

# Consolidated Account

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	1,188,074,827	1,117,372,233
Deposits with banks	4	491,826	532,753
Cash and bank balances	5	4,524,402	4,258,004
Advances	6	3,255,025	2,901,276
	7	1,196,346,080	1,125,064,266
<b>Liabilities</b>			
Deposits	8	(25,411,193)	(22,075,213)
Suspense Accounts	9	(52,424)	(55,407)
	10	(25,463,617)	(22,130,620)
		<u>1,170,882,463</u>	<u>1,102,933,646</u>
<b>Representing:</b>			
<b>Consolidated Fund Balance</b>			
Balance at beginning of year		1,102,933,646	953,960,342
Surplus for the year		67,948,817	148,973,304
Balance at end of year	11, 12, 13	<u>1,170,882,463</u>	<u>1,102,933,646</u>

Notes 1 to 18 form part of these financial statements.

**Charlix WONG**  
Director of Accounting Services  
26 August 2019



# Consolidated Account

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2019

(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 \$'000
<b>Cash and bank balances at beginning of year</b>		<b>4,258,004</b>	4,357,692
Revenue	14, 15	599,773,679	619,836,415
Expenditure	14, 16	(531,824,862)	(470,863,111)
<b>Surplus for the year before repayment of government bonds and notes</b>	17	<b>67,948,817</b>	148,973,304
Repayment of government bonds and notes		-	-
<b>Surplus for the year after repayment of government bonds and notes</b>	17	<b>67,948,817</b>	148,973,304
<b>Other cash movements</b>	18	<b>(67,682,419)</b>	(149,072,992)
<b>Cash and bank balances at end of year</b>		<b>4,524,402</b>	4,258,004

Notes 1 to 18 form part of these financial statements.

**Charlix WONG**  
Director of Accounting Services  
26 August 2019



# Consolidated Account

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars, unless otherwise stated)

### 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. Assets of capital investments acquired and loans made in the Capital Investment Fund and the Loan Fund, and liabilities of government bonds and notes in the Capital Works Reserve Fund are not included in the Statement of Assets and Liabilities of the Consolidated Account (Notes 7 and 10).
- (iii) Inter-fund transfers as set out in Note 14(i) are eliminated in full on consolidation.
- (iv) For the purposes of these financial statements, a contingent liability is defined as:
  - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
  - (b) a present obligation that arises from past events but is not recognised because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.
- (v) Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Foreign currency balances are translated into Hong Kong dollars at weighted average cost.

# Consolidated Account

## 3. Investments with the Exchange Fund

(i) These are investments and deposits held:

	2019 \$'000	2018 \$'000
<b>Investments</b> (Notes (ii) to (iv) below)		
General Revenue Account	722,863,996	635,923,961
Capital Works Reserve Fund	148,590,477	184,651,906
Capital Investment Fund	331,598	2,917,526
Civil Service Pension Reserve Fund	38,315,321	35,129,267
Disaster Relief Fund	24,123	16,417
Innovation and Technology Fund	25,938,662	6,795,328
Loan Fund	3,547,945	4,103,778
Lotteries Fund	23,876,379	23,241,799
Future Fund (Note (iii) below)		
General Revenue Account	4,800,000	4,800,000
Land Fund	219,729,659	219,729,659
	224,529,659	224,529,659
	1,188,018,160	1,117,309,641
<b>Deposits</b>		
General Revenue Account	5,264	16,786
Capital Works Reserve Fund	49,540	44,235
Loan Fund	1,769	1,476
Lotteries Fund	94	95
	56,667	62,592
	1,188,074,827	1,117,372,233

(ii) The investments represent the cost of investments together with the investment income received in the year being reported.

(iii) Pursuant to the directive of the Financial Secretary in the 2015-16 Budget, the Future Fund was established on 1 January 2016 with an initial endowment of \$219.73 billion from the balance of the Land Fund as a notional savings account within the fiscal reserves (Note 12). As from 1 July 2016, the Future Fund also includes a top-up allocation of \$4.8 billion from the General Revenue Account, representing about one-third of the actual consolidated surplus in 2015-16. The entire Future Fund balance is placed with the Exchange Fund for securing higher investment returns over a ten-year investment period in accordance with an arrangement entered into with the Hong Kong Monetary Authority in December 2015. Investment return on the Future Fund placement is determined annually based on a composite rate (6.1% and 9.6% for the calendar years 2018 and 2017 respectively) computed on a weighted average basis with reference to the agreed rate under the Investment Portfolio (Note (iv) below) and the annual rate of return linked with the performance of the Long-Term Growth Portfolio. The Future Fund, together with investment return not received and compounded on an annual basis, is retained within the Exchange Fund until 31 December 2025 or upon decision of the Financial Secretary for withdrawal, whichever is the earlier. Such accumulated investment return not received as revenue amounted to \$49.19 billion as at 31 December 2018 (2017: \$32.8 billion), including the investment return for the calendar year 2018 of \$16.39 billion (2017: \$22.73 billion).

# Consolidated Account

## 3. Investments with the Exchange Fund *(Continued)*

(iv) The part of the fiscal reserves outside the Future Fund (Note (iii) above) is referred to as Operating and Capital Reserves (Note 12). Investment income on the Operating and Capital Reserves placement with the Exchange Fund is calculated, in accordance with an arrangement entered into with the Hong Kong Monetary Authority in 2007, 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 government bond (replacing the three-year Exchange Fund Notes with effect from 1 January 2016) for the previous year subject to a minimum of zero percent, whichever is the higher. The rate of return for the calendar year 2018 was 4.6% (2017: 2.8%). The annual investment income is receivable on 31 December each year.

## 4. Deposits with Banks

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
General Revenue Account	<b>491,826</b>	532,753

## 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:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
General Revenue Account	<b>4,509,675</b>	4,226,983
Capital Works Reserve Fund	<b>2,084</b>	5,292
Capital Investment Fund	<b>1</b>	1
Innovation and Technology Fund	<b>303</b>	1,044
Loan Fund	<b>12,339</b>	12,489
Lotteries Fund	<b>-</b>	12,195
	<b>4,524,402</b>	4,258,004

## 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:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
General Revenue Account	<b>3,255,025</b>	2,901,276

# Consolidated Account

## 7. Assets

The following capital investments acquired and loans made are not included in the Statement of Assets and Liabilities (Note 2(ii)):

	<b>2019</b> <b>\$'000</b>	2018 \$'000
<b>Investments</b>		
Capital Investment Fund		
Equity holdings	<b>147,449,916</b>	138,381,137
Other investments	<b>565,183,137</b>	518,693,108
	<b>712,633,053</b>	657,074,245
<b>Loans Outstanding</b>		
Capital Investment Fund		
Loans to investees	<b>1,656,579</b>	2,085,028
Loan Fund		
Housing loans	<b>3,025,540</b>	3,030,699
Education loans	<b>17,910,590</b>	17,678,138
Other loans	<b>10,475,776</b>	8,639,340
	<b>33,068,485</b>	31,433,205
<b>Total</b>	<b>745,701,538</b>	688,507,450

## 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:

	<b>2019</b> <b>\$'000</b>	2018 \$'000
General Revenue Account	<b>23,419,273</b>	20,093,160
Capital Works Reserve Fund	<b>1,950,222</b>	1,947,802
Loan Fund	<b>27,186</b>	23,356
Lotteries Fund	<b>14,512</b>	10,895
	<b>25,411,193</b>	22,075,213

# Consolidated Account

## 9. Suspense Accounts

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Correctional Services Industries (Note (i) below)	<b>28,759</b>	28,627
Government Logistics Department — Unallocated Stores (Note (i) below)	<b>7,243</b>	7,837
The Special Coin (Note (ii) below)	<b>(88,477)</b>	(87,921)
The Financial Secretary Incorporated (Note (iii) below)	<b>51</b>	(3,950)
	<u><b>(52,424)</b></u>	<u>(55,407)</u>

- (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.

## 10. Liabilities

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Outstanding government bonds and notes (Note (i) below)	<b>1,500,000</b>	1,500,000

- (i) 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 dollars. The net proceeds were credited to the Capital Works Reserve Fund. The outstanding bonds and notes were notes denominated in Hong Kong dollars and were repaid at maturity in July 2019. During the financial year, there were payments of interest of \$77 million on the notes.

# Consolidated Account

## 11. Contingent Liabilities

As at 31 March 2019, the Government had the following contingent liabilities:

- (i) guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance amounting to \$37,289 million (2018: \$39,881 million);
- (ii) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to \$18,275 million (2018: \$19,763 million);
- (iii) legal claims, disputes and proceedings amounting to \$10,376 million (2018: \$10,826 million);
- (iv) guarantees provided under the SME Loan Guarantee Scheme amounting to \$4,104 million (2018: \$4,234 million);
- (v) guarantees provided under the Special Loan Guarantee Scheme amounting to \$449 million (2018: \$654 million);
- (vi) subscription to callable shares in the Asian Development Bank amounting to \$5,985 million (2018: \$6,265 million);
- (vii) subscription to callable shares in the Asian Infrastructure Investment Bank amounting to \$4,800 million (2018: \$4,800 million) with commitment approved; and
- (viii) guarantees provided under a commercial loan of the Hong Kong Science and Technology Parks Corporation amounting to \$1,866 million (2018: \$1,911 million).

## 12. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2019 \$'000	2018 \$'000
<b>Operating and Capital Reserves (Note 3(iv))</b>		
General Revenue Account	<b>707,654,089</b>	623,453,192
Capital Works Reserve Fund	<b>146,691,879</b>	182,753,631
Capital Investment Fund	<b>331,599</b>	2,917,527
Civil Service Pension Reserve Fund	<b>38,315,321</b>	35,129,267
Disaster Relief Fund	<b>24,123</b>	16,417
Innovation and Technology Fund	<b>25,938,965</b>	6,796,372
Loan Fund	<b>3,534,867</b>	4,094,387
Lotteries Fund	<b>23,861,961</b>	23,243,194
	<b>946,352,804</b>	878,403,987
<b>Future Fund (Note 3(iii))</b>		
General Revenue Account	<b>4,800,000</b>	4,800,000
Land Fund	<b>219,729,659</b>	219,729,659
	<b>224,529,659</b>	224,529,659
<b>Total</b>	<b>1,170,882,463</b>	1,102,933,646



# Consolidated Account

## 13. Commitments

Commitments comprise the outstanding balances of capital and non-recurrent funding approvals that may result in future cash outflows. The commitments were as follows:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Capital works	<b>387,161,071</b>	371,959,310
Land acquisition	<b>18,395,581</b>	5,649,880
Capital subventions	<b>41,006,592</b>	27,079,491
Plant, vehicles, systems and equipment	<b>29,200,917</b>	22,532,416
Non-recurrent expenditure	<b>68,522,334</b>	29,303,955
Investments (Note (i) below)	<b>17,920,446</b>	11,607,892
Loans and non-recurrent grants	<b>39,378,167</b>	29,859,204
	<b><u>601,585,108</u></b>	<u>497,992,148</u>

- (i) These included an approved commitment of \$4,800 million (2018: \$4,800 million) for the subscription to callable shares in the Asian Infrastructure Investment Bank (Note 11(vii)).

## 14. Revenue and Expenditure

- (i) Inter-fund transfers totalling \$102,600 million between the General Revenue Account and the eight Funds specified in Note 2(i) are eliminated in full on consolidation.

### (ii) Revenue

Revenue comprises operating revenue and capital revenue.

Operating revenue comprises all revenue items of the General Revenue Account (except certain items such as disposal proceeds of government quarters and other assets, estate duty, loan repayments received and recovery from Housing Authority, etc. which are classified as capital revenue) and all receipts of the Land Fund.

Capital revenue comprises all receipts of the other seven Funds and capital revenue items of the General Revenue Account.

### (iii) Expenditure

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 payments of the Capital Works Reserve Fund (excluding repayment of government bonds and notes), Capital Investment Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund and capital expenditure items of the General Revenue Account.

# Consolidated Account

## 15. Revenue

	2019		2018
	Original Estimate \$'000	Actual \$'000	Actual \$'000
<b>Operating revenue</b>			
Internal revenue	342,509,000	<b>341,407,638</b>	328,598,030
Duties	11,164,740	<b>10,635,632</b>	10,700,965
General rates	15,014,000	<b>17,166,545</b>	22,203,177
Motor vehicle taxes	8,910,747	<b>9,432,181</b>	8,594,290
Royalties and concessions	3,677,033	<b>3,500,655</b>	3,241,957
Other operating revenue	47,194,634	<b>44,522,596</b>	53,794,415
<b>Operating revenue before investment income</b>	428,470,154	<b>426,665,247</b>	427,132,834
<b>Investment income</b>			
Investments with the Exchange Fund (Note (i) below)	-	<b>27,605,127</b>	15,524,061
Others	-	<b>146,293</b>	101,468
	27,669,000	<b>27,751,420</b>	15,625,529
<b>Operating revenue after investment income</b>	456,139,154	<b>454,416,667</b>	442,758,363
<b>Capital revenue</b>			
Land premium	121,000,000	<b>116,860,601</b>	164,811,296
Asset sales	370,950	<b>280,870</b>	292,813
Other capital revenue	14,860,730	<b>15,625,426</b>	6,156,998
<b>Capital revenue before investment income</b>	136,231,680	<b>132,766,897</b>	171,261,107
<b>Investment income</b>			
Investments with the Exchange Fund (Note (i) below)	-	<b>12,586,613</b>	5,812,786
Others	-	<b>3,502</b>	4,159
	12,138,000	<b>12,590,115</b>	5,816,945
<b>Capital revenue after investment income</b>	148,369,680	<b>145,357,012</b>	177,078,052
<b>Total revenue</b>	604,508,834	<b>599,773,679</b>	619,836,415

- (i) Pursuant to the Financial Secretary's directives, the investment incomes for the calendar years 2014 and 2015 totalling \$72.64 billion (comprising \$27.49 billion for 2014 and \$45.15 billion for 2015) were set aside and retained within the Exchange Fund for the Housing Reserve, and not received in the respective financial years 2014-15 and 2015-16. The Housing Reserve was established in December 2014. As explained in the 2015-16 Budget Speech, the Housing Reserve is to provide financial resources to meet the ten-year public housing supply target. The investment income retained within the Exchange Fund earns the same rate of investment return as stipulated in Note 3(iv). As announced in the 2019-20 Budget Speech, the Housing Reserve will be brought back to the Government's accounts and recorded as investment income over four financial years from 2019-20 to 2022-23. The accumulated investment return not received was \$9.73 billion up to 31 December 2018 (2017: \$6.11 billion), including the investment return for the calendar year 2018 amounting to \$3.62 billion (2017: \$2.14 billion). Together with the accumulated investment return, the sums not received as revenue and earmarked as Housing Reserve totalled \$82.37 billion (2017: \$78.75 billion).

# Consolidated Account

## 16. Expenditure

	2019		2018
	Original Estimate \$'000	Actual \$'000	Actual \$'000
<b>Operating expenditure</b>			
Recurrent expenditure			
Personal emoluments	79,629,968	<b>79,263,647</b>	74,567,246
Personnel related expenses	46,676,290	<b>45,119,461</b>	41,854,983
Departmental expenses	36,645,451	<b>34,725,129</b>	31,365,347
Other charges	86,664,077	<b>83,294,955</b>	69,307,339
Subventions	156,778,147	<b>160,587,099</b>	144,716,969
Additional commitments	100,000	-	-
Total recurrent expenditure	406,493,933	<b>402,990,291</b>	361,811,884
Non-recurrent expenditure	30,836,596	<b>29,455,269</b>	9,084,961
Additional commitments	15,920,000	-	-
Total non-recurrent expenditure	46,756,596	<b>29,455,269</b>	9,084,961
<b>Operating expenditure</b>	453,250,529	<b>432,445,560</b>	370,896,845
<b>Capital expenditure</b>			
Capital expenditure other than interest and other expenses on government bonds and notes	116,311,513	<b>99,302,422</b>	99,889,386
Interest and other expenses on government bonds and notes	76,881	<b>76,880</b>	76,880
<b>Capital expenditure</b>	116,388,394	<b>99,379,302</b>	99,966,266
<b>Total expenditure</b>	569,638,923	<b>531,824,862</b>	470,863,111

# Consolidated Account

## 17. Surplus/(Deficit)

	2019		2018
	Original Estimate \$'000	Actual \$'000	Actual \$'000
<b>Operating Account</b>			
Operating revenue	456,139,154	<b>454,416,667</b>	442,758,363
Operating expenditure	(453,250,529)	<b>(432,445,560)</b>	(370,896,845)
<b>Operating surplus</b>	2,888,625	<b>21,971,107</b>	71,861,518
<b>Capital Account</b>			
Capital revenue	148,369,680	<b>145,357,012</b>	177,078,052
Capital expenditure	(116,388,394)	<b>(99,379,302)</b>	(99,966,266)
<b>Capital surplus</b>	31,981,286	<b>45,977,710</b>	77,111,786
<b>Surplus for the year before repayment of government bonds and notes</b>	34,869,911	<b>67,948,817</b>	148,973,304
Repayment of government bonds and notes	-	-	-
<b>Surplus for the year after repayment of government bonds and notes</b>	34,869,911	<b>67,948,817</b>	148,973,304

## 18. Other Cash Movements

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

	2019 \$'000	2018 \$'000
<b>(Increase)/Reduction in Assets</b>		
Investments with the Exchange Fund	<b>(70,702,594)</b>	(152,635,920)
Deposits with banks	<b>40,927</b>	9,560
Advances	<b>(353,749)</b>	95,356
	<b>(71,015,416)</b>	(152,531,004)
<b>Increase/(Reduction) in Liabilities</b>		
Deposits	<b>3,335,980</b>	3,453,010
Suspense Accounts	<b>(2,983)</b>	5,002
	<b>3,332,997</b>	3,458,012
	<b>(67,682,419)</b>	(149,072,992)

# Consolidated Account

Consolidated Revenue, Expenditure plus Repayment of Government Bonds and Notes, and Fund Balance for the years ended 31 March 2010 to 2019

