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16 May 2002

Ms Anita Sit  
Clerk to Panel  
LegCo Panel on Financial Affairs  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Anita,

**LegCo Panel on Financial Affairs**  
**Investment incomes of the Government**

I refer to your letter of 11 April 2002 and provide at **Annex A** information on other various sources of investment incomes of the Government. Details are as follows -

- (a) Section I of Annex A shows the ongoing investment items (including Government's shareholding in public and private companies) of the Government as at end-March 2001. These investment items are reproduced from the Statement of Investments under the Capital Investment Fund (CIF) of the Annual Accounts of the Government. For details of these investment items, you may wish to look up page 342 of the Accounts of the Government for the year ended 31 March 2001. Section II of Annex A shows the investment items disposed of during the past five years (between 1996 and 2001). These items were the Sewage Services Trading Fund in 1998-99 and the Hong Kong IPM Manpower International Ltd. in 1999-2000.
- (b) Incomes generated from the investment items shown in Annex A are all in the form of dividends.
- (c) Dividends received over the years 1996-97 to 2000-01 from the investments mentioned in (a) above amounted to \$1,269 million in

1996-97, \$3,043 million in 1997-98, \$3,281 million in 1998-99, \$850 million in 1999-2000 and \$1,181 million in 2000-01, and are set out in detail in Section I of Annex A. Amounts of investment written off in respect of the two investment items disposed of as highlighted in Section II of Annex A are shown in the footnotes therein.

- (d) Dividends from Airport Authority, Hong Kong Science and Technology Parks Corporation, Kowloon-Canton Railway Corporation and MTR Corporation Limited are credited into the General Revenue Account (GRA) in accordance with the Airport Authority Ordinance, the Hong Kong Science and Technology Parks Corporation Ordinance, the Kowloon-Canton Railway Corporation Ordinance and the Mass Transit Railway Ordinance respectively, which provide that dividends paid to the Government shall become part of the general revenue. These moneys are managed in accordance with the provisions concerning general revenue as set out in the Public Finance Ordinance (Cap 2). Dividends from other investment items in Annex A are credited into the CIF. These moneys are managed as part of the moneys of the CIF in accordance with the provisions in the LegCo Resolution establishing the CIF.

I would also like to advise that the investment return to the fiscal reserves for the period from 1991-92 to 2001-02 shown on page 41 of your research report "Practices of Overseas Jurisdictions in Building up or Maintaining their Fiscal Reserves" only covers the portion classified as operating revenue. I have provided at **Annex B** showing the total investment income, including the capital portion, on the fiscal reserves for your reference.

Yours sincerely,

(Miss Denise Yue)  
Secretary for the Treasury

Encls.

c.c. Hon Ambrose Lau Hon-chuen, GBS, JP  
(Chairman of the LegCo Panel on Financial Affairs)

## List of Investment Items

Investment Items	Investment Income				
	1996-97 \$'000	1997-98 \$'000	1998-99 \$'000	1999-2000 \$'000	2000-01 \$'000
<b>I. Ongoing Investment Items</b>					
<i>Equity Holdings</i>					
1. Airport Authority	-	-	-	-	-
2. Asian Development Bank	-	-	-	-	-
3. Hong Kong Industrial Technology Centre Corporation (became the Hong Kong Science and Technology Parks Corporation as from 7 May 2001)	-	-	-	-	-
4. Hongkong International Theme Parks Ltd.	-	-	-	-	-
5. Kowloon-Canton Railway Corporation	-	300,000	-	-	-
6. MTR Corporation Ltd. (known as Mass Transit Railway Corporation before 2000-01)	-	647,000	1,252,000	-	-
7. New Hong Kong Tunnel Company Ltd.	6,750	6,244	18,113	2,250	16,031
8. The Applied Research Council	-	-	-	-	-
9. Tradelink Electronic Commerce Ltd.	-	-	-	-	-
<i>Other Capital Investments</i>					
10. Hong Kong Housing Authority	1,151,101	1,418,106	1,228,421	659,957	980,854
11. Hong Kong Export Credit Insurance	-	-	-	-	-
12. Companies Registry Trading Fund	2,972	20,142	16,923	21,786	14,880
13. Electrical and Mechanical Services Trading	-	44,735	78,462	98,287	100,815
14. Land Registry Trading Fund	13,873	39,430	56,010	18,899	28,714
15. Office of the Telecommunications Authority Trading Fund	26,658	27,115	35,402	30,512	30,474
16. Post Office Trading Fund	67,576	539,964	595,178	17,904	8,834
<b>II. Investment Items Already Disposed of</b>					
1. Hong Kong IPM Manpower International Ltd. (Note)	-	-	-	-	-
2. Sewage Services Trading Fund (Note)	-	-	-	-	-
<b>Total Investment Income</b>	<b>1,268,930</b>	<b>3,042,736</b>	<b>3,280,509</b>	<b>849,595</b>	<b>1,180,602</b>

Note : The costs of investment written off in respect of the investment items disposed of are -

- (i) Hong Kong IPM Manpower International Ltd (disposed of in 1999-2000) : \$1.5 million
- (ii) Sewage Services Trading Fund (disposed of in 1998-99) : \$5,191 million

### Investment Return to the Fiscal Reserves

Year	Investment Return to Fiscal Reserves		
	Operating (Note) \$ billion	Capital (Note) \$ billion	Total \$ billion
1991-92	3.0	1.1	4.1
1992-93	1.8	0.7	2.5
1993-94	3.4	1.2	4.6
1994-95	4.9	1.7	6.6
1995-96	5.9	2.4	8.3
1996-97	5.6	2.4	8.0
1997-98	15.0	2.9	17.9
1998-99	31.6	7.7	39.3
1999-2000	36.8	5.1	41.9
2000-01	19.5	4.0	23.5
2001-02 (revised estimate)	0.2	0.4	0.6

Note : Investment income is classified into operating revenue and capital revenue as per the definition set out in the Medium Range Forecast. The relevant figures can be found from the Annual Accounts of the Government and the printed Estimates under the following Account/Funds -

- (a) Operating revenue - the investment earnings of the balance of the General Revenue Account (which is credited to revenue head Properties and Investments) and the investment earnings of the Land Fund
- (b) Capital revenue - the investment earnings of the balances of the Funds other than the Land Fund