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CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED

國開國際投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the “**Directors**” or the “**Board**”) of China Development Bank International Investment Limited (the “**Company**” or “**CDBII**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2012 (the “**Year**”), together with the comparative figures for the previous year as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>NOTES</i>	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Investment income	4	1,018,899	623,390
Change in fair value of financial assets at fair value through profit or loss		11,411,761	2,612,789
Interest income		503,748	77,318
General and administrative expenses		(22,593,057)	(21,396,252)
Share of results of associates		1,394,103	1,825,168
Loss before taxation		(8,264,546)	(16,257,587)
Income tax expense	5	(404,495)	(263,000)
Loss for the year attributable to owners of the Company	6	(8,669,041)	(16,520,587)
Other comprehensive income			
Change in fair value of available-for-sale financial assets		5,324,544	–
Exchange differences arising on translation		624,575	3,087,547
Other comprehensive income for the year		5,949,119	3,087,547
Total comprehensive expense for the year attributable to owners of the Company		(2,719,922)	(13,433,040)
Loss per share			
– Basic (HK cents)	8	(0.35)	(1.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>NOTE</i>	2012	2011
		<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Property, plant and equipment		28,088	65,862
Interests in associates		65,052,387	64,108,384
Available-for-sale financial assets		37,133,167	31,808,623
Financial assets at fair value through profit or loss		205,395,356	13,043,394
		<u>307,608,998</u>	<u>109,026,263</u>
Current assets			
Financial assets at fair value through profit or loss		36,970,473	30,710,674
Other receivables, prepayments and deposits		634,874	1,845,618
Bank balances and cash		716,941,605	153,102,049
		<u>754,546,952</u>	<u>185,658,341</u>
Current liability			
Other payables and accruals		11,193,752	9,406,991
		<u>11,193,752</u>	<u>9,406,991</u>
Net current assets		<u>743,353,200</u>	<u>176,251,350</u>
Total assets less current liability		<u>1,050,962,198</u>	<u>285,277,613</u>
Non-current liability			
Deferred taxation		1,504,495	1,100,000
		<u>1,504,495</u>	<u>1,100,000</u>
Net assets		<u><u>1,049,457,703</u></u>	<u><u>284,177,613</u></u>
Capital and reserves			
Share capital		29,022,154	9,822,154
Reserves		1,020,435,549	274,355,459
		<u>1,049,457,703</u>	<u>284,177,613</u>
		<u><u>1,049,457,703</u></u>	<u><u>284,177,613</u></u>
Net Asset Value per share	9	<u><u>0.362</u></u>	<u><u>0.289</u></u>

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Its parent company is China Development Bank International Holdings Limited, a limited company established in Hong Kong and its ultimate parent company is China Development Bank Corporation, a wholly state-owned policy bank established on 17 March 1994 in the People’s Republic of China (“**PRC**”). The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suites 4506 – 4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

The principal activities of the Group are to achieve medium-term to long-term capital appreciation of its assets primarily through its investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”):

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle ²
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ³
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for the Group for annual period beginning on 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC)-Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group for annual period beginning on or after 1 January 2013. The directors anticipate that the application of these five standards may not have a significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for the Group for annual period beginning on 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have effect on the Group as the Company and certain subsidiaries are investment entities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 “Fair Value Measurement”

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial Instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group for annual period beginning on 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income” introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’. The amendments to HKAS 1 also require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

For other new and revised standards, amendments or interpretation, the directors anticipate that their application will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company’s executive directors. The Group’s principal activity is investment in equity instruments and other financial instruments. The executive directors regard it as a single operating segment. Also, the information reported to the chief operating decision-maker for the purposes of resources allocation and assessment of performance are the same as those used in its consolidated financial statements prepared under HKFRSs, therefore segment disclosures are not presented.

The management determines the Group is domiciled in Hong Kong, which is the location of the Group’s principal office.

The Group's non-current assets (other than financial instruments) are located in the following geographical areas, which based on the operations of associates and the physical location of the assets:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
PRC	65,052,387	64,108,384
Hong Kong	28,088	65,862
	<u>65,080,475</u>	<u>64,174,246</u>

The Group's revenue was all derived from the Group's operation which is located in Hong Kong.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

4. INVESTMENT INCOME

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Dividend income from financial assets held for trading	<u>1,018,899</u>	<u>623,390</u>

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong during both years.

Under the Enterprise Income Tax Law of PRC, withholding tax of 10% is imposed on dividends declared in respect of profits earned by PRC associates from 1 January 2008 onwards.

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Deferred taxation on withholding tax on undistributed earnings of associates		
Current year	<u>404,495</u>	<u>263,000</u>

The income tax expense for the year can be reconciled to the loss before taxation as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Loss before taxation	<u>(8,264,546)</u>	<u>(16,257,587)</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	(1,363,650)	(2,682,502)
Tax effect of expenses not deductible for tax purpose	745,189	1,034,717
Tax effect of income not taxable for tax purpose	(2,321,126)	(1,904,418)
Tax effect of share of profits of associates	(230,027)	(301,153)
Tax effect of tax losses not recognised	3,169,614	3,853,356
Tax effect of undistributed earnings of associates	404,495	263,000
Income tax expense for the year	<u>404,495</u>	<u>263,000</u>

6. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Loss for the year to owners of the Company has been arrived at after charging:		
Auditor's remuneration	845,000	620,000
Directors' fee	925,580	1,290,300
Other staff costs		
Basic salaries and other benefits	8,334,915	3,185,818
Retirement benefits contribution	251,911	54,152
Total staff costs	<u>9,512,406</u>	<u>4,530,270</u>
Investment management fees	400,000	400,000
Depreciation of property, plant and equipment	35,319	53,653
Operating lease rentals in respect of rental premises	3,212,932	2,323,962
Project management fees (<i>note</i>)	1,344,979	2,500,000
Legal and professional fees	2,319,155	5,424,386
Write-off of property, plant and equipment	<u>2,455</u>	<u>—</u>

During the year ended 31 December 2012, the Group paid HK\$107,971 (2011: nil) services fee to a personnel services company which providing staff to the Group. Such amounts are excluded from the total staff costs as mentioned on above.

Note: Project management fees are paid to ZY International Project Management (China) Limited (“ZYPM (China)”) pursuant to a project management agreement dated 1 October 2006 (the “Project Management Agreement”), with an initial term of three years and was automatically renewed in September 2009 for a term of another three years from 1 October 2009. On 7 December 2011, ZYPM (China) and the Group had entered into the amended and restated deed to Project Management Agreement (the “Deed”). Pursuant to the Deed, the Project Management Agreement had automatically lapsed on 30 September 2012.

7. DIVIDENDS

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2012	2011
	HK\$	HK\$
Loss		
Loss for the year attributable to owners of the Company and loss for the purpose of basic loss per share	<u>(8,669,041)</u>	<u>(16,520,587)</u>
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,482,543,229</u>	<u>982,215,360</u>

No diluted loss per share has been presented for both years as there were no potential ordinary share for both years.

9. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK\$1,049,457,703 (2011: HK\$284,177,613) and 2,902,215,360 ordinary shares in issue as at 31 December 2012 (2011: 982,215,360 ordinary shares).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the Year, the Group recorded a loss of approximately HK\$8.67 million (31 December 2011: approximately HK\$16.52 million) which is principally attributable to the fragile investment environment, high general and administrative expenses and is partially offset by the change in fair value of financial assets at fair value through profit or loss.

The investment income for the Year grew 63.4% from the last year to approximately HK\$1.02 million (31 December 2011: approximately HK\$0.62 million), primarily due to an increase in dividend income from listed securities investments.

For both the years ended 31 December 2012 and 2011, the Group's investment income was all derived in Hong Kong, based on the physical location of the underlying assets that generate the revenue. The Group's non-current assets (other than financial instruments) are located in People's Republic of China and Hong Kong.

The interest income was approximately HK\$0.50 million, representing an increase of 551.5% as compared to approximately HK\$0.08 million in last year.

The gain in fair value of financial assets at fair value through profit or loss amounts to approximately HK\$11.41 million (31 December 2011: approximately HK\$2.61 million) was recorded in the Year, which was attributable to the warrants of investment in China TransInfo Technology Corporation ("**China TransInfo**"), the embedded option value of investment in acquiring 12% equity interest of Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. ("**Capital Aihua**"), and equity securities listed in Hong Kong.

The general and administrative expenses of the Group for the Year were approximately HK\$22.59 million (31 December 2011: approximately HK\$21.40 million). It is resulted from the increase in staff costs due to the increase in number of employees and partially offset by the drop in legal and professional fees.

The net proceeds from share subscription of approximately HK\$768.00 million enlarged the capital base of the Company during the Year. After accounting for the share subscription and the result of the Year, the Group's net asset value increased from approximately HK\$284.18 million as at 31 December 2011 to approximately HK\$1,049.46 million as at 31 December 2012, with loss per share of HK0.35 cents (31 December 2011: HK1.68 cents).

LIQUIDITY AND FINANCIAL RESOURCES

It is the Group's policy to adopt a prudent financial management strategy. The Group's treasury policies are designed to maintain a suitable level of liquidity facilities and minimise financial risks in order to meet operation requirements and investment opportunities.

As at 31 December 2012, the cash and bank balance of the Group was approximately HK\$716.94 million (31 December 2011: approximately HK\$153.10 million). As all the retained cash was placed in Hong Kong Dollars short-term deposits with major banks in Hong Kong, the Group's exposure to exchange fluctuations is considered minimal. The Board believes that the Group still maintains a healthy financial position as at 31 December 2012.

As at 31 December 2012, the Group had no borrowings or long-term liabilities, gearing ratio (calculated as the long term loan to the total shareholder's equity) was zero (31 December 2011: zero), putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

On 21 March 2012, the Company placed 1,920,000,000 new ordinary shares of the Company at HK\$0.40 per share in cash, equivalent to a total consideration of HK\$768,000,000, to China Development Bank International Holdings Limited ("CDBIH"), an indirect wholly-owned subsidiary of China Development Bank Corporation ("CDB"). By making such placement, the Company aims to leverage on the broad regional and international relationships of CDB group to gain access to a wide range of attractive investment opportunities.

The number of the Company's issued shares increased from 982,215,360 to 2,902,215,360 during the Year after the placement.

CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2012, there were no charges on the Group's assets, the Group had no material capital commitment or any significant contingent liabilities (31 December 2011: nil).

As at 31 December 2012, as far as the Directors are aware, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Company had not made any material acquisition and disposal of subsidiaries and associated companies.

During the second half of 2012, the Company obtained an equity warrant and invested in a convertible note, both of them are accounted under financial assets designated at fair value through profit or loss in the financial statements.

PORTFOLIO REVIEW

Top Ten Investments

Particulars of top ten investments of the Group as at 31 December 2012 are set out as follows:

Name of investment	Proportion of the share/paid up capital owned	Carrying book cost up to 31 December 2012 <i>HK\$</i>	Market value/ carrying amount as at 31 December 2012 <i>HK\$</i>	Dividend received during the year <i>HK\$</i>	Percentage to the Group's net assets as at 31 December 2012	Net assets attributable to the Company (Note 4) <i>HK\$ million</i>
North Sea Rigs Holdings Limited ("NSR Holdings") (Note 1)	N/A	195,000,000	187,200,000	–	17.84%	Not Applicable
Beijing Far East Instrument Company Limited ("Beijing Far East") (Note 2)	25%	47,766,128	63,980,558	1,074,674	6.10%	77.9
Capital Aihua (Note 3)	12%	31,808,623	37,133,167	–	3.54%	17.7
HSBC Holdings Plc ("HSBC") (HKEx stock code: 005)	Less than 0.1%	5,007,435	5,284,094	206,690	0.50%	4.8
Hutchison Whampoa Limited ("Hutchison Whampoa") (HKEx stock code: 013)	Less than 0.1%	4,141,898	4,045,000	104,000	0.39%	4.6
Tencent Holdings Limited ("Tencent") (HKEx stock code: 700)	Less than 0.1%	3,021,552	3,859,500	11,625	0.37%	0.4
Industrial and Commercial Bank of China Limited ("ICBC") – H Shares (HKEx stock code: 1398)	Less than 0.1%	4,418,895	3,850,000	156,760	0.37%	11.2
Bank of China Limited ("BOC") – H Shares (HKEx stock code: 3988)	Less than 0.1%	4,169,855	3,806,000	188,320	0.36%	13.4
AIA Group Limited ("AIA") (HKEx stock code: 1299)	Less than 0.1%	2,989,253	3,478,750	39,480	0.33%	2.0
China Construction Bank Corporation ("CCB") – H Shares (HKEx stock code: 939)	Less than 0.1%	2,874,500	2,994,930	125,876	0.29%	2.3

1. NSR Holdings is a company incorporated in the Cayman Islands and is an investment holding company, and is principally involved in engaging contractors to construct the drilling rig which will then be sold or leased to drilling rig operators located in the North Sea area of Norway. The carrying amount of the convertible note is stated at fair value.
2. Beijing Far East is a sino-foreign enterprise incorporated in the PRC, and is principally engaged in producing scientific measuring and industrial control equipment. Its carrying amount is accounted for using equity method.
3. Capital Aihua is a sino-foreign enterprise incorporated in the PRC and is principally engaged in municipal and environmental consultancy services in China; and covering consultancy works from engineering, procurement, construction and management for water supply project(s). Its carrying amount is stated at fair value.
4. The calculation of net assets attributable to the Company is based on the latest published interim results or annual report of the respective investments at the end of each reporting period.

UNLISTED INVESTMENTS REVIEW

NSR Holdings

On 10 December 2012, the Group together with another proposed subscriber entered into the subscription agreement with NSR Holdings for the subscription of senior, secured and guaranteed convertible notes in an initial aggregate principal amount of up to US\$75 million. NSR Holdings, is a company incorporated in the Cayman Islands and is an investment holding company.

The proceeds raised from the issuance of the convertible notes will be used by NSR Holdings in connection with the construction of the Drilling Rig. NSR Holdings is principally involved in engaging contractors to construct the drilling rig which will then be sold or leased to drilling rig operators located in the North Sea area of Norway. Pursuant to the subscription agreement, the Group subscribed for the convertible notes in the principal amount of up to US\$25 million.

China International Marine Containers (Group) Co. Ltd. (together with its subsidiaries, the “**CIMC Group**”) is a PRC state-owned enterprise and China International Marine Containers (Hong Kong) Limited, which is the wholly-owned subsidiary of CIMC Group, one of the guarantors in connection with the convertible notes issuance, holds the substantial assets of the CIMC Group.

The management of the Company has considered that additional upside is potentially achievable as a result of the NSR Holdings securing lease agreements or sale contracts in relation to the drilling rig which is likely to happen given the shortage in supply of new semi-submersible rigs in the North Sea area of Norway by 2015.

The management of the Company has believed that the conversion option of the Convertible Notes provides the Company with an opportunity to share in the growth of the CIMC Group.

Beijing Far East

Beijing Far East, an associate of the Group, is a leading industrial precision instrument manufacturer in China. The principal business of Beijing Far East is to manufacture meters and precise measuring instruments.

Based on the unaudited management accounts for the year ended 31 December 2012, Beijing Far East recorded its unaudited consolidated profit of approximately RMB13.12 million, an increase of approximately 46.1%, as compared with its audited consolidated profit of approximately RMB8.98 million for the year ended 31 December 2011.

Capital Aihua

In November 2010, the Group invested approximately RMB28.97 million in acquiring 12% equity interest of Capital Aihua. Capital Aihua is a joint venture established in 2001. The principal business of Capital Aihua is to provide municipal and environmental consultancy services in China. It specializes in water supply project, covering consultancy works from engineering, procurement, construction and management.

Pursuant to the equity transfer agreement in relation to the acquisition of 12% equity interest of Capital Aihua, the Group has an option to request the seller under such agreement to repurchase the 12% equity interest at the cost of the acquisition plus a guaranteed return at 15% per annum. As at the date of this announcement, the Group has not exercised the option. The management of the Company has considered that Capital Aihua is a medium-term investment project. The management of the Company will review the status and the market position of Capital Aihua regularly and will exercise the option as and when appropriate.

LISTED INVESTMENTS REVIEW

Securities Investments

For the Year, there were no changes in the Company's investments in Hong Kong listed securities. All the financial assets held for trading were equity shares listed in the Stock Exchange.

Hong Kong economy is particularly vulnerable to external events, and local growth slowed as overseas economies struggled in 2012. However, economic conditions stabilised from the end of the third quarter and investment sentiment improved, leading to a strong recovery in financial markets from September. Under such conditions, there is turnaround in the Hong Kong financial markets during the Year, as at 31 December 2012, the market value of the listed securities investments amounted to approximately HK\$36.97 million (31 December 2011: approximately HK\$30.71 million), had increased due to the inflow of surplus fund and window dressing before financial year end, the gain in fair value of listed securities recorded as approximately HK\$6.26 million.

A brief description of the business and financial information of the listed investments is as follows:

- (a) HSBC is principally engaged in the provision of a comprehensive range of banking and related financial services through an international network in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa. The audited profit attributable to shareholders of HSBC for the year ended 31 December 2012 was approximately US\$14,027 million and the audited net assets attributable to shareholders of HSBC at 31 December 2012 was approximately US\$175,242 million. The fair value of the investment in HSBC is based on quoted market bid prices.
- (b) Hutchison Whampoa is principally engaged in activities of ports and related services, telecommunications and e-commerce, property and hotels, retail and manufacturing, energy, infrastructure, finance and investments. The audited profit attributable to shareholders of Hutchison Whampoa for the year ended 31 December 2012 was approximately HK\$26,128 million and the audited net assets attributable to shareholders of Hutchison Whampoa at 31 December 2012 was approximately HK\$391,559 million. The fair value of the investment in Hutchison Whampoa is based on quoted market bid prices.
- (c) Tencent is principally engaged in the provision of internet and mobile value-added services and online advertising services. The audited profit attributable to shareholders of Tencent for the year ended 31 December 2012 was approximately RMB12,732 million and the audited net assets attributable to shareholders of Tencent as at 31 December 2012 was approximately RMB41,298 million. The fair value of the investment in Tencent is based on quoted market bid prices.
- (d) ICBC is principally engaged in the provision of corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing and other financial services. The audited profit attributable to shareholders of ICBC for the year ended 31 December 2012 was approximately RMB283,582 million and the audited net assets attributable to shareholders of ICBC at 31 December 2012 was approximately RMB1,124,997 million. The fair value of the investment in ICBC is based on quoted market bid prices.
- (e) BOC is principally engaged in the provision of various banking and related financial services, including commercial banking, investment banking, insurance, direct investment and investment management, fund management and aircraft leasing business. The audited profit attributable to shareholders of BOC for the year ended 31 December 2012 was approximately RMB139,432 million and the audited net assets attributable to shareholders of BOC at 31 December 2012 was approximately RMB824,677 million. The fair value of the investment in BOC is based on quoted market bid prices.
- (f) AIA is principally engaged in the provision of individuals and businesses with products and services for insurance, protection, savings, investment and retirement needs. The audited profit attributable to shareholders of AIA for the year ended 30 November 2012 was approximately US\$3,019 million and the audited net assets attributable to shareholders of AIA at year ended 30 November 2012 was approximately US\$26,828 million. The fair value of the investment in AIA is based on quoted market bid prices.

(g) CCB is principally engaged in the provision of a comprehensive range of commercial banking products and services. The audited profit attributable to shareholders of CCB for the year ended 31 December 2012 was approximately RMB193,179 million and the audited net assets attributable to shareholders of CCB as at 31 December 2012 was approximately RMB941,732 million. The fair value of the investment in CCB is based on quoted market bid prices.

EMPLOYEES

As at 31 December 2012, the Company had 18 employees. The total staff costs of the Group for the Year was approximately HK\$8.59 million (31 December 2011: approximately HK\$3.24 million). The Company determines its staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages of the Company's employees including basic salary, double pay, performance bonuses and mandatory provident fund are reviewed on regular basis. The Company has adopted a share option scheme on 7 February 2005 for the purposes of providing incentives and rewards to eligible participants who have made contributions to the Group.

GEARING RATIO

The Group had no outstanding bank borrowings as at 31 December 2012 and 2011. As at 31 December 2012, the Group's current ratio (current assets to current liabilities) was approximately 67.4 (2011: approximately 19.7). The ratio of total liabilities to total assets of the Group was approximately 1.2% (2011: approximately 3.6%).

EXCHANGE EXPOSURE

The Group had an insignificant exchange risk exposure under review since all the retained cash was placed in Hong Kong Dollars short-term deposits with major banks in Hong Kong. It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimize currency risks.

NEW NAME, NEW HORIZONS

CDBII changed its name from "New Capital International Investment Limited" on 19 June 2012 to align itself with the branding of its controlling shareholder and corporate strategic development plans. This name change is a significant milestone and has created opportunities to build upon the Group's investment portfolios by leveraging the established networks and relationships of CDB.

FUTURE PROSPECTS

On 14 December 2012, CDBII entered into a non-binding letter of intent (“**LOI**”) in respect of CDBII’s proposed acquisition of Gateway Energy & Resource Holdings, LLC (“**Gateway**”), which is managed by EIG Global Energy Partners, LLC (“**EIG**”). Should the acquisition proceed, Gateway’s current shareholders, which include global institutional investors, will receive newly issued shares of the Company as consideration and will become shareholders of CDBII. CDBII is expected to remain as the sole controlling shareholder of CDBII. In addition, it is also contemplated under the LOI that EIG will invest US\$10 million in the Company’s shares in connection with the possible acquisition.

This potential transaction will be an important strategic acquisition for CDBII. By combining CDB’s strength and depth of resources in the PRC with EIG’s internationally recognised investment management expertise, CDBII will be ideally positioned to develop into one of the world-class investment companies specializing in investing in energy and resources related sectors.

Looking ahead, we expect the unclear economic and geopolitical backdrop as well as increasingly stiff competition will continue to increase challenges to the Company. Despite difficult economic situation and continued uncertainty in the global financial markets, the potential transaction will not only enlarge and further strengthen CDBII’s investment portfolio, but will also position CDBII as a platform to develop into a leading global investment company in the energy and resources related sectors should the acquisition proceed.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2012(2011: nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Friday, 7 June 2013 (the “**AGM**”). For further details of the AGM, please refer to the notice of AGM, which will be despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 4 June 2013. The register of members of the Company will be closed from Wednesday, 5 June 2013 to Friday, 7 June 2013 (both dates inclusive), during which time no share transfers will be registered. Shareholders of the Company whose names appear on the register of the members of the Company at the opening of business on Friday, 7 June 2013 are entitled to attend the AGM.

CORPORATE GOVERNANCE

Throughout the Year, the Directors believe that the Company complied with all the code provisions of the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules, the "**Old CG Code**") for the three months ended on 31 March 2012, except for the Code Provision E.1.2 of the Old CG Code, and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012, the "**New CG Code**") as set out in Appendix 14 to the Listing Rules for the nine months ended 31 December 2012, except for the Code Provisions A.2.7, E.1.2, F.1.1 and F.1.3 of the New CG Code.

Under the Code Provision A.2.7 of the New CG Code, the chairman of the Board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the Year, due to geographical barriers, Mr ZHANG Xuguang did not held any meeting with three independent non-executive Directors without the executive Directors present.

Under the Code Provision E.1.2 of the Old CG Code and the New CG Code, the chairman of the board should attend the annual general meeting. The chairman of the Board did not attend the annual general meeting of the Company held on 15 June 2012 (the "**AGM 2012**") due to other business commitment. An executive Director was elected to act as the chairman of the AGM 2012 pursuant to the Article 63 of the Articles to proceed the businesses of the AGM 2012 and answer the shareholders' questions to ensure effective communication with the shareholders of the Company at the AGM 2012.

Under the Code Provision F.1.1 of the New CG Code, the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. On 23 March 2012, Mr WONG Kwok Ho was formally appointed by the Company, during the period from 23 March 2012, to act as the full time company secretary responsible for the Company's day-to-day affairs. Since his appointment, Mr WONG Kwok Ho has been engaged in the Company's operations and activities on daily basis and possesses the knowledge of the Company's day-to-day affairs. Starting from 1 July 2012, Mr WONG Kwok Ho became a full-time employee of the Company.

Under the Code Provision F.1.3 of the New CG Code, the company secretary should report to the board chairman and/or the chief executive. Mr WONG Kwok Ho, the company secretary of the Company, does not directly report to the chairman of the board or the chief executive officer or the chief investment officer of the Company. Mr WONG Kwok Ho directly reports to Mr BAI Zhe, whom then reports directly to Mr TENG Rongsong, an executive Director and the chief executive officer of the Company, and Mr MAO Yong, an executive Director and chief investment officer of the Company. Mr BAI Zhe is the senior management of the Company and also serves the Direct Investment Division IV of China Development Bank Capital Corporation Ltd.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries by the Company, the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

AUDIT COMMITTEE

The majority members of the audit committee of the Company (the “**Audit Committee**”) are independent non-executive Directors. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The Group’s 2012 annual results were reviewed and recommended to the Board for approval by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group’s auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.cdb-intl.com>). The annual report for the year ended 31 December 2012, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to shareholders of the Company and published on the Stock Exchange's website and the Company's website in due course.

By Order of the Board
China Development Bank International Investment Limited
ZHANG Xuguang
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the Board is comprised of Mr ZHANG Xuguang as Non-executive Director; Mr TENG Rongsong, Mr MAO Yong and Mr LIU Xiao Guang as Executive Directors; and Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony as Independent Non-executive Directors.