

# Capital Investment Fund

## REPORT OF THE DIRECTOR OF AUDIT



**Audit Commission**

The Government of the Hong Kong Special Administrative Region

### **Independent Audit Report To the President of the Legislative Council**

I certify that I have examined and audited the financial statements of the Capital Investment Fund set out on pages 44 to 50, which comprise the statement of assets and liabilities as at 31 March 2013, and the statement of receipts and payments for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Director of Accounting Services' responsibility for the financial statements**

In accordance with section 16(1) of the Public Finance Ordinance (Cap. 2), the Director of Accounting Services is responsible for the compilation and supervision of the accounts of the Government of the Hong Kong Special Administrative Region, for the management of accounting operations and procedures, and for ensuring that all regulations, directions or instructions made or given under the Public Finance Ordinance relating thereto and in respect of the safe custody of public moneys and its accounting are complied with.

### **Auditor's responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 12(1) of the Audit Ordinance (Cap. 122) and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used by the Director of Accounting Services, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements of the Capital Investment Fund for the year ended 31 March 2013 are prepared, in all material respects, in accordance with the Public Finance Ordinance and section 11(1) of the Audit Ordinance.

David Sun  
Director of Audit

28 October 2013

Audit Commission  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

# Capital Investment Fund

## STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Assets</b>			
<b>Investments</b>	<b>3</b>		
Equity Holdings		123,054,913	122,879,572
Other Investments		419,792,297	416,364,974
		542,847,210	539,244,546
<b>Loans Outstanding</b>	<b>4</b>	2,824,132	2,275,177
		545,671,342	541,519,723
<b>Current Assets</b>			
Investments with the Exchange Fund	5	1,393,239	1,193,350
Cash and bank balances		2,925	1
		1,396,164	1,193,351
		547,067,506	542,713,074
<b>Representing:</b>			
<b>Total Fund Balance</b>			
<b>Applied Fund</b>	<b>6</b>	545,671,342	541,519,723
<b>Available Fund</b>	<b>7</b>		
Balance at beginning of year		1,193,351	1,618,939
Surplus/(Deficit) for the year		202,813	(425,588)
Balance at end of year		1,396,164	1,193,351
	<b>8</b>	547,067,506	542,713,074

Notes 1 to 11 form part of these financial statements.

Mrs Lesley Y C WONG  
Director of Accounting Services  
15 August 2013



# Capital Investment Fund

## STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Cash and bank balances at beginning of year</b>		1	2
Revenue	9	1,482,036	1,385,971
Expenditure	10	(1,279,223)	(1,811,559)
<b>Surplus/(Deficit) for the year</b>		202,813	(425,588)
<b>Other cash movements</b>	11	(199,889)	425,587
<b>Cash and bank balances at end of year</b>		2,925	1

Notes 1 to 11 form part of these financial statements.

**Mrs Lesley Y C WONG**  
Director of Accounting Services  
15 August 2013



# Capital Investment Fund

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Purpose and Legislation

The Capital Investment Fund finances investments in and loans to public sector bodies which are not part of the Government structure and such other bodies as the Finance Committee may specify. It was established with effect from 1 April 1990 by a Resolution passed by the Legislative Council under section 29(1) of the Public Finance Ordinance (Cap. 2) on 14 March 1990. Amendments to this Resolution were passed by the Legislative Council on 6 November 1991. (The Resolution as amended is hereinafter referred to as the Resolution.)

### 2. Accounting Policies

- (i) Subject to (ii) below, the accounts of the Capital Investment Fund are kept on a cash basis. Transactions are recorded when moneys are received or paid.
- (ii) The Statement of Assets and Liabilities is structured to include investments acquired and loans made by way of cash, waived land premium, donated works or other similar transactions.
- (iii) For the purposes of these financial statements, a contingent liability is defined as:
  - (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Government; or
  - (b) a present obligation that arises from past events but is not recognised because:
    - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

### 3. Investments (at cost/original valuation)

	2013			2012		
	Equity Holdings HK\$'000	Other Investments HK\$'000	Total HK\$'000	Equity Holdings HK\$'000	Other Investments HK\$'000	Total HK\$'000
Balance at beginning of year	122,879,572	416,364,974	539,244,546	122,118,451	405,220,504	527,338,955
<b>Additions</b>						
Cash acquisitions	11,534	-	11,534	11,559	-	11,559
Non-cash acquisitions	182,942	3,475,286	3,658,228	749,562	11,144,470	11,894,032
	194,476	3,475,286	3,669,762	761,121	11,144,470	11,905,591
<b>Deductions</b>						
Cash disposal/refund	(19,135)	(20,000)	(39,135)	-	-	-
Non-cash disposal/refund	-	(27,963)	(27,963)	-	-	-
	(19,135)	(47,963)	(67,098)	-	-	-
<b>Balance at end of year</b>	<b>123,054,913</b>	<b>419,792,297</b>	<b>542,847,210</b>	<b>122,879,572</b>	<b>416,364,974</b>	<b>539,244,546</b>

Further analysis of investments appears on pages 208 to 210 of the Supporting Statements.

# Capital Investment Fund

## 4. Loans Outstanding

	2013 HK\$'000	2012 HK\$'000
Balance at beginning of year	2,275,177	2,977,299
<b>Additions</b>		
Loan payments	767,689	-
Capitalised interest	60,675	65,448
	828,364	65,448
<b>Deductions</b>		
Loan repayments	(96,467)	(18,008)
Loan conversion to equity	(182,942)	(749,562)
	(279,409)	(767,570)
<b>Balance at end of year</b>	2,824,132	2,275,177

Further analysis of loans appears on page 211 of the Supporting Statements.

## 5. Investments with the Exchange Fund

- (i) These are investments made under paragraph 7 of the Resolution.
- (ii) The investments represent the cost of investments together with the investment income received in the year being reported. Effective from 1 April 2007, the investment income is calculated on the basis of the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Exchange Fund Notes for the previous year subject to a minimum of zero percent, whichever is the higher. The investment income for the year ended 31 March 2013 was HK\$79 million (2012: HK\$99 million).

## 6. Applied Fund

This represents the sum of investments acquired and loans made for the purposes of the Fund under paragraph 5 of the Resolution.

## 7. Available Fund

This represents funds available for acquiring investments or making loans for the purposes of the Fund under paragraph 5 of the Resolution.

## 8. Contingent Liabilities

As at 31 March 2013, the amount of possible capital subscriptions to the Asian Development Bank was HK\$6,391 million (2012: HK\$6,607 million).

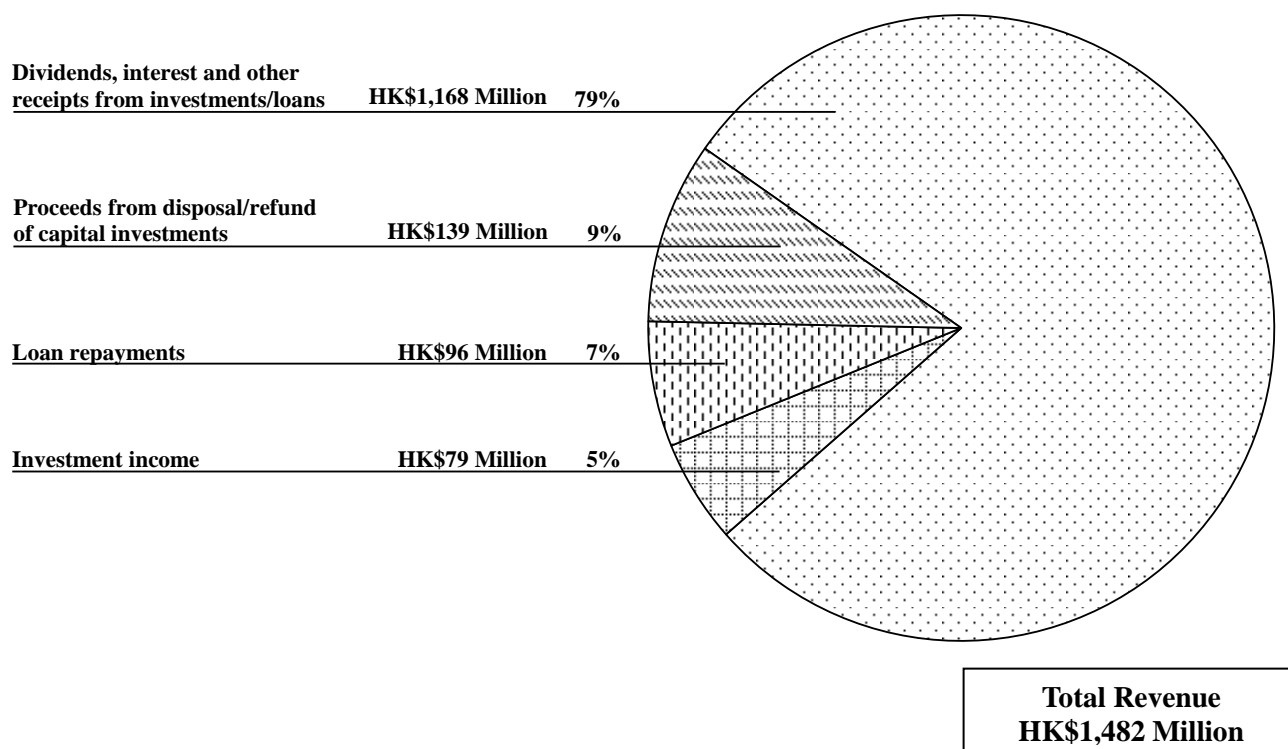
# Capital Investment Fund

## 9. Revenue

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Dividends, interest and other receipts from investments/loans	1,096,987	<b>1,167,596</b>	1,269,441
Loan repayments	101,743	<b>96,467</b>	18,008
Investment income			
Investments with the Exchange Fund	84,000	<b>78,860</b>	98,522
Proceeds from disposal/refund of capital investments*	-	<b>139,113</b>	-
	<u>1,282,730</u>	<u><b>1,482,036</b></u>	<u>1,385,971</u>

\* These include proceeds of HK\$119.113 million from disposal of equity holdings in Tradelink Electronic Commerce Ltd. (Cost of Investment: HK\$19.135 million) and refund of capital investment at cost of HK\$20 million from Hong Kong Export Credit Insurance Corporation.

### Analysis of Revenue for the year ended 31 March 2013

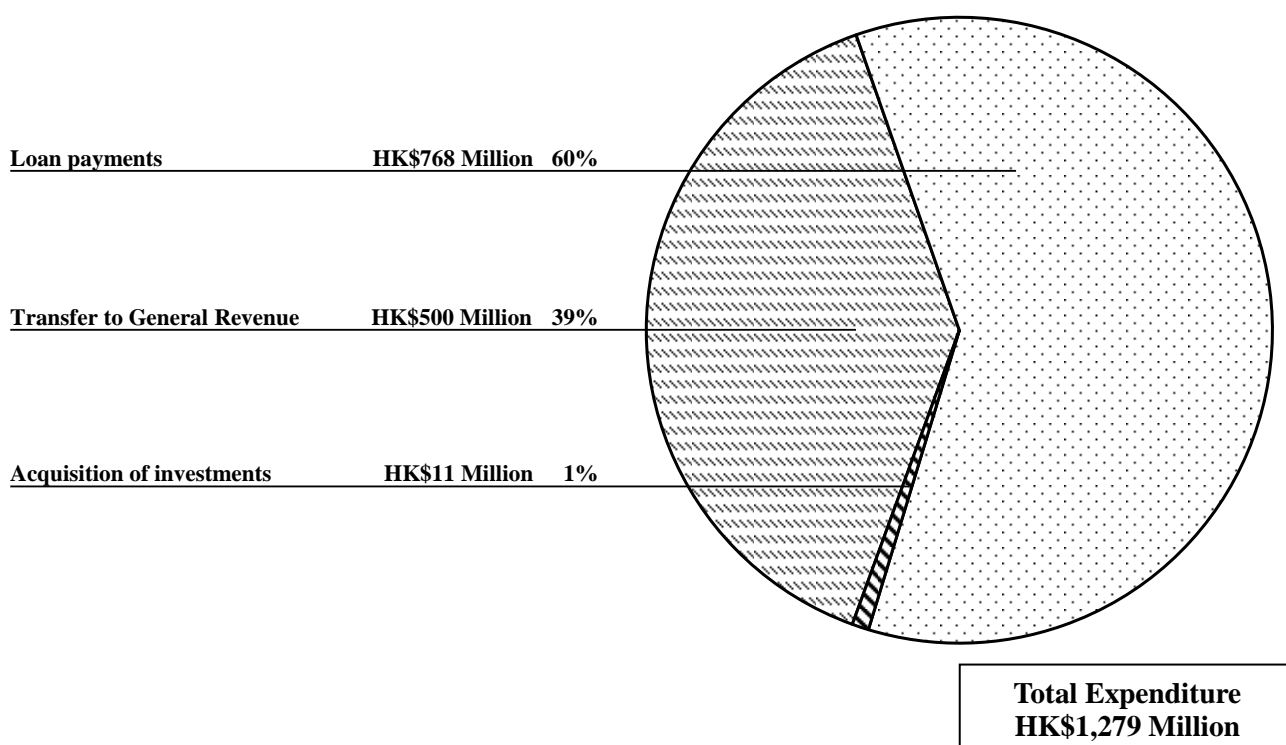


# Capital Investment Fund

## 10. Expenditure

	2013		2012
	Original Estimate HK\$'000	Actual HK\$'000	Actual HK\$'000
Acquisition of investments			
Equity holdings	11,684	<b>11,534</b>	11,559
Loan payments	767,689	<b>767,689</b>	-
Transfer to General Revenue	500,000	<b>500,000</b>	1,800,000
	<u>1,279,373</u>	<u><b>1,279,223</b></u>	<u>1,811,559</u>

### Analysis of Expenditure for the year ended 31 March 2013





# Capital Investment Fund

## 11. Other Cash Movements

These are cash movements arising from changes in other assets and liabilities:

	2013 HK\$'000	2012 HK\$'000
<b>(Increase)/Reduction in Assets</b>		
Investments with the Exchange Fund	<u>(199,889)</u>	<u>425,587</u>

## Revenue, Expenditure and Available Fund Balance for the years ended 31 March 2004 to 2013

HK\$Million

