

Consolidated Account

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Assets			
Investments with the Exchange Fund	3	610,267,936	533,805,005
Deposits with banks	4	297,678	303,390
Cash and bank balances	5	2,576,029	3,261,286
Advances	6	2,491,695	2,448,233
	7	615,633,338	539,817,914
Liabilities			
Deposits	8	(20,158,985)	(19,459,637)
Suspense Accounts	9	(71,717)	(76,871)
	10	(20,230,702)	(19,536,508)
		<u>595,402,636</u>	<u>520,281,406</u>
Representing:			
Consolidated Fund Balance			
Balance at beginning of year		520,281,406	494,364,273
Surplus for the year		75,121,230	25,917,133
Balance at end of year	11, 12, 13	<u>595,402,636</u>	<u>520,281,406</u>

Notes 1 to 19 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



Consolidated Account

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000
Cash and bank balances at beginning of year		3,261,286	3,316,348
Revenue	14, 15	376,481,603	318,441,922
Expenditure	14, 16	(301,360,373)	(289,024,789)
Surplus for the year before repayment of government bonds and notes	17	75,121,230	29,417,133
Repayment of government bonds and notes		-	(3,500,000)
Surplus for the year after repayment of government bonds and notes	17	75,121,230	25,917,133
Other cash movements	18	(75,806,487)	(25,972,195)
Cash and bank balances at end of year		2,576,029	3,261,286

Notes 1 to 19 form part of these financial statements.

Mrs Lesley Y C WONG
Director of Accounting Services
25 August 2011



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 7 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:

	2011 HK\$'000	2010 HK\$'000
Investments		
General Revenue Account	341,361,468	292,396,952
Capital Works Reserve Fund	43,431,335	28,482,767
Capital Investment Fund	1,618,937	1,736,403
Civil Service Pension Reserve Fund	22,993,513	21,630,774
Disaster Relief Fund	35,071	8,014
Innovation and Technology Fund	3,271,800	3,749,016
Land Fund	186,924,620	175,846,303
Loan Fund	1,909,323	1,654,471
Lotteries Fund	8,519,934	7,935,023
(see (ii) and (iii) below)	610,066,001	533,439,723
Deposits		
General Revenue Account	153,602	291,506
Capital Works Reserve Fund	48,132	73,036
Capital Investment Fund	-	1
Innovation and Technology Fund	-	1
Loan Fund	101	237
Lotteries Fund	100	501
	201,935	365,282
	610,267,936	533,805,005

- (ii) The investments represent the cost of investments together with interest of HK\$33.76 billion received in the year ended 31 March 2011.
- (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:

	2011	2010
	HK\$'000	HK\$'000
General Revenue Account	297,610	303,326
Capital Works Reserve Fund	68	64
	<u>297,678</u>	<u>303,390</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:

	2011	2010
	HK\$'000	HK\$'000
General Revenue Account	2,552,907	3,227,281
Capital Works Reserve Fund	300	1,975
Capital Investment Fund	2	1
Innovation and Technology Fund	11	-
Loan Fund	20,396	23,444
Lotteries Fund	2,413	8,585
	<u>2,576,029</u>	<u>3,261,286</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:

	2011	2010
	HK\$'000	HK\$'000
General Revenue Account	2,414,333	2,369,844
Capital Works Reserve Fund	77,362	78,389
	<u>2,491,695</u>	<u>2,448,233</u>

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7. Assets

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

	2011 HK\$'000	2010 HK\$'000
Investments:		
Capital Investment Fund		
Equity holdings	122,118,451	118,576,687
Other investments	405,220,504	398,434,531
	527,338,955	517,011,218
Loans Outstanding:		
Capital Investment Fund		
Loans to investees	2,977,299	3,951,458
Loan Fund		
Housing loans	3,136,946	3,185,309
Education loans	12,119,397	11,801,729
Other loans	3,504,463	3,609,766
	21,738,105	22,548,262
Total	549,077,060	539,559,480

8. 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:

	2011 HK\$'000	2010 HK\$'000
General Revenue Account	19,150,921	18,573,554
Capital Works Reserve Fund	906,241	790,105
Loan Fund	7,744	6,406
Lotteries Fund	94,079	89,572
	20,158,985	19,459,637

9. Suspense Accounts

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

	2011 HK\$'000	2010 HK\$'000
Correctional Services Industries (see (i) below)	24,663	25,997
Government Logistics Department — Unallocated Stores (see (i) below)	6,011	7,537
The Special Coin (see (ii) below)	(95,743)	(95,674)
The Financial Secretary Incorporated (see (iii) below)	(6,648)	(14,731)
	(71,717)	(76,871)

Consolidated Account

9. Suspense Accounts (*Continued*)

- (i) 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.
- (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.

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)):

	2011 HK\$'000	2010 HK\$'000
Outstanding government bonds and notes (see (i) and (ii) below)	<u>11,230,313</u>	<u>11,204,688</u>

- (i) Following a resolution passed under section 3(1) of the Loans Ordinance, the Government issued in July 2004 bonds and notes totalling HK\$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, there were payments of HK\$575 million interest on the notes but no principal repayments.
- (ii) 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 2011 indicated in brackets:

General Revenue Account

- (i) Guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance (HK\$22,693 million);
- (ii) Guarantees provided under the SME Loan Guarantee Scheme (HK\$5,862 million);
- (iii) Guarantees provided under the Special Loan Guarantee Scheme (HK\$68,563 million); and
- (iv) Litigation (HK\$4,232 million).

Capital Investment Fund

Possible capital subscriptions to the Asian Development Bank (HK\$6,753 million).

Loan Fund

- (i) Guarantees provided for a commercial loan of the Ocean Park Corporation (HK\$1,388 million); and
- (ii) Guarantees provided under a special finance scheme for small and medium enterprises (HK\$16 million).

Consolidated Account

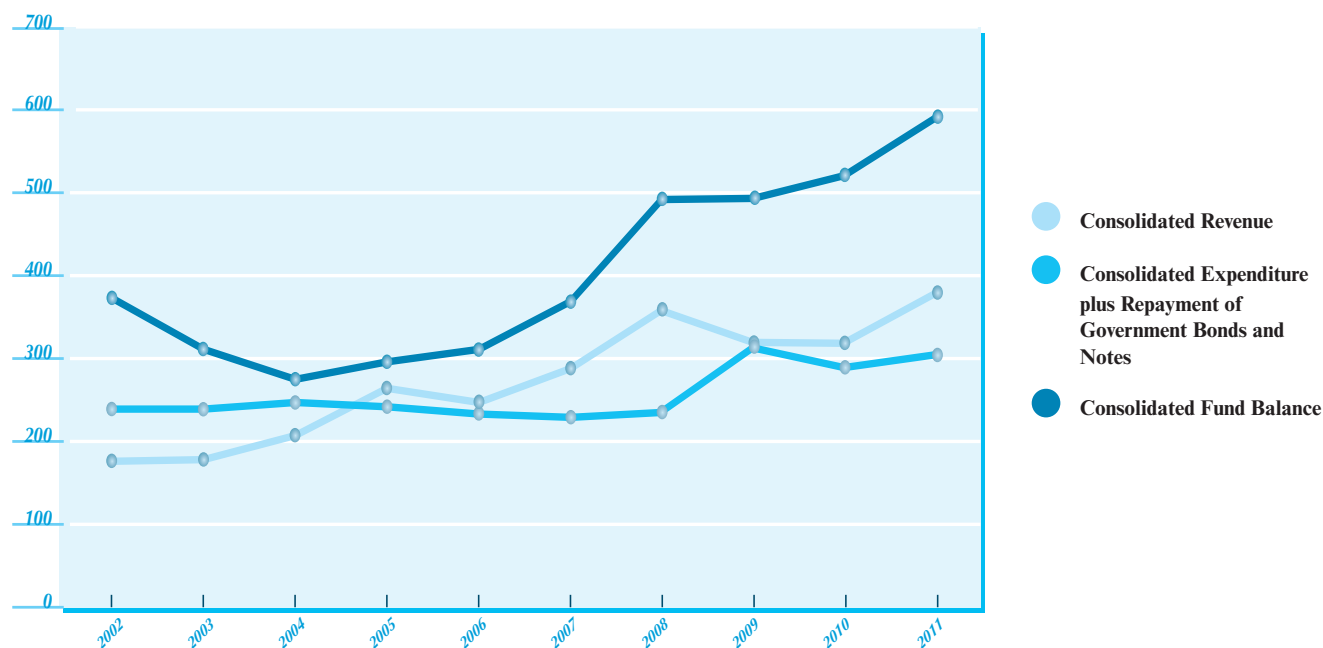
12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2011	2010
	HK\$'000	HK\$'000
General Revenue Account	327,557,282	279,938,484
Capital Works Reserve Fund	42,650,956	27,846,126
Capital Investment Fund	1,618,939	1,736,405
Civil Service Pension Reserve Fund	22,993,513	21,630,774
Disaster Relief Fund	35,071	8,014
Innovation and Technology Fund	3,271,811	3,749,017
Land Fund	186,924,620	175,846,303
Loan Fund	1,922,076	1,671,746
Lotteries Fund	8,428,368	7,854,537
	<u>595,402,636</u>	<u>520,281,406</u>

Consolidated Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2002 to 2011

HK\$Billion



13. Commitments

Innovation and Technology Fund

The approved grants that were unpaid as at 31 March 2011 amounted to HK\$1,045 million.

Lotteries Fund

The approved grants that were unpaid as at 31 March 2011 amounted to HK\$2,774 million.

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14. Revenue and Expenditure

(i) The consolidated revenue and expenditure exclude inter-fund transfers totalling HK\$377 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 expenditure.

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 expenditure comprises all expenditure of various Funds (excluding repayment of government bonds and notes from the Capital Works Reserve Fund) and capital expenditure items of the General Revenue Account.

15. Revenue

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating revenue:			
Internal revenue	167,834,243	210,584,391	179,950,761
Duties	6,172,405	7,551,086	6,464,877
General rates	9,375,000	8,955,850	9,957,161
Motor vehicle taxes	4,552,883	6,657,392	4,816,338
Royalties and concessions	2,166,300	2,451,443	1,596,610
Other operating revenue	30,868,028	34,698,129	30,985,776
Operating revenue before investment income	220,968,859	270,898,291	233,771,523
Investment income	26,642,000	28,902,018	29,088,392
Operating revenue after investment income	247,610,859	299,800,309	262,859,915
Capital revenue:			
Land premium	34,100,000	65,544,560	39,632,080
Asset sales	183,215	154,442	171,551
Other capital revenue	6,270,577	5,950,966	11,242,131
Capital revenue before investment income	40,553,792	71,649,968	51,045,762
Investment income	3,867,000	5,031,326	4,536,245
Capital revenue after investment income	44,420,792	76,681,294	55,582,007
Total revenue	292,031,651	376,481,603	318,441,922

Consolidated Account

16. Expenditure

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating expenditure:			
Recurrent expenditure			
Personal emoluments	52,274,271	51,017,671	50,794,334
Personnel related expenses	22,353,220	21,594,142	20,316,941
Departmental expenses	22,465,581	21,005,637	20,740,279
Other charges	43,578,958	41,475,718	42,818,020
Subventions	88,429,572	88,080,333	86,510,616
Additional commitments	543,000	-	-
Total recurrent expenditure	229,644,602	223,173,501	221,180,190
Non-recurrent expenditure	5,009,509	16,119,941	13,186,465
Additional commitments	16,746,000	-	-
Total non-recurrent expenditure	21,755,509	16,119,941	13,186,465
Operating expenditure	251,400,111	239,293,442	234,366,655
Capital expenditure:			
Capital expenditure other than interest and other expenses on government bonds and notes	65,232,361	61,492,087	54,018,425
Interest and other expenses on government bonds and notes	576,370	574,844	639,709
Capital expenditure	65,808,731	62,066,931	54,658,134
Total expenditure	317,208,842	301,360,373	289,024,789

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17. Surplus/(Deficit)

	2011		2010
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Operating Account:			
Operating revenue	247,610,859	299,800,309	262,859,915
Operating expenditure	(251,400,111)	(239,293,442)	(234,366,655)
Operating surplus	(3,789,252)	60,506,867	28,493,260
Capital Account:			
Capital revenue	44,420,792	76,681,294	55,582,007
Capital expenditure	(65,808,731)	(62,066,931)	(54,658,134)
Capital surplus	(21,387,939)	14,614,363	923,873
Surplus for the year before repayment of government bonds and notes	(25,177,191)	75,121,230	29,417,133
Repayment of government bonds and notes	-	-	(3,500,000)
Surplus for the year after repayment of government bonds and notes	(25,177,191)	75,121,230	25,917,133

18. Other Cash Movements

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

	2011 HK\$'000	2010 HK\$'000
Reduction/(Increase) in Assets:		
Investments with the Exchange Fund	(76,462,931)	(27,717,075)
Deposits with banks	5,712	79,571
Advances	(43,462)	21,976
	(76,500,681)	(27,615,528)
Increase/(Reduction) in Liabilities:		
Deposits	699,348	1,632,512
Suspense Accounts	(5,154)	10,821
	694,194	1,643,333
	(75,806,487)	(25,972,195)

19. Comparative Figures

Certain comparative figures have been re-classified to conform with the presentation of the current year.