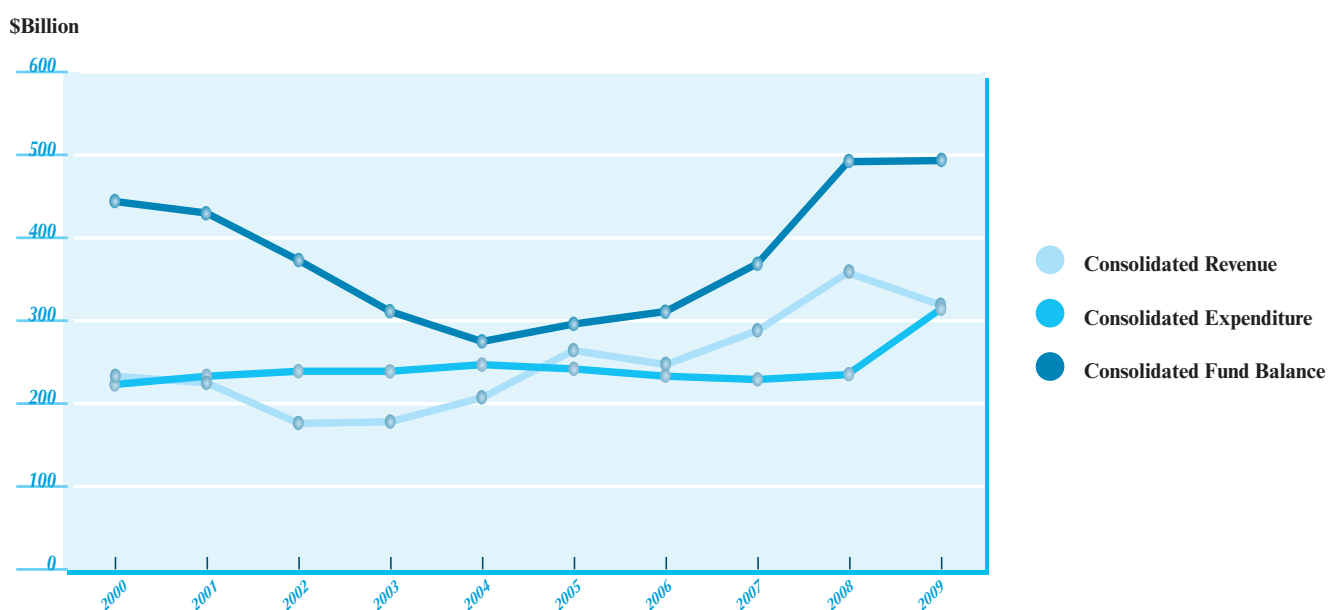
Consolidated Account

12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2009 \$'000	2008 \$'000
General Revenue Account	258,573,881	246,130,973
Capital Works Reserve Fund	37,550,782	65,115,227
Capital Investment Fund	504,260	562,307
Civil Service Pension Reserve Fund	20,253,534	18,508,928
Disaster Relief Fund	36,455	28,034
Innovation and Technology Fund	4,147,360	4,317,444
Land Fund	164,650,096	150,467,409
Loan Fund	1,545,832	1,684,591
Lotteries Fund	7,102,073	6,099,589
	494,364,273	492,914,502

Consolidated Revenue, Expenditure and Fund Balance for the years ended 31 March 2000 to 2009



13. Commitments

Innovation and Technology Fund

The approved grants that were unpaid as at 31 March 2009 amounted to \$531 million.

Lotteries Fund

The approved grants that were unpaid as at 31 March 2009 amounted to \$2,011 million.

Consolidated Account

14. Revenue and Expenditure

(i) The consolidated revenue and expenditure exclude inter-fund transfers totalling \$2,150 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

	2009		2008
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating revenue:			
Internal revenue	162,865,517	192,773,751	200,448,087
Duties	6,198,696	6,046,654	7,059,525
General rates	7,333,000	7,174,835	9,494,544
Motor vehicle taxes	5,570,100	4,980,925	5,552,874
Royalties and concessions	870,914	2,389,088	863,270
Other operating revenue	29,430,204	30,585,124	31,014,267
Operating revenue before investment income	212,268,431	243,950,377	254,432,567
Investment income	37,091,354	37,534,800	21,881,215
Operating revenue after investment income	249,359,785	281,485,177	276,313,782
Capital revenue:			
Land premium	43,100,000	16,935,858	62,317,880
Asset sales	87,397	80,292	63,292
Other capital revenue	10,038,401	9,024,222	13,731,085
Capital revenue before investment income	53,225,798	26,040,372	76,112,257
Investment income	5,314,675	9,036,352	6,038,639
Capital revenue after investment income	58,540,473	35,076,724	82,150,896
Total Revenue	307,900,258	316,561,901	358,464,678

Consolidated Account

16. Expenditure

	2009		2008
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating expenditure:			
Recurrent expenditure			
Personal emoluments	48,978,413	49,726,271	46,658,379
Personnel related expenses	20,510,396	19,220,268	18,429,495
Departmental expenses	20,055,605	19,311,583	18,079,308
Other charges	38,206,530	41,486,967	37,163,479
Subventions	82,938,253	84,373,821	79,114,779
Additional commitments	3,958,181	-	-
Total recurrent expenditure	214,647,378	214,118,910	199,445,440
Non-recurrent expenditure	4,222,699	43,887,799	5,288,060
Additional commitments	36,829,923	-	-
Total non-recurrent expenditure	41,052,622	43,887,799	5,288,060
Operating expenditure	255,700,000	258,006,709	204,733,500
Capital spending:			
Capital expenditure other than interest and other expenses on bonds and notes	55,940,212	53,477,512	29,180,926
Advances and equity investment made by Capital Investment Fund	348,737	175,271	100,040
Capital spending before interest and other expenses on bonds and notes issued	56,288,949	53,652,783	29,280,966
Repayment of bonds and notes	2,700,000	2,700,000	-
Interest and other expenses on bonds and notes issued	753,906	752,638	799,913
	3,453,906	3,452,638	799,913
Capital spending	59,742,855	57,105,421	30,080,879
Total expenditure	315,442,855	315,112,130	234,814,379

Consolidated Account

17. Surplus/(deficit)

	2009		2008
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating Account:			
Operating revenue	212,268,431	243,950,377	254,432,567
Operating expenditure	(255,700,000)	(258,006,709)	(204,733,500)
(Deficit)/surplus before investment income	(43,431,569)	(14,056,332)	49,699,067
Investment income	37,091,354	37,534,800	21,881,215
Operating surplus after investment income	(6,340,215)	23,478,468	71,580,282
Capital Financing Statement:			
Capital revenue	53,138,401	25,960,080	76,048,965
Asset sales	87,397	80,292	63,292
	53,225,798	26,040,372	76,112,257
Capital spending	(56,288,949)	(53,652,783)	(29,280,966)
(Deficit)/surplus before investment income/ interest expenses	(3,063,151)	(27,612,411)	46,831,291
Investment income	5,314,675	9,036,352	6,038,639
Interest and other expenses	(753,906)	(752,638)	(799,913)
(Deficit)/surplus after investment income/ interest expenses	1,497,618	(19,328,697)	52,070,017
Repayment of bonds and notes	(2,700,000)	(2,700,000)	-
Capital financing (deficit)/surplus after repayment of bonds and notes	(1,202,382)	(22,028,697)	52,070,017
Surplus for the year	(7,542,597)	1,449,771	123,650,299

18. Other Cash Movements

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

	2009 \$'000	2008 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(2,931,152)	(123,079,114)
Deposits with banks	73,321	(88,642)
Advances	(288,544)	(10,256)
Suspense Accounts	(2,838)	7,177
	(3,149,213)	(123,170,835)
Increase/(Reduction) in Liabilities:		
Deposits	276,803	1,100,787
Suspense Accounts	(1,240)	(1,891)
	275,563	1,098,896
	(2,873,650)	(122,071,939)