

Consolidated Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2010

	Note	2010 \$'000	2009 \$'000
Assets			
Investments with the Exchange Fund	3	533,805,005	506,087,930
Deposits with banks	4	303,390	382,961
Cash and bank balances	5	3,261,286	3,316,348
Advances	6	2,448,233	2,470,209
Suspense Accounts	7	33,534	42,707
	8	539,851,448	512,300,155
Liabilities			
Deposits	9	(19,459,637)	(17,827,125)
Suspense Accounts	7	(110,405)	(108,757)
	10	(19,570,042)	(17,935,882)
		<u>520,281,406</u>	<u>494,364,273</u>
Representing:			
Consolidated Fund Balance			
Balance at 1 April 2009		494,364,273	492,914,502
Surplus for the year		25,917,133	1,449,771
Balance at 31 March 2010	11, 12, 13	<u>520,281,406</u>	<u>494,364,273</u>

Notes 1 to 18 form part of these financial statements.

LI Kwok-tso
 Director of Accounting Services
 25 August 2010



Consolidated Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 \$'000	2009 \$'000
Cash and bank balances at 1 April 2009		3,316,348	4,740,227
Revenue	14, 15	318,441,922	316,561,901
Expenditure	14, 16	(292,524,789)	(315,112,130)
Surplus for the year	17	25,917,133	1,449,771
Other cash movements	18	(25,972,195)	(2,873,650)
Cash and bank balances at 31 March 2010		3,261,286	3,316,348

Notes 1 to 18 form part of these financial statements.

LI Kwok-tso
Director of Accounting Services
25 August 2010



Consolidated Account

NOTES TO THE FINANCIAL STATEMENTS

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 following eight Funds: 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. It excludes the Bond Fund, the balance of which is not part of the fiscal reserves.
- (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:

	2010 \$'000	2009 \$'000
Investments		
General Revenue Account	292,396,952	269,260,629
Capital Works Reserve Fund	28,482,767	38,159,559
Capital Investment Fund	1,736,403	504,258
Civil Service Pension Reserve Fund	21,630,774	20,253,534
Disaster Relief Fund	8,014	36,455
Innovation and Technology Fund	3,749,016	4,147,358
Land Fund	175,846,303	164,650,096
Loan Fund	1,654,471	1,512,880
Lotteries Fund	7,935,023	7,193,594
(see (ii) and (iii) below)	533,439,723	505,718,363
Deposits		
General Revenue Account	291,506	254,953
Capital Works Reserve Fund	73,036	101,260
Capital Investment Fund	1	1
Innovation and Technology Fund	1	1
Loan Fund	237	13,252
Lotteries Fund	501	100
	365,282	369,567
	533,805,005	506,087,930

- (ii) The investments represent the cost of investments together with interest of \$33.49 billion received in the year ended 31 March 2010.
- (iii) Effective from 1 April 2007, the return on the investments is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher.

Consolidated Account

4. Deposits with Banks

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

	2010 \$'000	2009 \$'000
General Revenue Account	303,326	382,899
Capital Works Reserve Fund	64	62
	<u>303,390</u>	<u>382,961</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:

	2010 \$'000	2009 \$'000
General Revenue Account	3,227,281	3,288,404
Capital Works Reserve Fund	1,975	1,850
Capital Investment Fund	1	1
Innovation and Technology Fund	-	1
Loan Fund	23,444	26,091
Lotteries Fund	8,585	1
	<u>3,261,286</u>	<u>3,316,348</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:

	2010 \$'000	2009 \$'000
General Revenue Account	2,369,844	2,383,800
Capital Works Reserve Fund	78,389	86,409
	<u>2,448,233</u>	<u>2,470,209</u>

7. Suspense Accounts

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

	2010 \$'000	2009 \$'000
Assets:		
Correctional Services Industries (see (i) below)	25,997	36,583
Government Logistics Department—Unallocated Stores (see (i) below)	7,537	6,124
	33,534	42,707
Liabilities:		
The Special Coin (see (ii) below)	(95,674)	(106,851)
The Financial Secretary Incorporated (see (iii) below)	(14,731)	(1,906)
	(110,405)	(108,757)
Net balance	<u>(76,871)</u>	<u>(66,050)</u>

Consolidated Account

7. Suspense Accounts (Continued)

- (i) The balances on the Correctional Services Industries Suspense Account and the Government Logistics Department—Unallocated Stores Suspense Account represent the cost of stocks in hand.
- (ii) 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.
- (iii) 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:

	2010 \$'000	2009 \$'000
Investments:		
Capital Investment Fund		
Equity holdings	118,576,687	114,067,171
Other investments	398,434,531	395,596,027
	517,011,218	509,663,198
Loans Outstanding:		
Capital Investment Fund		
Loans to investees	3,951,458	7,056,961
Loan Fund		
Housing loans	3,185,309	3,184,514
Education loans	11,801,729	11,407,911
Other loans	3,609,766	3,722,452
	22,548,262	25,371,838
Total	539,559,480	535,035,036

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:

	2010 \$'000	2009 \$'000
General Revenue Account	18,573,554	16,930,754
Capital Works Reserve Fund	790,105	798,358
Loan Fund	6,406	6,391
Lotteries Fund	89,572	91,622
	19,459,637	17,827,125

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)):

	2010	2009
	\$'000	\$'000
Outstanding Toll Revenue Bond (see (i) below)	-	1,932,460
Other outstanding government bonds and notes (see (ii) and (iii) below)	11,204,688	14,688,125
	<u>11,204,688</u>	<u>16,620,585</u>

- (i) Following a resolution passed under section 3(1) of the Loans Ordinance, 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 had been fully repaid on 4 February 2010. During the financial year, repayments of \$1.93 billion principal and payments of \$0.05 billion interest were made.
- (ii) Following a resolution passed under section 3(1) of the Loans Ordinance, 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. The outstanding institutional notes will mature within the period from August 2014 to July 2019. During the financial year, repayments of \$3.5 billion principal and payments of \$0.64 billion interest 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 2010 indicated in brackets:

General Revenue Account

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (\$21,483 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (\$4,917 million);
- (iii) Guarantees provided under the Special Loan Guarantee Scheme (\$46,606 million); and
- (iv) Litigation (\$364 million).

Capital Investment Fund

Possible capital subscriptions to the Asian Development Bank (\$2,114 million).

Loan Fund

- (i) Guarantees provided under a commercial loan of the Ocean Park Corporation (\$1,388 million); and
- (ii) Guarantees provided under a special finance scheme for small and medium enterprises (\$18 million).

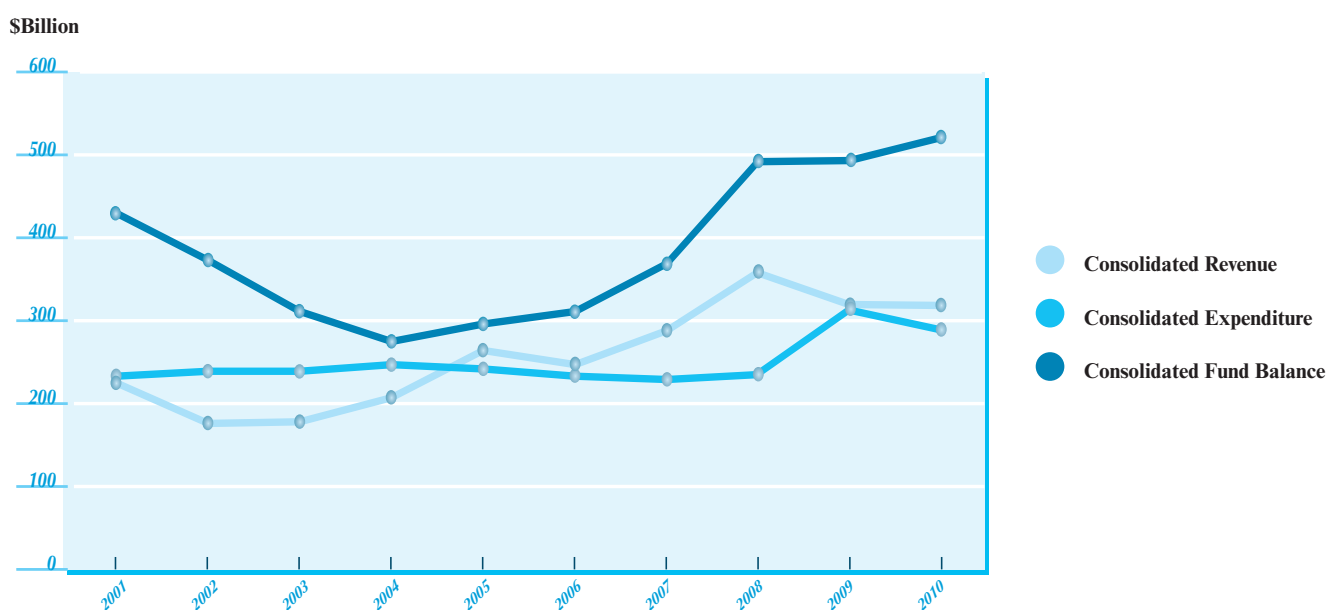
Consolidated Account

12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2010 \$'000	2009 \$'000
General Revenue Account	279,938,484	258,573,881
Capital Works Reserve Fund	27,846,126	37,550,782
Capital Investment Fund	1,736,405	504,260
Civil Service Pension Reserve Fund	21,630,774	20,253,534
Disaster Relief Fund	8,014	36,455
Innovation and Technology Fund	3,749,017	4,147,360
Land Fund	175,846,303	164,650,096
Loan Fund	1,671,746	1,545,832
Lotteries Fund	7,854,537	7,102,073
	520,281,406	494,364,273

Consolidated Revenue, Expenditure and Fund Balance for the years ended 31 March 2001 to 2010



13. Commitments

Innovation and Technology Fund

The approved grants that were unpaid as at 31 March 2010 amounted to \$994 million.

Lotteries Fund

The approved grants that were unpaid as at 31 March 2010 amounted to \$2,511 million.

Consolidated Account

14. Revenue and Expenditure

(i) The consolidated revenue and expenditure exclude inter-fund transfers totalling \$59 million between the General Revenue Account and various Funds established under section 29 of the Public Finance Ordinance (see Note 2(iii)).

(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

	2010		2009
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating revenue:			
Internal revenue	149,571,588	179,950,761	192,773,751
Duties	6,581,811	6,464,877	6,046,654
General rates	13,899,000	9,957,161	7,174,835
Motor vehicle taxes	4,080,832	4,816,338	4,980,925
Royalties and concessions	1,004,341	1,596,610	2,389,088
Other operating revenue	31,565,003	30,985,776	30,585,124
Operating revenue before investment income	206,702,575	233,771,523	243,950,377
Investment income	27,494,000	29,088,392	37,534,800
Operating revenue after investment income	234,196,575	262,859,915	281,485,177
Capital revenue:			
Land premium	16,500,000	39,632,080	16,935,858
Asset sales	85,000	171,551	80,292
Other capital revenue	7,006,373	11,242,131	9,024,222
Capital revenue before investment income	23,591,373	51,045,762	26,040,372
Investment income	3,944,000	4,536,245	9,036,352
Capital revenue after investment income	27,535,373	55,582,007	35,076,724
Total revenue	261,731,948	318,441,922	316,561,901

Consolidated Account

16. Expenditure

	2010		2009
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating expenditure:			
Recurrent expenditure			
Personal emoluments	52,005,649	50,794,334	49,726,271
Personnel related expenses	21,390,133	20,316,941	19,220,268
Departmental expenses	21,651,768	20,740,279	19,311,583
Other charges	42,855,918	42,818,020	41,486,967
Subventions	88,572,798	86,510,616	84,373,821
Additional commitments	1,127,068	-	-
Total recurrent expenditure	227,603,334	221,180,190	214,118,910
Non-recurrent expenditure	8,308,904	13,186,465	43,887,799
Additional commitments	8,087,762	-	-
Total non-recurrent expenditure	16,396,666	13,186,465	43,887,799
Operating expenditure	244,000,000	234,366,655	258,006,709
Capital spending:			
Capital expenditure other than interest and other expenses on bonds and notes	53,085,788	54,018,425	53,477,512
Advances and equity investment made by Capital Investment Fund	380,503	-	175,271
Capital spending before interest and other expenses on bonds and notes issued	53,466,291	54,018,425	53,652,783
Repayment of bonds and notes	3,500,000	3,500,000	2,700,000
Interest and other expenses on bonds and notes issued	642,089	639,709	752,638
	4,142,089	4,139,709	3,452,638
Capital spending	57,608,380	58,158,134	57,105,421
Total expenditure	301,608,380	292,524,789	315,112,130

Consolidated Account

17. Surplus/(Deficit)

	2010		2009
	Original Estimate \$'000	Actual \$'000	Actual \$'000
Operating Account:			
Operating revenue	206,702,575	233,771,523	243,950,377
Operating expenditure	(244,000,000)	(234,366,655)	(258,006,709)
Deficit before investment income	(37,297,425)	(595,132)	(14,056,332)
Investment income	27,494,000	29,088,392	37,534,800
Operating surplus after investment income	(9,803,425)	28,493,260	23,478,468
Capital Financing Statement:			
Capital revenue	23,506,373	50,874,211	25,960,080
Asset sales	85,000	171,551	80,292
	23,591,373	51,045,762	26,040,372
Capital spending	(53,466,291)	(54,018,425)	(53,652,783)
Deficit before investment income/interest expenses	(29,874,918)	(2,972,663)	(27,612,411)
Investment income	3,944,000	4,536,245	9,036,352
Interest and other expenses	(642,089)	(639,709)	(752,638)
Surplus/(Deficit) after investment income/interest expenses	(26,573,007)	923,873	(19,328,697)
Repayment of bonds and notes	(3,500,000)	(3,500,000)	(2,700,000)
Capital financing deficit after repayment of bonds and notes	(30,073,007)	(2,576,127)	(22,028,697)
Surplus for the year	(39,876,432)	25,917,133	1,449,771

18. Other Cash Movements

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

	2010 \$'000	2009 \$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(27,717,075)	(2,931,152)
Deposits with banks	79,571	73,321
Advances	21,976	(288,544)
Suspense Accounts	9,173	(2,838)
	(27,606,355)	(3,149,213)
Increase/(Reduction) in Liabilities:		
Deposits	1,632,512	276,803
Suspense Accounts	1,648	(1,240)
	1,634,160	275,563
	(25,972,195)	(2,873,650)