

Legislative Council Panel on Housing

Financial Position of the Hong Kong Housing Authority (HA)

Purpose

This paper informs Members of the financial position of the HA.

Background

2. The HA was established in April 1973 under the Housing Ordinance (HO) (Cap. 283). It is required under S.4(1) of HO to secure the provision of housing as it thinks fit for such kinds or classes of persons as it may determine. In the past, the sale of Home Ownership Scheme (HOS) flats had generated sufficient income for the HA to meet its capital expenditure on the production of public rental housing flats.

3. Under S.14(4) and S.15(2) of HO, the HA shall lay a copy of its annual report and audited financial statements on the table of the Legislative Council not later than 31 December next following the end of the financial year or before such later date as the Chief Executive may allow.

Financial Position

4. As shown in the latest audited statements for the year ended 31 March 2004, the HA's Rental Housing operations and Home Ownership Assistance operations incurred deficits of \$85 million and \$1,402 million respectively, whilst its Commercial operations generated a surplus of \$1,207 million. After taking into account special items, Funds Management Account surplus and appropriations to the Government, the HA recorded a consolidated operating deficit of \$922 million for the year ended 31 March 2004. In addition the HA incurred about \$7 billion of construction expenditure which was not included under the operating account. In the absence of HOS sales income, the cash balance of the HA dropped from \$27.6 billion as at 31 March 2003 to \$17.3 billion as at 31 March 2004. The cash position was further reduced by \$2.6 billion with a balance of \$14.7 billion as at 30 September 2004.

5. To provide Members with more information on the HA's financial position, a copy of the HA's financial statements for the year ended 31 March 2004 is attached at Annex 1 and the cash balances since 31 March 2002 are set out below:

Cash balance as at	\$Billion
31 March 2002	32.6
31 March 2003	27.6
31 March 2004	17.3
30 September 2004	14.7

Housing Department
December 2004