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4 November 2000

Ms Leung Siu-kum
Clerk to Financial Affairs Panel
Legislative Council Secretariat
Legislative Council Building,
8 Jackson Road,
Central, Hong Kong.

Dear Ms Leung,

LegCo Panel on Financial Affairs

Follow-up to meeting on 19 October 2000

Thank you for your letter of 23 October.

At the briefing on 19 October, the Hon. Ng Leung-sing asked for further information on the return on fiscal reserves. This is provided below:-

- (a) The estimated return on investment for 1999-2000 was \$22 billion. The actual return was \$41 billion, exceeding the original estimate by \$19 billion.
- (b) The assets of the Land Fund were merged with the Exchange Fund in November 1998. The revaluation gain from the Hong Kong equities held by the Exchange Fund in 1999-2000 refers to the gain of the entire Exchange Fund combining with the Land Fund.

- (c) Under the Exchange Fund's accounting policy, investments in Hong Kong equities (the Hong Kong Equities Portfolio or HKEP) are valued at fair market value on the balance sheet date, giving rise to revaluation gains or losses for the year. For 1999, since most of the shares in the HKEP held at the year-end had been held since the end of 1998, the net revaluation gain represented primarily the appreciation of the prices of most of these shares during the year.

The Hon. Chan Kam-lam asked for information relating to the 95 under-utilized Government/Institution/Community sites identified for redevelopment or alternative uses. A list of these sites is attached.

I should be grateful if you would pass the information to the relevant Members.

Yours sincerely,

(Miss Denise Yue)
Secretary for the Treasury