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\$236b hoard revealed

The head of the first department of the Hongkong and Macau Affairs Office, Chen Zou'er, said: "China always believes that maintaining a substantial Exchange Fund is crucial for Hongkong in the second half of the transitional period.

"It could also stabilise Hongkong's financial system."

Baptist College senior economics lecturer Dr Chan Man-hung said releasing the fund balance was a British bargaining tactic on the airport talks.

"It seems Britain wants to show the Hongkong public the airport talks deadlock is not due to problems in our financial capacity but China's obstructive attitude," he said.

Baring Securities regional economic director Miron Mushkat said the Government's disclosure was "interesting politically".

He said the size of the fund was a surprise to the business community.

"The consensus was the figure was much smaller, probably 40 to 50 per cent less," he said.

Revealing the fund balance was also seen as part of major monetary reforms by the Government to stabilise the territory's financial and monetary markets.