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

Dear Ms Sit,

**LegCo Panel on Financial Affairs**  
**Follow-up to meeting on 5 November 2001**

Thank you for your letter to Secretary for Financial Services dated 12 November 2001. I set out below the information as requested in Appendix II of the letter.

1. In July 2001 in view of the concerns expressed by some Members of the Legislative Council, the Financial Secretary as Controller of the Exchange Fund took further advice from the Department of Justice on at Two International Finance Centre for use as permanent office accommodation for the Hong Kong Monetary Authority.

The Department of Justice advised that provided the Chief Executive, having considered all relevant circumstances, concluded that the proposed purchase was necessary for the due performance of the duties laid upon the Financial Secretary and the operation of the Fund, and approved the expenditure, then the expenditure should be charged to the Fund under section 6(b) of the Exchange Fund Ordinance.

On the basis of the advice and for the avoidance of doubt, the Chief Executive, having considered the specific accommodation needs of the HKMA and the suitability of the proposed property to meet these needs, took the view that the purchase of the premises was incidental expenditure which was necessary for the due performance of the duties laid upon the Financial Secretary (which include those of the HKMA) in connection with the operation of the Fund under section 6(b) of the Exchange Fund Ordinance.

- 2(a) As in the case of other major initiatives, the Government took into account community sentiment, and community interest, before making the decision to complete the purchase agreement for the purchase of permanent office accommodation for the HKMA. The Government also took into account the cost effectiveness of purchasing against renting, and thus cost savings to the Exchange Fund, over the long run. Financial projections indicate that, over the long run, the savings in rent will outweigh the cost of purchase.
- (b) It is not a requirement for the Director of Lands to assess the value of the office premises in question in giving consent under the Memorandum of Agreement for the Agreement for Sale and Purchase to proceed. Nevertheless, before the acquisition proceeded, advice was sought from the Government Property Agency (GPA) on the value of the premises. The actual purchase price of the premises was lower than the market value assessed by the GPA.
- (c) The permanent office accommodation has been purchased in the name The Financial Secretary Incorporated for the account of the Exchange Fund. The property is shown as an asset on the books of the Exchange Fund.

- (d) The control and management of the office premises is vested in the Financial Secretary Incorporated. The HKMA will be responsible for the use and management of the new premises in like manner as the HKMA uses and manages the present leased premises.
  
- (e) The details of the expenditure for fitting out of the office accommodation in question will be worked out at a later stage. It is HKMA's intention to move all of its existing furniture and equipment that are still serviceable to the new office. The fitting out expenditure will mainly involve ensuring that the premises have the basic furnishings, facilities, and technical equipment to enable HKMA to carry out its operations. The expenditure involved is chargeable to the Exchange Fund as it is necessary for the due performance of the duties laid down upon the Financial Secretary and the Exchange Fund Advisory Committee in connection with the Fund.

(Stanley W.H. Wong)  
for Secretary for Financial Services)