

Exchange Fund Performance**(Expressed in billions of Hong Kong dollars)**

	← 2005 →					2004	2003	2002	2001
	Full year*	Q4	Q3	Q2	Q1	Full year	Full year	Full year	Full year
Gain/(Loss) on Hong Kong equities ^	7.0	(2.7)	8.1	5.1	(3.5)	12.0	21.2	(11.8)	(27.1)
Gain/(Loss) on other equities ^	20.5	7.9	10.1	3.4	(0.9)	11.2	26.8	(22.7)	(3.3)
Exchange gain/(loss)	(19.5)	(3.4)	(2.4)	(10.7)	(3.0)	8.5	22.9	27.2	(13.0)
Total return from bonds, etc.	<u>30.1</u>	<u>5.8</u>	<u>3.2</u>	<u>15.8</u>	<u>5.3</u>	<u>25.0</u>	<u>18.8</u>	<u>54.3</u>	<u>50.8</u>
Investment income	38.1	7.6	19.0	13.6	(2.1)	56.7	89.7	47.0	7.4

* Unaudited figures

^ Including dividends

Exchange Fund
Change in Accumulated Surplus

(Expressed in billions of Hong Kong dollars)

	← 2005 →			← 2004 →		
	I	Q4	Q3	Q2	Q1	I
	Full year (unaudited)					Full year
Investment income	38.1	7.6	19.0	13.6	(2.1)	56.7
Other income	0.2	0.1	0.0	0.1	0.0	0.2
Interest and other cost	<u>(7.9)</u>	<u>(2.6)</u>	<u>(2.2)</u>	<u>(1.8)</u>	<u>(1.3)</u>	<u>(4.8)</u>
Net investment income	30.4	5.1	16.8	11.9	(3.4)	52.1
Treasury's share	(10.0)	(2.3)	(4.9)	(3.5)	0.7	(14.5)
Write back of revaluation loss on premises	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.9</u>
Carry to accumulated surplus	20.4	2.8	11.9	8.4	(2.7)	38.5
Adjustment to accumulated surplus						
Effect of implementation of HKAS 39 ⁽¹⁾	<u>(0.6)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(0.6)</u>	<u>N/A</u>
Increase/(Decrease) in						
EF accumulated surplus	19.8	2.8	11.9	8.4	(3.3)	38.5

Note 1: The effect of changing from using mid-price to using bid-price for valuing securities held, and using ask-price for valuing securities issued.

Exchange Fund Abridged Balance Sheet**(Expressed in billions of Hong Kong dollars)**

	At 31 December 2005 (unaudited)	At 31 December 2004	Change
ASSETS			
Deposits	89.1	63.5	25.6
Debt securities	736.2	772.1	(35.9)
Hong Kong equities	87.9	82.4	5.5
Other equities	123.8	123.2	0.6
Other assets	31.9	20.7	11.2
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Total assets	1,068.9	1,061.9	7.0
LIABILITIES AND FUND EQUITY			
Certificates of Indebtedness	149.3	146.8	2.5
Government-issued currency notes and coins in circulation	6.7	6.3	0.4
Balance of the banking system	1.6	15.8	(14.2)
Exchange Fund Bills and Notes	118.1	125.9	(7.8)
Placements by other Hong Kong Special Administrative Region government funds	297.1	280.1	17.0
Other liabilities	52.9	63.4	(10.5)
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Total liabilities	625.7	638.3	(12.6)
Accumulated surplus	443.2	423.4	19.8
Premises revaluation reserve ⁽¹⁾	-	0.2	(0.2)
Fund equity	443.2	423.6	19.6
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Total liabilities and fund equity	1,068.9	1,061.9	7.0

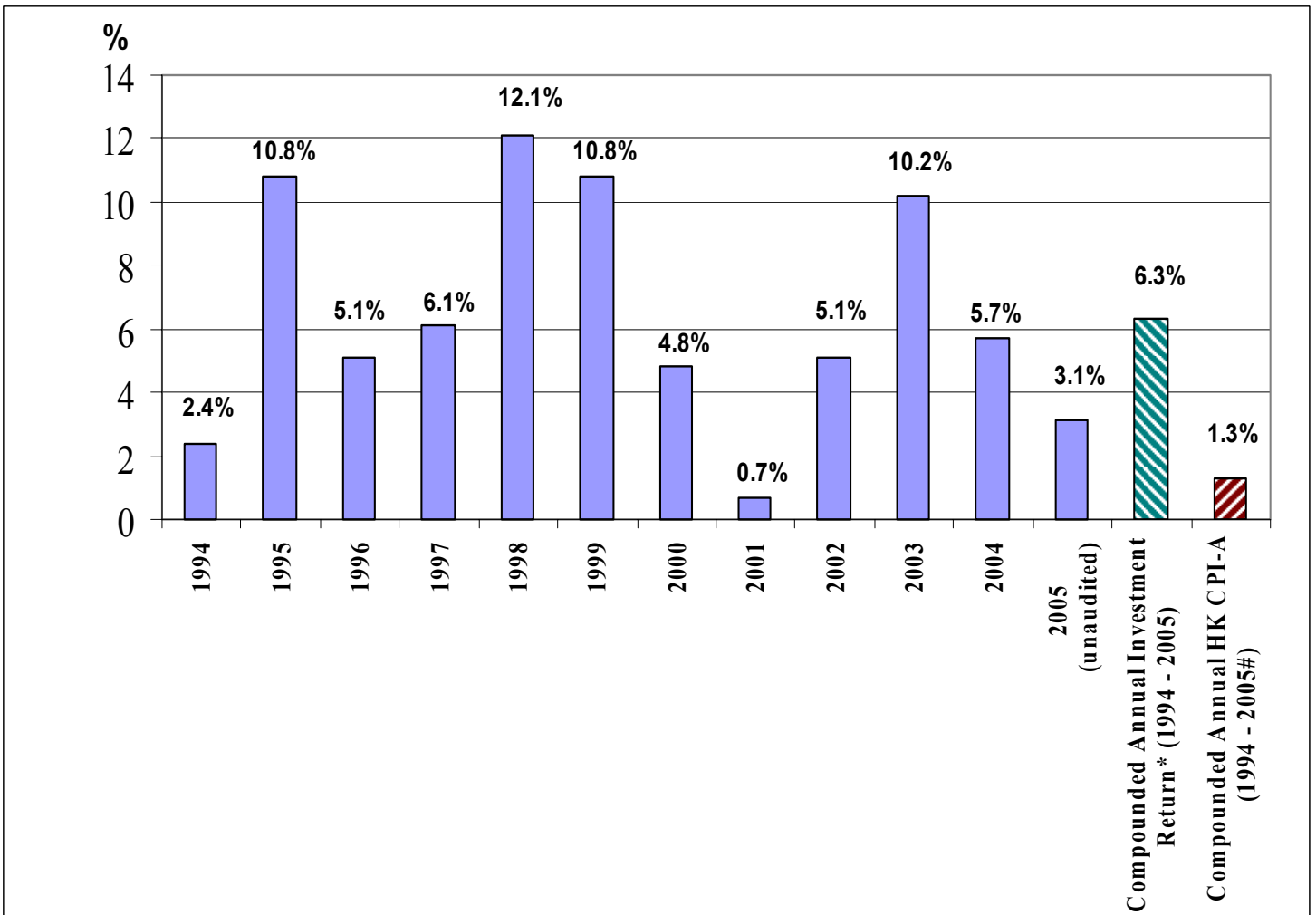
Note 1 : Before 2005, premises were stated at valuation less depreciation. From 2005, premises are stated at cost less depreciation. The revaluation surplus on premises is therefore reversed.

Supplementary Figures**Market Performance
(2004 and 2005)**

	Full Year 2005	Full Year 2004
S&P 500 *	+3.0%	+9.0%
Hang Seng Index *	+4.5%	+13.2%
JP Morgan US Govt Bond Index 1-3 years	+1.6%	+0.9%
Euro vs USD	-13.2%	+7.8%
Yen vs USD	-13.2%	+4.6%

* Market performance on equities is based on index price change during the year.

**Chart 1: Investment Return* of the Exchange Fund
(1994 to 2005)**



HK CPI-A as of end-November 2005

* Investment return from year 2000 was computed in accordance with CFA Global Investment Performance Standards