

# Consolidated Account

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
Investments with the Exchange Fund	3	926,195,118	1,177,675,657
Other investments	4	19,500,000	-
Deposits with banks	5	588,729	549,788
Cash and bank balances	6	2,982,716	3,220,441
Advances	7	4,083,163	4,668,832
Suspense Accounts	8	48,900	122,368
	9	953,398,626	1,186,237,086
<b>Liabilities</b>			
Deposits	10	(25,563,074)	(25,859,839)
Suspense Accounts	8	(68,591)	(69,476)
	11	(25,631,665)	(25,929,315)
		<u>927,766,961</u>	<u>1,160,307,771</u>
<b>Representing:</b>			
<b>Consolidated Fund Balance</b>			
Balance at beginning of year		1,160,307,771	1,170,882,463
Deficit for the year		(232,540,810)	(10,574,692)
Balance at end of year	12, 13, 14	<u>927,766,961</u>	<u>1,160,307,771</u>

Notes 1 to 19 form part of these financial statements.

**Charlix WONG**  
Director of Accounting Services  
19 July 2021



# Consolidated Account

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
<b>Cash and bank balances at beginning of year</b>		<b>3,220,441</b>	4,524,402
Revenue	15, 16	564,230,095	590,926,861
Expenditure	15, 17	(816,074,491)	(607,830,281)
<b>Deficit for the year before issuance and repayment of government bonds and notes</b>	18	<b>(251,844,396)</b>	(16,903,420)
Net proceeds from issuance of Green Bonds		19,303,586	7,828,728
Repayment of government bonds and notes		-	(1,500,000)
<b>Deficit for the year after issuance and repayment of government bonds and notes</b>	18	<b>(232,540,810)</b>	(10,574,692)
<b>Other cash movements</b>	19	<b>232,303,085</b>	9,270,731
<b>Cash and bank balances at end of year</b>		<b>2,982,716</b>	3,220,441

Notes 1 to 19 form part of these financial statements.

**Charlix WONG**  
Director of Accounting Services  
19 July 2021



# 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 9 and 11).
- (iii) Inter-fund transfers as set out in Note 15(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:

	2021 \$'000	2020 \$'000
<b>Investments</b> (Notes (ii) to (iv) below)		
General Revenue Account	476,179,710	678,804,149
Capital Works Reserve Fund	132,176,088	178,605,411
Capital Investment Fund	21,793,114	3,360,002
Civil Service Pension Reserve Fund	42,769,902	39,426,465
Disaster Relief Fund	27,480	36,331
Innovation and Technology Fund	23,002,186	24,833,070
Loan Fund	4,355,881	4,662,805
Lotteries Fund	20,841,571	23,360,243
Future Fund (Note (iii) below)		
General Revenue Account	4,800,000	4,800,000
Land Fund	200,190,794	219,729,659
	204,990,794	224,529,659
	926,136,726	1,177,618,135
<b>Deposits</b>		
General Revenue Account	5,044	7,497
Capital Works Reserve Fund	50,000	47,899
Loan Fund	3,248	2,030
Lotteries Fund	100	96
	58,392	57,522
	926,195,118	1,177,675,657

(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 13). 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 Future Fund balance (other than the part mentioned in Note 4) 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 with the Exchange Fund is determined annually based on a composite rate (12.3% and 8.7% for the calendar years 2020 and 2019 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 \$110.69 billion as at 31 December 2020 (2019: \$73.54 billion), including the investment return for the calendar year 2020 of \$37.15 billion (2019: \$24.35 billion). As announced in the 2021-22 Budget Speech, the accumulated investment return on the Future Fund would be brought back to the Government's accounts and recorded as investment income on a progressive basis starting from 2021-22.

# 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 13). 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 2020 was 3.7% (2019: 2.9%). The annual investment income is receivable on 31 December each year.

## 4. Other Investments

In June 2020, in a bid to uphold Hong Kong's status as an international aviation hub, the Financial Secretary exercised his authority under a resolution made under the Public Finance Ordinance (Cap. 2) to allocate \$27.3 billion of the Land Fund (via the Future Fund) to invest in Cathay Pacific Airways Limited. On 12 August 2020, \$19.5 billion was drawn from the assets of the Land Fund placed with the Exchange Fund for the investment in Cathay Pacific Airways Limited. The investment would remain as a part of the Future Fund (Note 3(iii)). The investment is held by Aviation 2020 Limited, a dedicated company wholly-owned by the Financial Secretary Incorporated as established under the Financial Secretary Incorporation Ordinance (Cap. 1015).

	2021 \$'000	2020 \$'000
Aviation 2020 Limited	<u>19,500,000</u>	<u>-</u>

(i) The investment represents the cost of investment.

(ii) The investment represents \$19.5 billion of preference shares with detachable warrants of Cathay Pacific Airways Limited.

## 5. Deposits with Banks

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

	2021 \$'000	2020 \$'000
General Revenue Account	<u>588,729</u>	<u>549,788</u>

# Consolidated Account

## 6. 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:

	2021 \$'000	2020 \$'000
General Revenue Account	2,972,862	3,206,426
Capital Works Reserve Fund	6,945	1,713
Capital Investment Fund	1	1
Innovation and Technology Fund	706	1
Loan Fund	2,201	12,300
Lotteries Fund	1	-
	<u>2,982,716</u>	<u>3,220,441</u>

## 7. 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:

	2021 \$'000	2020 \$'000
General Revenue Account	<u>4,083,163</u>	<u>4,668,832</u>

## 8. Suspense Accounts

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

	2021 \$'000	2020 \$'000
<b>Assets :</b>		
Correctional Services Industries (Note (i) below)	43,188	26,857
Government Logistics Department — Unallocated Stores (Note (i) below)	5,188	95,432
The Financial Secretary Incorporated (Note (ii) below)	524	79
	<u>48,900</u>	<u>122,368</u>
<b>Liabilities :</b>		
The Special Coin (Note (iii) below)	(68,591)	(69,476)
Net balance	<u>(19,691)</u>	<u>52,892</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 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.
- (iii) 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.

# Consolidated Account

## 9. Assets

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

	2021 \$'000	2020 \$'000
<b>Investments</b>		
Capital Investment Fund		
Equity holdings	153,970,874	151,377,132
Other investments	626,292,408	588,512,179
	<b>780,263,282</b>	739,889,311
<b>Loans Outstanding</b>		
Capital Investment Fund		
Loans to investees	1,467,386	1,557,376
Loan Fund		
Housing loans	3,743,230	3,420,503
Education loans	19,795,981	17,949,149
Other loans	10,597,269	10,516,414
	<b>35,603,866</b>	33,443,442
<b>Total</b>	<b>815,867,148</b>	<b>773,332,753</b>

## 10. 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:

	2021 \$'000	2020 \$'000
General Revenue Account	23,881,280	23,985,718
Capital Works Reserve Fund	1,548,476	1,821,668
Loan Fund	105,876	32,194
Lotteries Fund	27,442	20,259
	<b>25,563,074</b>	<b>25,859,839</b>

# Consolidated Account

## 11. Liabilities

Following a resolution passed under section 3(1) of the Loans Ordinance (Cap. 61), the Government issued Green Bonds of US\$1 billion and US\$2.5 billion under the Government Green Bond Programme in May 2019 and February 2021 respectively for the Capital Works Reserve Fund to provide funding for green public works projects of the Government. The following outstanding liabilities under the Loans Ordinance are not included in the Statement of Assets and Liabilities (Note 2(ii)):

	2021 \$'000	2020 \$'000
Green Bonds (Notes (i) and (ii) below)	<u>27,216,000</u>	<u>7,754,000</u>

- (i) The Green Bonds denominated in United States dollars will mature between May 2024 and February 2051. During the financial year, payments of interest on the Green Bonds amounted to \$194 million (2020: \$98 million) and there was no repayment of principal (2020: Nil).
- (ii) The outstanding Green Bonds are translated into Hong Kong dollars at the exchange rate ruling at the reporting date.

## 12. Contingent Liabilities

As at 31 March 2021, the Government had the following contingent liabilities:

- (i) guarantees provided under the SME Financing Guarantee Scheme — 100% Guarantee Product amounting to \$45,413 million (2020: Nil);
- (ii) guarantee to the Hong Kong Export Credit Insurance Corporation for liabilities under contracts of insurance amounting to \$37,468 million (2020: \$36,726 million);
- (iii) guarantees provided under the SME Financing Guarantee Scheme — Special Concessionary Measures amounting to \$27,546 million (2020: \$24,018 million);
- (iv) legal claims, disputes and proceedings amounting to \$6,346 million (2020: \$7,461 million);
- (v) guarantees provided under the SME Financing Guarantee Scheme — 90% Guarantee Product amounting to \$5,312 million (2020: \$817 million);
- (vi) guarantees provided under the SME Loan Guarantee Scheme amounting to \$3,141 million (2020: \$3,877 million);
- (vii) guarantees provided under the Special Loan Guarantee Scheme amounting to \$230 million (2020: \$329 million);
- (viii) subscription to callable shares in the Asian Development Bank amounting to \$6,054 million (2020: \$5,833 million);
- (ix) subscription to callable shares in the Asian Infrastructure Investment Bank amounting to \$4,800 million (2020: \$4,800 million) with commitment approved; and
- (x) guarantees provided under a commercial loan of the Hong Kong Science and Technology Parks Corporation amounting to \$947 million (2020: \$975 million).



# Consolidated Account

## 13. Consolidated Fund Balance

The consolidated fund balance comprises the following individual fund balances:

	2021 \$'000	2020 \$'000
<b>Operating and Capital Reserves (Note 3(iv))</b>		
General Revenue Account	459,928,537	663,303,866
Capital Works Reserve Fund	130,684,557	176,833,355
Capital Investment Fund	21,793,115	3,360,003
Civil Service Pension Reserve Fund	42,769,902	39,426,465
Disaster Relief Fund	27,480	36,331
Innovation and Technology Fund	23,002,892	24,833,071
Loan Fund	4,255,454	4,644,941
Lotteries Fund	20,814,230	23,340,080
	<b>703,276,167</b>	<b>935,778,112</b>
<b>Future Fund (Notes 3(iii) and 4)</b>		
General Revenue Account	4,800,000	4,800,000
Land Fund	219,690,794	219,729,659
	<b>224,490,794</b>	<b>224,529,659</b>
<b>Total</b>	<b>927,766,961</b>	<b>1,160,307,771</b>

## 14. 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:

	2021 \$'000	2020 \$'000
Capital works	555,198,307	445,002,457
Land acquisition	20,833,140	20,938,801
Capital subventions	52,838,479	36,710,223
Plant, vehicles, systems and equipment	33,452,756	30,122,461
Non-recurrent expenditure	120,361,952	77,021,523
Investments (Note (i) below)	39,332,395	13,991,137
Loans and non-recurrent grants	44,272,281	42,925,096
	<b>866,289,310</b>	<b>666,711,698</b>

- (i) These included an approved commitment of \$4,800 million (2020: \$4,800 million) for the subscription to callable shares in the Asian Infrastructure Investment Bank (Note 12(ix)).

# Consolidated Account

## 15. Revenue and Expenditure

(i) Inter-fund transfers totalling \$109,477 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 the Hong Kong Housing Authority, etc. which are classified as capital revenue) and all receipts of the Land Fund.

Capital revenue comprises all receipts of the Capital Works Reserve Fund (excluding net proceeds from issuance of Green Bonds), Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund 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

## 16. Revenue

	2021		2020
	Original Estimate \$'000	Actual \$'000	Actual \$'000
<b>Operating revenue</b>			
Internal revenue	301,779,000	<b>330,840,101</b>	305,675,921
Duties	10,927,249	<b>11,851,956</b>	11,390,578
General rates	19,483,000	<b>19,043,683</b>	20,980,582
Motor vehicle taxes	7,382,000	<b>6,594,409</b>	7,218,830
Royalties and concessions	3,567,376	<b>3,529,402</b>	3,202,674
Other operating revenue	45,730,910	<b>45,596,878</b>	45,233,430
<b>Operating revenue before investment income</b>	<b>388,869,535</b>	<b>417,456,429</b>	<b>393,702,015</b>
<b>Investment income</b>			
Investments with the Exchange Fund (Note (i) below)	-	<b>41,689,275</b>	39,954,835
Others	-	<b>159,324</b>	197,550
	45,862,000	<b>41,848,599</b>	40,152,385
<b>Operating revenue after investment income</b>	<b>434,731,535</b>	<b>459,305,028</b>	<b>433,854,400</b>
<b>Capital revenue</b>			
Land premium	118,000,000	<b>88,713,035</b>	141,727,771
Other capital revenue	8,675,275	<b>5,634,214</b>	7,098,319
<b>Capital revenue before investment income</b>	<b>126,675,275</b>	<b>94,347,249</b>	<b>148,826,090</b>
<b>Investment income</b>			
Investments with the Exchange Fund (Note (i) below)	-	<b>10,571,184</b>	8,241,975
Others	-	<b>6,634</b>	4,396
	11,131,000	<b>10,577,818</b>	8,246,371
<b>Capital revenue after investment income</b>	<b>137,806,275</b>	<b>104,925,067</b>	<b>157,072,461</b>
<b>Total revenue</b>	<b>572,537,810</b>	<b>564,230,095</b>	<b>590,926,861</b>

- (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). The accumulated investment return was \$14.48 billion up to 31 December 2020 (2019: \$12.12 billion), including the investment return for the calendar year 2020 amounting to \$2.36 billion (2019: \$2.39 billion). As announced in the 2019-20 Budget Speech, the Housing Reserve would be brought back to the Government's accounts and recorded as investment income over four financial years from 2019-20 to 2022-23. At the same time, \$82.37 billion (the balance of the Housing Reserve as at 31 December 2018) was earmarked for public housing development.

# Consolidated Account

## 16. Revenue (Continued)

During the financial year 2020-21, \$21.98 billion (2020: \$21.19 billion) was brought back from the Housing Reserve to the General Revenue Account and recorded as investment income. As at 31 March 2021, the investment incomes and the accumulated investment return (i.e. up to calendar year 2020) not received and recorded by the Consolidated Account and retained for the Housing Reserve totalled \$43.95 billion (2020: \$63.57 billion).

## 17. Expenditure

	2021		2020
	Original Estimate \$'000	Actual \$'000	Actual \$'000
<b>Operating expenditure</b>			
Recurrent expenditure			
Personal emoluments	92,065,579	<b>87,617,321</b>	87,489,582
Personnel related expenses	53,811,150	<b>52,862,712</b>	48,059,802
Departmental expenses	48,952,864	<b>45,154,691</b>	40,818,114
Other charges	103,037,564	<b>93,082,523</b>	84,431,796
Subventions	188,177,943	<b>188,376,441</b>	177,960,352
Additional commitments	550,000	-	-
Total recurrent expenditure	486,595,100	<b>467,093,688</b>	438,759,646
Non-recurrent expenditure	103,863,449	<b>251,949,832</b>	84,451,733
Additional commitments	27,241,000	-	-
Total non-recurrent expenditure	131,104,449	<b>251,949,832</b>	84,451,733
<b>Operating expenditure</b>	<b>617,699,549</b>	<b>719,043,520</b>	523,211,379
<b>Capital expenditure</b>			
Capital expenditure other than interest and other expenses on government bonds and notes	112,938,535	<b>96,836,937</b>	84,475,894
Interest and other expenses on government bonds and notes	456,955	<b>194,034</b>	143,008
<b>Capital expenditure</b>	<b>113,395,490</b>	<b>97,030,971</b>	84,618,902
<b>Total expenditure</b>	<b>731,095,039</b>	<b>816,074,491</b>	607,830,281

# Consolidated Account

## 18. Surplus/(Deficit)

	2021		2020
	Original Estimate \$'000	Actual \$'000	Actual \$'000
<b>Operating Account</b>			
Operating revenue	434,731,535	<b>459,305,028</b>	433,854,400
Operating expenditure	(617,699,549)	<b>(719,043,520)</b>	(523,211,379)
<b>Operating deficit</b>	(182,968,014)	<b>(259,738,492)</b>	(89,356,979)
<b>Capital Account</b>			
Capital revenue	137,806,275	<b>104,925,067</b>	157,072,461
Capital expenditure	(113,395,490)	<b>(97,030,971)</b>	(84,618,902)
<b>Capital surplus</b>	24,410,785	<b>7,894,096</b>	72,453,559
<b>Deficit for the year before issuance and repayment of government bonds and notes</b>	(158,557,229)	<b>(251,844,396)</b>	(16,903,420)
Net proceeds from issuance of Green Bonds	19,500,000	<b>19,303,586</b>	7,828,728
Repayment of government bonds and notes	-	-	(1,500,000)
<b>Deficit for the year after issuance and repayment of government bonds and notes</b>	(139,057,229)	<b>(232,540,810)</b>	(10,574,692)

## 19. Other Cash Movements

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

	2021 \$'000	2020 \$'000
<b>Reduction/(Increase) in Assets</b>		
Investments with the Exchange Fund	<b>251,480,539</b>	10,399,170
Other investments	<b>(19,500,000)</b>	-
Deposits with banks	<b>(38,941)</b>	(57,962)
Advances	<b>585,669</b>	(1,413,807)
Suspense Accounts	<b>73,468</b>	(86,315)
	<b>232,600,735</b>	8,841,086
<b>(Reduction)/Increase in Liabilities</b>		
Deposits	<b>(296,765)</b>	448,646
Suspense Accounts	<b>(885)</b>	(19,001)
	<b>(297,650)</b>	429,645
	<b>232,303,085</b>	9,270,731

# Consolidated Account

**Consolidated Revenue (including Net Proceeds from Issuance of Green Bonds), Expenditure (including Repayment of Government Bonds and Notes) and Fund Balance for the years ended 31 March 2012 to 2021**

