

Head 7 — PROPERTIES AND INVESTMENTS

Details of Revenue

| Sub-head (Code) | Actual revenue 2000–01 | Original estimate 2001–02 | Revised estimate 2001–02 | Estimate 2002–03 |
|--|------------------------------|---------------------------------|--------------------------------|--------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 010 Government land licences, government rents (other than those charged at 3% of rateable values in accordance with the Government Rent (Assessment and Collection) Ordinance (Cap. 515)) and rents from short term tenancies | 1,852,572 | 1,819,000 | 1,762,044 | 1,795,075 |
| 020 Rents from government quarters..... | 624,250 | 637,054 | 665,652 | 669,055 |
| 030 Rents from government properties | 925,881 | 911,538 | 1,170,022 | 1,002,292 |
| 040 Investment income and interest | 6,834,987 | 10,176,000 | 180,000 | 2,550,000 |
| 060 Returns on equity investments in statutory agencies/corporations..... | 10,061,398 | 15,336,000 | 379,497 | 16,382,000 |
| 080 Recovery from Housing Authority under current financial arrangement..... | 2,067,081 | 3,962,300 | 2,474,814 | 2,133,336 |
| 090 Government rents charged at 3% of rateable values in accordance with the Government Rent (Assessment and Collection) Ordinance (Cap. 515) | 4,176,132 | 4,230,000 | 4,300,000 | 4,300,000 |
| Total | <u>26,542,301</u> | <u>37,071,892</u> | <u>10,932,029</u> | <u>28,831,758</u> |

Description of Revenue Sources

To this revenue head are credited the yields from government land licences; government rents including those charged at 3% of rateable values in accordance with the Government Rent (Assessment and Collection) Ordinance (Cap. 515); and rents from short term tenancies, government quarters and properties. Investment income earned on the balances of the General Revenue Account and other interest receipts arising from the General Revenue Account, returns from equity investments in statutory agencies and corporations other than those credited to the Capital Investment Fund, and recovery from the Housing Authority of the land costs of Home Ownership Scheme flats are also included in this head.

Revenue from properties and investments generated 7.0% of general revenue in 2001–02.

Underlying Changes in Revenue Yield

The 2001–02 revised estimate of \$10,932,029,000 is a net decrease of \$26,139,863,000 (70.5%) against the original estimate.

Under *Subhead 030 Rents from government properties* the increase of \$258,484,000 (28.4%) is mainly due to the two one-off payments, namely the premium for Queensway Plaza and the duty-free revenue forgone in respect of the Lo Wu Terminal Duty Free Shop following the vesting of the Lo Wu Terminal Building Stage III in Kowloon Canton Railway Corporation, and other leases in 2001–02 such as the Duty Free Shops in the China Ferry and Macau Ferry Terminals, Queensway Plaza, and the Executive Suite in Hong Kong Stadium. The increase is partly offset by the decrease in market rental due to the Government's decision to extend to end-December 2002 the rental freeze/reduction for market stall tenants.

Under *Subhead 040 Investment income and interest* the decrease of \$9,996,000,000 (98.2%) is due to a nil yield being expected from the investment of the balance of the General Revenue Account with the Exchange Fund in 2001–02.

Under *Subhead 060 Returns on equity investments in statutory agencies/corporations*, the decrease of \$14,956,503,000 (97.5%) is due to the fact that the second tranche of the MTR Corporation Limited share offer was not realised in 2001–02.

Under *Subhead 080 Recovery from Housing Authority under current financial arrangement*, the decrease of \$1,487,486,000 (37.5%) is due to the lower than expected number of Home Ownership Scheme flats sold in 2000–01.

The 2002–03 estimate of \$28,831,758,000 is a net increase of \$17,899,729,000 (163.7%) over the revised estimate for 2001–02.

Under *Subhead 030 Rents from government properties* the decrease of \$167,730,000 (14.3%) is mainly due to the two one-off payments in respect of the premium for Queensway Plaza and duty-free revenue forgone from the Lo Wu

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Terminal Duty Free Shop not being repeated in 2002–03, and the termination of all the tenancies in Butterfly Valley New Village as a result of clearance.

Under *Subhead 040 Investment income and interest* the increase of \$2,370,000,000 (1 316.7%) reflects the anticipated investment return of the balance of the General Revenue Account with the Exchange Fund in 2002–03.

Under *Subhead 060 Returns on equity investments in statutory agencies/corporations* the increase of \$16,002,503,000 (4 216.8%) is due to the expected proceeds from the second tranche of the MTR Corporation Limited share offer, and the anticipated increase in dividends from government-owned corporations.

Under *Subhead 080 Recovery from Housing Authority under current financial arrangement*, the decrease of \$341,478,000 (13.8%) is due to the reduction in the sales of Home Ownership Scheme flats from September 2001 to June 2002 as a result of the 10-month moratorium on these.