

For discussion at the meeting of  
the Housing Authority on 18 March 2004.

Extract from HA Paper No. 15/2004

Housing Authority's Revised Budgets 2003/04  
Proposed Budgets 2004/05  
and  
Financial Forecasts 2005/06 to 2007/08

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### FINANCIAL FORECASTS 2005/06 TO 2007/08

34. The financial forecasts for 2005/06 to 2007/08 as set out at Section II of the Budgets and Forecasts Proposal are summarised below for Members' information only.

Table 8 – Summary of Operating Results and Cash Position (\$M)						
	Rental Housing	Commercial	Home Ownership Assistance	Consolidated Operating Surplus / (Deficit) (Note a)	Cash Balance	Adjusted Cash Balance (Note b)
2003/04 (Revised Budget)	(598)	980	(1,086)	(1,090)	13,532	13,532
2004/05 (Proposed Budget)	(255)	1,212	(992)	129	17,012	18,955
2005/06 (Forecast)	(202)	1	(1,043)	(1,275)	13,010	14,985
2006/07 (Forecast)	(336)	13	(1,439)	(1,789)	8,469	10,476
2007/08 (Forecast)	(305)	33	(1,143)	(1,462)	12,815	14,854

**Note:**

- (a) Including exceptional items such as special write-off for Tiu Keng Leng Development, adjustment for clearance and demolition cost incurred by HA, reimbursement from Urban Renewal Authority, net compensation from Government for surrender of site, divestment related expenditure, management and related maintenance expenses for surplus HOS flats, and gain on disposal of retail and carparking facilities upon divestment in 2004/05.
- (b) Excluding the \$1.9B guarantee payment for the Hunghom Peninsula project and subsequent withholding costs for the purchased PSPS flats.

35. It should be emphasised that the forecasts for 2005/06 to 2007/08 are indicative only, as external factors can have a rapid and dramatic impact on the forecast balances, in particular the outcome of the rent level review and the timing for successful divestment of retail and carparking facilities. Assuming a rental reduction of around 30% as publicly demanded by some tenants, the financial implication is estimated at around \$3 billion loss in rental income in the first year of implementation. In view of a general reducing trend projected for the cash balance though after taking into account of estimated proceeds of \$23B from divestment (70% and 30% by end of 2004/05 and 2007/08 respectively) of the retail and carparking facilities, the Authority is actively pursuing a number of initiatives to ensure a steady and smooth availability of funds to meet the Authority's programmes and operations in the medium and longer term. These include a comprehensive review of the financial arrangements between the Government and the Authority, arrangements to dispose the surplus HOS/PSPS flats, as well as short term external financing, which will have major implications on the sustainability of the Authority.

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