

**Exchange Fund Abridged Balance Sheet
as at 31 October 2006
(Expressed in millions of Hong Kong dollars)**

| | Notes | 31 October 2006 | 30 September 2006 |
|---|---------|-------------------------|-------------------------|
| ASSETS | | | |
| Foreign currency assets | 1 | 1,040,664 | 1,029,720 |
| Hong Kong dollar assets | 2 | <u>122,065</u> | <u>114,464</u> |
| Total Assets | | <u><u>1,162,729</u></u> | <u><u>1,144,184</u></u> |
| LIABILITIES AND FUND EQUITY | | | |
| Certificates of Indebtedness | 3, 7 | 152,209 | 153,842 |
| Government-issued currency notes and coins in circulation | 3, 5, 7 | 6,795 | 6,796 |
| Balance of the banking system | 3 | 1,352 | 1,304 |
| Exchange Fund Bills and Notes | 3, 6 | 129,130 | 129,302 |
| Placements by banks and other financial institutions | | 41,675 | 41,122 |
| Placements by other Hong Kong Special Administrative Region government funds | | 291,777 | 292,449 |
| Placements by Hong Kong statutory bodies | | 63 | 7 |
| Other liabilities | 4 | <u>46,743</u> | <u>35,115</u> |
| Total Liabilities | | <u>669,744</u> | <u>659,937</u> |
| Accumulated surplus | | <u>492,985</u> | <u>484,247</u> |
| Total Liabilities and Fund Equity | | <u><u>1,162,729</u></u> | <u><u>1,144,184</u></u> |

Notes:

1. These include US dollar assets for backing the Monetary Base, which amounted to HK\$325,975 million at the end of October 2006 and HK\$326,399 million at the end of September 2006.
2. These include lending collateralised by Exchange Fund paper under the Discount Window. There were no such lending at the end of October 2006 and at the end of September 2006.
3. A component of the Monetary Base.
4. These include interest payable on Exchange Fund paper and accounts payable under Currency Board operations.
5. Commencing September 2002, ten dollar currency notes issued by the Government are included in this item.
6. In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation Exchange Fund Bills and Notes held as assets of the Exchange Fund are applied to offset the corresponding liabilities. Exchange Fund Bills and Notes thus extinguished amounted to HK\$4,125 million at the end of October 2006 (HK\$1,163 million at the end of September 2006). As a result, the Exchange Fund Bills and Notes on the Abridged Balance Sheet are smaller by this amount compared with those on the Currency Board Account.
7. In accordance with accounting principles generally accepted in Hong Kong, for the purpose of balance sheet presentation Certificates of Indebtedness and Government-issued currency notes and coins in circulation are stated at cost, which is the Hong Kong dollar equivalent of the US dollars required for their redemption at the exchange rate ruling at the balance sheet date. As a result, the figures for the Certificates of Indebtedness and Government-issued notes and coins in circulation are different from those shown in the Currency Board Account, which represent the Hong Kong dollar face value.