China Development Bank International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

Annual Report 2012

Contents

Corporate Information

DIRECTORS

Non-executive Director

Mr ZHANG Xuguang *(Chairman)*

Executive Directors

Mr TENG Rongsong *(Chief Executive Officer)*
Mr MAO Yong *(Chief Investment Officer)*
Mr LIU Xiao Guang

Independent Non-executive Directors

Mr WANG Xiangfei
Mr LU Gong
Mr FAN Ren Da, Anthony

COMPANY SECRETARY

Mr WONG Kwok Ho

AUDIT COMMITTEE

Mr ZHANG Xuguang
Mr WANG Xiangfei *(Chairman)*
Mr LU Gong

REMUNERATION COMMITTEE

Mr LIU Xiao Guang
Mr LU Gong *(Chairman)*
Mr FAN Ren Da, Anthony

NOMINATION COMMITTEE

Mr ZHANG Xuguang *(Chairman)*
Mr WANG Xiangfei
Mr FAN Ren Da, Anthony

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4506 – 4509
Two International Finance Centre
No. 8 Finance Street, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Bank of Communications Co., Ltd., Hong Kong Branch
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law
Freshfields Bruckhaus Deringer

As to the Cayman Islands Law
Conyers Dill & Pearman

INVESTMENT MANAGER

KBR Management Limited
Suite 3306
Two Exchange Square
Central
Hong Kong

CUSTODIAN

Orangefield Management (Hong Kong) Limited
6th Floor, St. John's Building
33 Garden Road, Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITE

www.cdb-intl.com
www.irasia.com/listco/hk/cdbintl

Chairman's Statement

"China Development Bank International Investment Limited ("**CDBII**" or the "**Company**")" 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 investment portfolios of the Company and its subsidiaries (collectively the "**Group**") by leveraging the established networks and relationships of China Development Bank Corporation ("**CDB**").

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. China Development Bank International Holdings Limited ("**CDBIH**") 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 People's Republic of China (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.

Finally, on behalf of the board of directors of the Company (the "**Board**" or "**Directors**"), I would like to extend my sincerest gratitude to our shareholders for their support to the Company. I would also like to thank members of the Board, the management and the staff for their contributions and diligence over the past year. In the meantime, I will continue to give my best effort to lead the Group in the continual pursuit of creating value for shareholders in the coming year.

By order of the Board
CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED

ZHANG Xuguang
Chairman

Hong Kong, 27 March 2013

Management Discussion and Analysis

The Board of Directors announces the audited results of the Group for the year ended 31 December 2012 (the "**Year**"). The audited results for the Year have been reviewed by the audit committee and audited by the auditor of the Company.

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 CDBIH, an indirect wholly-owned subsidiary of 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 and 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 HK$	Market value/ carrying amount as at 31 December 2012 HK$	Unrealised gain/(loss) recognized (Note 4) HK$	Dividend received/ receivable during the year HK$	Percentage to the Group's net assets as at 31 December 2012	Net assets attributable to the Company (Note 5) HK$ million
North Sea Rigs Holdings Limited ("**NSR Holdings**") (Note 1)	N/A	195,000,000	187,200,000	Not Applicable	–	17.84%	Not Applicable
Beijing Far East Instrument Company Limited ("**Beijing Far East**") (Note 2)	25%	47,766,128	63,980,558	16,214,430	1,074,674	6.10%	77.9
Capital Aihua (Note 3)	12%	31,808,623	37,133,167	5,324,544	–	3.54%	17.7
HSBC Holdings Plc ("**HSBC**") (HKEx stock code: 005)	Less than 0.1%	5,007,435	5,284,094	276,659	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	(96,898)	104,000	0.39%	4.6
Tencent Holdings Limited ("**Tencent**") (HKEx stock code: 700)	Less than 0.1%	3,021,552	3,859,500	837,948	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	(568,895)	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	(363,855)	188,320	0.36%	13.4
AIA Group Limited ("**AIA**") (HKEx stock code: 1299)	Less than 0.1%	2,989,253	3,478,750	489,497	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	120,430	125,876	0.29%	2.3

Notes:

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 unrealised gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2012.

5. 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 report, 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 LOI in respect of CDBII's proposed acquisition of Gateway, which is managed by 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. CDBIH 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.

Report of the Directors

The Board presents this report to the shareholders of the Company together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities at 31 December 2012 are set out in note 14 and 29, respectively, to the financial statements.

RESULTS

The results of the Group for the financial year ended 31 December 2012 are set out in the consolidated statement of comprehensive income as set out on page 35 of the annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is given on page 72 of the annual report.

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 page 32 of this annual report or the notice of AGM be dispatched 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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year ended 31 December 2012 are set out in note 21 to the financial statements. Please also refer to capital structure as set out on page 6 of the annual report.

RESERVES

Movements in the reserves of the Group and of the Company during the financial year ended 31 December 2012 are set out in the consolidated statement of changes in equity and note 28(b) to the financial statements.

DISTRIBUTABLE RESERVE

At 31 December 2012, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$853,665,114 (2011: HK$114,748,886).

DIRECTORS

The Directors of the Company during the financial year ended 31 December 2012 and up to the date of this report were:

Non-executive Director
Mr ZHANG Xuguang [Note 1] *(Chairman)*

Executive Directors
Mr TENG Rongsong [Note 1] *(Chief Executive Officer)*
Mr MAO Yong [Note 1] *(Chief Investment Officer)*
Mr LIU Xiao Guang [Note 2]
Mr Lawrence H WOOD [Note 3]
(also known as WU Yuk Shing or HU Xu Cheng)
Mr LIU Xue Min [Note 3]
Mr PAN Wentang [Note 3]
Mr GE Zemin [Note 3]

Independent Non-executive Directors
Mr WANG Xiangfei [Note 1]
Mr LU Gong [Note 1]
Mr FAN Ren Da, Anthony [Note 1]
Mr TO Chun Kei [Note 3]
Dr KWONG Chun Wai Michael [Note 3]
Mr FUNG Tze Wa [Note 3]

Notes:

1. appointed on 21 March 2012

2. resigned as chairman of the Board on 21 March 2012

3. resigned on 21 March 2012

Mr TENG Rongsong, Mr MAO Yong and Mr FAN Ren Da, Anthony will retire by rotation from the Board in accordance with Article 88 of the articles of association of the Company (the "**Articles**") at the AGM. Mr TENG Rongsong, Mr MAO Yong and Mr FAN Ren Da, Anthony, all being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 21 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the AGM.

EMOLUMENTS OF DIRECTORS

Please refer to Notes 9 and 10 of the audited consolidated financial statements for details of the emoluments of the Directors.

The emoluments payable to the Directors are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and the prevailing market rate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were required pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to any Directors or chief executive of the Company, as at 31 December 2012, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity	Nature of Interests	Number of issued shares of the Company held	Approximate percentage of the existing issued share capital of the Company
CDB (Note 1)	Interest of controlled corporation	Corporate interest	1,920,000,000	66.16%
China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) ("**CDBC**") (Note 1)	Interest of controlled corporation	Corporate interest	1,920,000,000	66.16%
CDBIH (Note 1)	Beneficial owner	Corporate interest	1,920,000,000	66.16%
Mr LIU Tong (Note 2)	Interest of controlled corporation	Corporate interest	163,702,560	5.64%
Yoobright Investments Limited (Note 2)	Beneficial owner	Corporate interest	163,702,560	5.64%

Notes:

1. CDBIH is a wholly-owned subsidiary of CDBC. CDBC is a wholly-owned subsidiary of CDB. Thus, CDB and CDBC are deemed to be interested in the same parcel of shares held by CDBIH.

2. Yoobright is beneficially and wholly owned by Mr LIU Tong. Mr LIU Tong is therefore deemed to be interested in the same parcel of shares held by Yoobright.

Save as disclosed above, at 31 December 2012, the Company had not been notified by any person, other than Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of Shares are exempted from Cayman Islands stamp duty.

(c) Professional tax advice recommended

Shareholders and intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2012, Mr ZHANG Xuguang held directorship in CDBIH and Mr ZHANG Xuguang, Mr TENG Rongsong and Mr MAO Yong held certain positions in CDB group, which engaged in the same business investment in Hong Kong and overseas as the Company. The potential conflicts of interest may arise in the allocation of investment opportunities to the Company and the other entities under CDB group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors is materially interested either directly or indirectly in any contract or arrangement entered into with any member of the Group which contract or arrangement is subsisting at any time during the year ended 31 December 2012 or as at 31 December 2012 and which is significant in relation to the business of the Group taken as a whole.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had conducted a review of their related party transactions as set out in note 22 of the financial statements and are satisfied that related party transactions which constitute connected transactions or continuing connected transactions were properly disclosed in accordance with the Listing Rules.

Employment Agreement

On 30 May 2012, the Company entered into an employment agreement (the "**Employment Agreement**") with Mr Lawrence H WOOD (also known as WU Yuk Shing or HU Xu Cheng) ("**Mr WOOD**"), pursuant to which, the Company agreed to employ Mr WOOD and Mr WOOD agreed to be employed by the Company to provide services to the Company as the managing director at the business retention division of the Company. Mr WOOD had been an executive Director of the Company until his resignation which took effect on 21 March 2012. Therefore, as at the date of such Employment Agreement, Mr WOOD was a Director of the Company within the preceding 12 months and was a connected person of the Company. The transaction contemplated under the Employment Agreement thus constitutes a connected transaction pursuant to Chapter 14A of the Listing Rules.

The term of the employment commenced on 21 March 2012 and continued henceforth, subject to any termination in accordance with the relevant provisions of the Employment Agreement. Mr Wood entitles to a monthly salary of HK$150,000.00 payable in arrears on or before the last day of each calendar month. During the year ended 31 December 2012, the Group has incurred salary of HK$1,398,387 (2011: nil) to Mr WOOD.

As the highest applicable percentage ratio calculated exceeds 0.1% but less than 5%, the Employment Agreement was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In accordance with rule 14A.38 of the Listing Rules, the auditor of the Company has performed certain agreed upon procedures in respect of the continuing connected transactions and reported that the transactions entered into:

(a) were approved by the Board of the Company;

(b) have been carried out in accordance with the terms of the relevant agreement governing the continuing connected transactions; and

(c) have not exceeded the relevant annual caps.

In accordance with rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company have reviewed and approved the continuing connected transactions and confirmed that the continuing connected transactions were carried out in accordance with the following principles:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms no less favourable than terms available from independent third parties;

(c) in accordance with the terms of the relevant agreement governing the continuing connected transactions; and

(d) on a fair and reasonable basis and in the interest of the Company and its shareholders as a whole.

Save as disclosed above, during the year ended 31 December 2012, the Group did not enter into any connected transactions or continuing connected transactions which require the compliance with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A "Connected Transactions" of the Listing Rules.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 February 2005 (the "**Share Option Scheme**"). As at 31 December 2012, pursuant to Rules 17.07 and 17.09 of the Listing Rules, the particulars in relation to the Share Option Scheme were as follows:

1. Purpose

To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company

2. Participants

Any director, employee, executive of the Company, or any subsidiaries from time to time of the Company

3. The total number of ordinary securities available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the annual report

64,711,400 ordinary shares, which represents 2.23% of the issued share capital at date of this annual report

4. Maximum entitlement of each participant

Not to exceed 1% of the issued share capital in any 12 month period

5. Period within which the securities must be taken up under an option

30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option

6. Minimum period for which an option must be held before it can be exercised

6 calendar months after the offer date of the relevant option

7. Amount payable on application or acceptance of the option

HK$10

8. Period within which payments or calls must or maybe made or loans for such purpose must be repaid

Not applicable

9. The basis of determining the exercise price

The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher

10. The remaining life of the share option scheme

Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme.

As at 31 December 2012, no option had been granted by the Company since the adoption of the Share Option Scheme. There are no options outstanding as at 1 January 2012 and 31 December 2012. During the year ended 31 December 2012, there were no share options exercised, lapsed or cancelled under the Share Option Scheme.

Save as disclosed above, none of the Directors or chief executive of the Company, or their respective associates had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the year ended 31 December 2012.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" above.

No options were granted to, or exercised by, the Directors during the year. There was no outstanding option granted to the Directors at the beginning and at the end of the year ended 31 December 2012.

Save as disclosed above, at no time during the financial year ended 31 December 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 24 to 32.

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 ended 31 December 2012.

INVESTMENTS

Details of the Group's investments as at 31 December 2012 are set out on pages 7 to 10.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2012.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

REVIEW OF THE ANNUAL RESULTS BY THE 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation or a confirmation letter of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITOR

The consolidated financial statements of the Company for the financial years ended 31 December 2010 and 31 December 2011 were audited by BDO Limited ("**BDO**"). BDO retired as auditor of the Group upon expiration of its term of office with effect from the close of the annual general meeting of the Company held on 15 June 2012, at which a resolution was passed to appoint Deloitte Touche Tohmatsu, Certified Public Accountants, ("**Deloitte**") as the auditor of the Company.

The consolidated financial statements for the year ended 31 December 2012 were audited by Deloitte who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment.

By Order of the Board
China Development Bank International Investment Limited

ZHANG Xuguang
Chairman

Hong Kong, 27 March 2013

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr ZHANG Xuguang *(Chairman)*

Mr ZHANG Xuguang, aged 48, has been appointed as a non-executive Director of the Company since 21 March 2012. He is also the chairman of the Board, the chairman of the nomination committee and a member of the audit committee of the Company. Mr ZHANG is the sole director of China Development Bank International Holdings Limited. Mr ZHANG has been the president of CDBC since August 2009. From 1998 to 2009, Mr ZHANG had been working at, in chronological order, the Market and Investment Business Bureau, Tianjin Branch, Administration Office and Guangxi Branch of CDB. Currently, Mr ZHANG is the chief investment officer of CDB. Before Mr ZHANG joined CDB, he had been working at China National Aero-Technology Import & Export Corporation and Hainan Heping Industry Co, Ltd. Mr ZHANG obtained an LL.B. degree from Peking University in 1986 and an LL.M. degree from Peking University in 1989. He has extensive experience in the management and operation of banks as well as substantial knowledge of relevant laws and regulations.

EXECUTIVE DIRECTORS

Mr TENG Rongsong *(Chief Executive Officer)*

Mr TENG Rongsong, aged 39, has been appointed as an executive Director of the Company since 21 March 2012. He is also the chief executive officer, the senior management of the Company. Mr TENG has been the chief investment officer of CDBC since November 2010. In September 2009, Mr TENG joined CDBC as managing director of Direct Investment Division I. From 1995 to 2009, he had been working at, in chronological order, the Information Centre, Administration Office, Market and Investment Business Bureau of CDB. Mr TENG is the director of CECEP Wind-Power Corporation and Loncin Motor Company Limited (listed on the Shanghai Stock Exchange, A shares stock code: 603766). Mr TENG had studied in the Electronics and Information System Department of Peking University from 1990 to 1995 and received a bachelor of science from Peking University. Mr TENG has extensive experiences in general corporate management, banking and finance and investment management.

Mr MAO Yong *(Chief Investment Officer)*

Mr MAO Yong, aged 36, has been appointed as an executive Director of the Company since 21 March 2012. He is also the chief investment officer, the senior management of the Company. Mr MAO has been the managing director of Direct Investment Division IV of CDBC since June 2011. Mr MAO had been served as deputy managing director, managing director of Risk Management Department of CDBC from January 2010 to June 2011. From July 1999 to August 2009, Mr MAO had been working at the North Eastern Credit Bureau, Market and Investment Business Bureau of CDB. Mr MAO obtained a Master's degree in economics from China Finance Institution in 1998, and a Master of Business Administration from the Chinese University of Hong Kong in 2006. Mr MAO has extensive experiences in finance as well as investment management.

Mr LIU Xiao Guang

Mr LIU Xiao Guang, aged 58, has been appointed as an executive Director of the Company since April 2004. He is also a member of the remuneration committee of the Company. Mr LIU obtained a bachelor's degree in economics from Beijing Commerce College in 1982. Mr LIU is currently the chairman of Beijing Capital Group Co., Ltd., a large-sized enterprise group under the direct supervision of Beijing Municipal People's Government. He is also the chairman of Beijing Capital Co. Ltd. (listed on the Shanghai Stock Exchange, stock code: 600008), which is an A-share company listed on the Shanghai Stock Exchange and is a water-supply and infrastructure investment company. Mr LIU is also the chairman of the board of directors of Beijing Capital Land Ltd. (listed on the Stock Exchange, stock code: 2868), which is an H-share company listed on the main board of the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties and medium to high-end residential properties. He is also the director of Beijing Capital (Hong Kong) Limited and an executive director of New Environmental Energy Holdings Limited (listed on the Stock Exchange, stock code: 3989). Mr LIU was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. He has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr LIU also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr WANG Xiang Fei

Mr WANG Xiang Fei, aged 61, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also the chairman of the audit committee and a member of the nomination committee of the Company. Mr WANG is the deputy chief financial officer of Sonangol Sinopec International Co., Ltd., the financial advisor of China Sonangol International Holding Limited, the executive director of Nan Nan Resources Enterprise Limited (listed on the Stock Exchange, stock code:1229) and the external supervisor of Shenzhen Rural Commercial Bank. Besides, Mr WANG assumes the office of the independent non-executive director of SEEC Media Group Limited (listed on the Stock Exchange, stock code: 205), and Shandong Chenming Paper Holdings Limited (listed both on the Stock Exchange and Shenzhen Stock Exchange, A shares stock code: 000488; B shares stock code: 200488; H shares stock code: 1812). From 2002 to 2008, Mr WANG had been the independent non-executive director of Tianjin Capital Environmental Protection Group Co. Ltd. (listed both on the Stock Exchange and Shanghai Stock Exchange, A shares stock code: 601874; H shares stock code: 1065), and Chongqing Iron & Steel Co. Ltd. (listed both on the Stock Exchange and Shanghai Stock Exchange, A shares stock code: 601005; H shares stock code: 1053). Mr WANG had also been the independent non-executive director of Shenzhen Rural Commercial Bank from 2006 to 2008. In addition, Mr WANG had spent many years at China Everbright Group. He had been the director and assistant general manager of China Everbright Holdings Company Limited from 1997 to 2002, and he had also been the executive director of a number of listed holding companies of the China Everbright Group and the chief executive officer of another public company. He also has worked in senior management teams of a couple of companies engaging in banking and other financial services. Mr WANG is a senior accountant, graduated from Renmin University of China, majoring in finance and received a bachelor degree in economics. Mr WANG had worked in the Faculty of the Finance Department of Renmin University of China. In the last three years, Mr WANG was an independent non-executive director of China CITIC Bank Co., Ltd (listed on the Stock Exchange and Shanghai Stock Exchange, A shares stock code: 601998; H shares stock code: 998).

Mr LU Gong

Mr LU Gong, aged 54, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. Currently, Mr LU is the managing director of Granton Asia Limited, whose principal businesses are investment and holding equities of the overseas hotels and apartments. Mr LU has also been the counsel to MTR Corporation Limited (listed on the Stock Exchange, stock code: 0066) as well as Airport Authority Hong Kong. Mr LU had been an executive director and the vice-chairman of New Rank City Development Limited (listed on the Stock Exchange, stock code: 0456). Mr LU had also worked for Unisys China Limited and Shell China Hong Kong Co., Limited and held senior management positions at Sino Group, Hong Kong Telecom and Granton Asia Limited. Mr LU has extensive experience in general management.

Mr FAN Ren Da, Anthony

Mr FAN Ren Da, Anthony, aged 52, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also a member of the remuneration committee and a member of the nomination committee of the Company. Mr FAN holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. Mr FAN is also the independent non-executive director of Technovator International Limited (listed on the Stock Exchange, stock code: 1206), Raymond Industrial Limited (listed on the Stock Exchange, stock code: 229), Shanghai Industrial Urban Development Group Limited (listed on the Stock Exchange, Stock Code: 563), Renhe Commercial Holdings Company Limited (listed on the Stock Exchange, stock code: 1387), Tenfu (Cayman) Holdings Limited (listed on the Stock Exchange, stock code: 6868), CITIC Resources Limited (listed on the Stock Exchange, stock code: 1205), Guodian Technology & Environment Group Corporation Limited (listed on the Stock Exchange, stock code: 1296), Uni-President China Holdings Limited (listed on the Stock Exchange, stock code: 220), Hong Kong Resources Holdings Company Limited (listed on the Stock Exchange, stock code: 2882) and Chi Cheung Investment Company Limited (listed on the Stock Exchange, stock code: 112). In the last three years, Mr FAN was an independent non-executive director of Shenzhen World Union Properties Consultancy Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 2285) and Chinney Alliance Group Limited (listed on the Stock Exchange, stock code: 385).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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 business 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 one of the management of the Company and also serves the Direct Investment Division IV of CDBC.

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 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 ended 31 December 2012.

BOARD OF DIRECTORS

As at 31 December 2012, the Board comprised seven Directors with one non-executive Director, namely Mr ZHANG Xuguang, the chairman of the Board, three executive Directors, namely Mr TENG Rongsong, Mr MAO Yong and Mr LIU Xiao Guang and three independent non-executive Directors, namely Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony. Each Director possesses expertise and experience and provides checks and balances for safeguarding the interests of the Group and the shareholders as a whole. Mr Wang Xiangfei, one of the three independent non-executive Directors, possess appropriate professional accounting qualifications and financial management expertise. The non-executive Director and the independent non-executive Directors, as equal board members, gave the board and the board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. The independent non-executive Directors had attended the general meeting of the Company and develop a balanced understanding of the views of shareholders. The biographical details of the current Directors are set out on pages 21 to 23 of this annual report.

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The independent non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each independent non-executive Director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, and the Board considers these independent non-executive Directors to be independent.

During the year ended 31 December 2012, the names of the Directors had been disclosed in all corporate communications of the Company with the independent non-executive Directors identified. Besides, the Company had maintained on the websites of the Company and the Stock Exchange an updated list of the Directors identifying their roles and functions and whether they are independent non-executive Directors.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. The Company held four regular Board meetings for a year. Notice of at least 14 days for each of the regular meetings was given to the Directors. The Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular Board meetings are sent out in full to all Directors at least 3 days before the meetings. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation. Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information in a timely manner, which enable the Board to make an informed decision on matters presented before it.

During the year ended 31 December 2012, nine full Board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each Director is set out below:

Name of Director	Number of entitled board meetings attended	Attendance rate
Non-executive Director		
Mr ZHANG Xuguang Note 1	4/6	66.67%
Executive Directors		
Mr TENG Rongsong Note 1	6/6	100.00%
Mr MAO Yong Note 1	5/6	83.33%
Mr LIU Xiao Guang Note 2	8/9	88.89%
Mr Lawrence H WOOD Note 3 *(also known as WU Yuk Shing or HU Xu Cheng)*	2/3	66.67%
Mr LIU Xue Min Note 3	2/3	66.67%
Mr PAN Wentang Note 3	2/3	66.67%
Mr GE Zemin Note 3	3/3	100.00%
Independent Non-executive Directors		
Mr WANG Xiangfei Note 1	6/6	100.00%
Mr LU Gong Note 1	5/6	83.33%
Mr FAN Ren Da, Anthony Note 1	6/6	100.00%
Mr TO Chun Kei Note 3	2/3	66.67%
Dr KWONG Chun Wai Michael Note 3	3/3	100.00%
Mr FUNG Tze Wa Note 3	3/3	100.00%

Notes:

1. appointed on 21 March 2012
2. resigned as chairman of the Board on 21 March 2012
3. resigned on 21 March 2012
4. Apart from the full Board meetings, for administration purpose, the chairman and the executive directors held meetings when necessary. During the Year, the Company had eleven meetings. Mr ZHANG Xuguang, Mr TENG Rongsong and Mr MAO Yong had involved ten meetings. Mr LIU XIAO Guang had involved four meetings. Mr Lawrence H WOOD had involved one meeting.

During the year ended 31 December 2012, the Company had arranged the professional training to the Directors to develop and refresh their knowledge and skills relevant to the directors' duties. All the Directors, including Mr ZHANG Xuguang, Mr TENG Rongsong, Mr MAO Yong, Mr LIU Xiao Guang, Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony had participated a training provided by the external legal professional, Freshfields Bruckhaus Deringer, on 9 March 2012.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2012, Mr ZHANG Xuguang and Mr TENG Rongsong were the chairman and chief executive officer of the Company respectively. The roles of the chairman and chief executive officer are segregated with a clear division of responsibilities and are not exercised by the same individual. The chairman of the Board, Mr ZHANG Xuguang, is a non-executive Director who is responsible for the leadership and effective running of the Board. The chief executive officer, Mr TENG Rongsong, is an executive Director who exercises all the powers, authorities and discretions that may be delegated to him by the Board in respect of the Group.

RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles. In accordance with the relevant provisions in the Articles, the appointment of Directors is considered by the Board and they must stand for election by shareholders at the annual general meetings.

NON-EXECUTIVE DIRECTORS

The non-executive Director and independent non-executive Directors of the Company are appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the provisions of the Articles.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three members, namely, Mr ZHANG Xuguang, Mr WANG Xiangfei and Mr LU Gong. The majority members of the Audit Committee are independent non-executive Directors. The chairman of the Audit Committee is Mr WANG Xiangfei, an independent non-executive Director of the Company. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The members of the Audit Committee meet regularly to review the reporting of financial and other information to shareholders, the system of internal control, risk management, the effectiveness and objectivity of the audit process. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The terms of reference of the Audit Committee which explained the role and the authority delegated to the Audit Committee by the Board was adopted and revised in 2012 and is available on the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2012.

During the year ended 31 December 2012, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of Audit Committee meetings attended	Attendance rate
Mr ZHANG Xuguang	1/2	50%
Mr WANG Xiangfei	2/2	100%
Mr LU Gong	2/2	100%

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") comprises three members, namely Mr LIU Xiao Guang, Mr LU Gong and Mr FAN Ren Da, Anthony. The majority members of the Remuneration Committee are independent non-executive Directors. The chairman of the Remuneration Committee is Mr LU Gong, an independent non-executive Director. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The terms of reference of the Remuneration Committee which explained the role and the authority delegated to the Remuneration Committee by the Board was adopted and revised in 2012 and is available on the websites of the Company and the Stock Exchange.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions of the Group and the desirability of performance-based remuneration. During the year ended 31 December 2012, the Remuneration Committee had made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

During the year ended 31 December 2012, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of Director	Number of Remuneration Committee meetings attended	Attendance rate
Mr LIU Xiao Guang [Note]	1/1	100%
Mr Mr LU Gong	1/1	100%
Mr FAN Ren Da, Anthony	1/1	100%

Notes: resigned as the chairman of the Remuneration Committee on 21 March 2012

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") comprises three members, namely Mr ZHANG Xuguang, Mr WANG Xiangfei and Mr FAN Ren Da, Anthony. The majority members of the Nomination Committee are independent non-executive Directors. The chairman of the Nomination Committee is Mr ZHANG Xuguang, chairman of the Board. The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The terms of reference of the Nomination Committee which explained the role and the authority delegated to the Nomination Committee by the Board was adopted in 2012 and is available on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2012, the Nomination Committee had reviewed the structure, size and composition of the Board including the Directors' skills, knowledge and experience.

During the year ended 31 December 2012, one Nomination Committee meeting was held and the individual attendance of each member is set out below:

Name of Director	Number of Nomination Committee meetings attended	Attendance rate
Mr ZHANG Xuguang	1/1	100%
Mr WANG Xiangfei	1/1	100%
Mr FAN Ren Da, Anthony	1/1	100%

AUDITOR'S REMUNERATION

Deloitte was appointed by the shareholders as the Company's auditor at the AGM 2012 held on 15 June 2012. The audit services engagement for 2012 had been reviewed and approved by the Audit Committee.

During the year 2012, the remuneration paid to Deloitte for the audit and non-audit services rendered to the Group were as follows:

	HK$
Interim review services [Note 1]	125,000
Annual audit services [Note 2]	720,000
Other non-audit services [Note 3]	100,000

Notes:

1. The external auditor had reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012.
2. The external auditor had provided the audit services to the Company for the year ended 31 December 2012.
3. The external auditor had provided tax compliance services and other services in relation to the review on results announcement and continuing connected transaction for the year ended 31 December 2012.

COMPANY SECRETARY

Pursuant to rule 3.29 of the Listing Rules, in each financial year the company secretary of the Company must take no less than 15 hours of relevant professional training. A person who was a company secretary of the Company Secretary on or after 1 January 2005 must comply with rule 3.29 of the Listing Rules for the financial year commencing on or after 1 January 2012. Mr WONG Kwok Ho, the company secretary of the Company confirmed that he had taken less than 15 hours of relevant professional training in accordance with rule 3.29 of the Listing Rules during the year ended 31 December 2012. Due to other business commitment, he had only taken several hours of the professional training organized by the Company's services providers for the financial year commenced on 1 January 2012 and ended 31 December 2012.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The Directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information of its business through the annual general meeting, the annual and interim reports, notices, announcements, circulars as well as Company's website.

On 15 June 2012, subsequent to the passing of a special resolution by the shareholders of the Company at the AGM 2012, the name of the Company had been changed from "New Capital International Investment Limited" to "China Development Bank International Investment Limited" and the memorandum and articles of association of the Company had been amended accordingly.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

Calling an extraordinary general meeting

Pursuant to the Articles 58, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at the principal place of business in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionst(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must (i) state the objects of the meeting, (ii) state the name(s) of the requisitionist(s), (iii) the contact details of the requisitionist(s), (iv) the number of ordinary shares of the Company held by the requisitionist(s), (v) be signed by the requisitionist(s) and (vi) be deposited at the Company's head office and principal place of business in Hong Kong at Suites 4506-4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

Putting enquiries to the Board

Shareholders of the Company may send their enquiries requiring the Board's attention to the company secretary of the Company at the Company's head office and principle office in Hong Kong. Questions about the procedures for convening or putting forward proposals at the annual general meeting or extraordinary general meeting may also be put to the company secretary by the same means.

Putting forward proposals at general meetings

Article 89 provides that no person, other than a retiring Director of the Company at the meeting, shall be eligible for election to the office of Director of the Company at any general meeting unless:

(i) such person is recommended by the Directors of the Company; or

(ii) a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined in the Articles) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a shareholder wishes to nominate a person to stand for election as a Director of the Company at any general meeting, the following documents must be validly served on the company secretary of the Company within the abovementioned period at the head office or at the Registered Office of the Company, namely:

(i) the shareholder's signed notice of intention to propose a person for election as Director of the Company at the general meeting;

(ii) a notice signed by the nominated candidate indicated his/her willingness to be appointed;

(iii) the candidate's information as required to be disclosed under rule 13.51(2) of the Listing Rules; and

(iv) the candidate's written consent to the publication of his/her personal information.

General meetings

During the financial year ended 31 December 2012, the Company had convened the AGM 2012 at Floor10, Winland International Finance Centre, No. 7 Financial Street, Xicheng District, Beijing, People's Republic of China held on 15 June 2012 at 10:00 a.m. At the AGM 2012, the shareholders of the Company had passed the ordinary resolutions in relation to (i) receive and consider the audited consolidated financial statements together with the reports of Directors and auditor of the Company for the year ended 31 December 2011; (ii) re-elect the retiring Directors and authorize the Board to fix the remuneration of the Directors; (iii) appoint Deloitte as the auditor of the Company and to authorize the Board to fix their remuneration; and (iv) grant the general mandate to the Directors to exercise the powers of the Company to issue and repurchase shares of the Company; as well as the special Resolution to approve the change of Company name. The individual attendance of each Director at the AGM 2012 is set out below:

Name of Director	Number of entitled general meeting attended	Attendance rate
Non-executive Director		
Mr ZHANG Xuguang	0/1	0%
Executive Directors		
Mr TENG Rongsong	1/1	100.00%
Mr MAO Yong	1/1	100.00%
Mr LIU Xiao Guang	1/1	100.00%
Independent Non-executive Directors		
Mr WANG Xiangfei	1/1	100.00%
Mr LU Gong	1/1	100.00%
Mr FAN Ren Da, Anthony	1/1	100.00%

The forthcoming annual general meeting of the Company will be held on Friday, 7 June 2013 at Floor 10, Winland International Finance Centre, No. 7 Financial Street, Xicheng District, Beijing, People's Republic of China at 11:00 a.m. As at the date of this report, the Company issued 2,902,215,360 ordinary shares of HK$0.01 each in the share capital of the Company.

INTERNAL CONTROLS

Mr WONG Kwok Ho, the qualified accountant who is also the company secretary of the Company had performed a review on the internal control systems of the Company during 2012. The report was submitted to the Audit Committee for review. The Board through the Audit Committee has conducted a review of the effectiveness of the internal control system of the Company annually which covers all material controls, including financial, operational and compliance control and risk management functions. The annual review is to ensure the reasonable assurance on the following areas:–

(i) control environment: organization structure, attitudes, awareness and actions in relation to the governance and management;

(ii) entity's risk assessment process;

(iii) information system;

(iv) control activities: segregation of duties, physical control activities, authorization and approval procedure, arithmetical and account, supervision, management information and general controls and monetary receipts and payments.

The Audit Committee had reviewed annually the need to establish internal audit function to improve the effectiveness of risk management, control and governance process.

The Board ensures the inside information is kept strictly confidential until the relevant announcement is made. The Directors are not aware any significant areas which need to brought to the attention of the shareholders of the Company.

During the year ended 31 December 2012, the compliance manual of the Company (the "**Compliance Manual**") applicable to the employees and the Directors was adopted in 2012. The Compliance Manual stated the policy of the Company in relation to the compliance responsibility, ethnical conduct, confidentiality, insider dealing, Chinese Walls, conflicts of interest, inducements, personal investment policy, anti-money laundering policy, complaints, criticisms and legal actions policy, whistleblowing policy and corporate governance policy. The Board determinates the policy for the corporate governance of the Company and the duties were performed by the Board.

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED
(FORMERLY KNOWN AS NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Development Bank International Investment Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 35 to 71, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements that give a true and fair view 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 and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 HK$	2011 HK$
Investment income	6	**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	7	**(404,495)**	(263,000)
Loss for the year attributable to owners of the Company	8	**(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)	12	**(0.35)**	(1.68)

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 HK$	2011 HK$
Non-current assets			
Property, plant and equipment	13	**28,088**	65,862
Interests in associates	14	**65,052,387**	64,108,384
Available-for-sale financial assets	15	**37,133,167**	31,808,623
Financial assets at fair value through profit or loss	16	**205,395,356**	13,043,394
		307,608,998	109,026,263
Current assets			
Financial assets at fair value through profit or loss	16	**36,970,473**	30,710,674
Other receivables, prepayments and deposits	17	**634,874**	1,845,618
Bank balances and cash	18	**716,941,605**	153,102,049
		754,546,952	185,658,341
Current liability			
Other payables and accruals	19	**11,193,752**	9,406,991
Net current assets		**743,353,200**	176,251,350
Total assets less current liability		**1,050,962,198**	285,277,613
Non-current liability			
Deferred taxation	20	**1,504,495**	1,100,000
Net assets		**1,049,457,703**	284,177,613
Capital and reserves			
Share capital	21	**29,022,154**	9,822,154
Reserves		**1,020,435,549**	274,355,459
		1,049,457,703	284,177,613
Net asset value per share	30	**0.362**	0.289

The financial statements on pages 35 to 71 were approved and authorised for issue by the directors on 27 March 2013.

DIRECTOR DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company							
	Share capital HK$	Share premium HK$	Special reserve (Note) HK$	Investment revaluation reserve HK$	Exchange reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2011	9,822,154	295,000,983	382,880,958	–	10,007,394	270,200	(400,371,036)	297,610,653
Loss for the year	–	–	–	–	–	–	(16,520,587)	(16,520,587)
Exchange differences arising on translation	–	–	–	–	3,087,547	–	–	3,087,547
Total comprehensive income (expense) for the year	–	–	–	–	3,087,547	–	(16,520,587)	(13,433,040)
At 31 December 2011	9,822,154	295,000,983	382,880,958	–	13,094,941	270,200	(416,891,623)	284,177,613
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(8,669,041)**	**(8,669,041)**
Change in fair value of available -for-sale financial assets	**–**	**–**	**–**	**5,324,544**	**–**	**–**	**–**	**5,324,544**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**624,575**	**–**	**–**	**624,575**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**5,324,544**	**624,575**	**–**	**(8,669,041)**	**(2,719,922)**
Issue of shares by placement (note 21)	**19,200,000**	**748,800,012**	**–**	**–**	**–**	**–**	**–**	**768,000,012**
At 31 December 2012	**29,022,154**	**1,043,800,995**	**382,880,958**	**5,324,544**	**13,719,516**	**270,200**	**(425,560,664)**	**1,049,457,703**

Note: This represents the difference between the amount recorded as share capital issued by the Company pursuant to a scheme of arrangement which became effective in April 2005 under section 166 of the Hong Kong Companies Ordinance in respect of ING Beijing Investment Company Limited ("**ING Beijing**") and the amount recorded for the share capital of ING Beijing acquired. ING Beijing was liquidated in November 2005.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$	2011 HK$
Operating activities		
Loss before tax	**(8,264,546)**	(16,257,587)
Adjustments for:		
Depreciation of property, plant and equipment	**35,319**	53,653
Written off of property, plant and equipment	**2,455**	–
Interest income	**(503,748)**	(77,318)
Share of results of associates	**(1,394,103)**	(1,825,168)
Change in fair value of financial assets at fair value through profit or loss	**(11,411,761)**	(24,537,817)
Operating cash flows before movements in working capital	**(21,536,384)**	(42,644,237)
Decrease in other receivables, prepayments and deposits	**1,210,744**	1,502,286
Increase (decrease) in other payables and accruals	**1,786,761**	(6,420,657)
Net cash used in operating activities	**(18,538,879)**	(47,562,608)
Investing activities		
Interest received	**503,748**	77,318
Dividend received from an associate	**1,074,675**	–
Purchases of property, plant and equipment	**–**	(34,149)
Purchase of financial assets at fair value through profit or loss	**(187,200,000)**	–
Net cash (used in) from investing activities	**(185,621,577)**	43,169
Cash from financing activity		
Proceeds from issue of shares	**768,000,012**	–
Net increase (decrease) in cash and cash equivalents	**563,839,556**	(47,519,439)
Cash and cash equivalents at the beginning of the year	**153,102,049**	200,621,488
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**716,941,605**	153,102,049

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. Its immediate 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**"). China Development Bank Corporation is a joint stock commercial bank established jointly by the Ministry of Finance ("**MOF**") and Central Huijin Investment Ltd ("**Huijin**"). The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Huijin was established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations on behalf of the PRC government. The address of registered office and principal place of business are disclosed in the company information of the annual report.

The principal activities of the Company and its subsidiaries (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. Details of the principal activities of the Company's subsidiaries are set out in note 29 to the financial statements.

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

- With regard to the measurement of financial liabilities designated as at 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 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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. 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 does not have material impact to the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits or losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses for tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("**FVTPL**"), available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement directly recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 25(c).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payable) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from amount as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management has made various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key sources of estimation uncertainty at end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial instruments

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market and making assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques commonly used by market practitioners are applied. The inputs are taken from observable markets where possible, but where this is not feasible, unobservable data is used based on the directors' judgement.

The Group's unlisted equity instruments that are classified as available-for-sale financial assets and carried at fair value with a carrying amount of HK$37,133,167 (2011: HK$31,808,623) as set out in note 15 are valued using generally accepted pricing models.

For the valuation of unlisted derivative financial instruments and unquoted convertible bonds that are classified as financial assets at fair value through profit or loss as set out in notes 16, appropriate assumptions are used based on unobservable data as adjusted for specific features of the instruments. The carrying amounts of these financial instruments are HK$205,395,356 (2011: HK$13,043,394).

5. 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 operation 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 area, which based on the operations of associates for interests in associates and the physical location of the property, plant and equipment:

	2012 **HK$**	2011 HK$
PRC	**65,052,387**	64,108,384
Hong Kong	**28,088**	65,862
	65,080,475	64,174,246

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.

6. INVESTMENT INCOME

	2012 **HK$**	2011 HK$
Dividend income from financial assets held for trading	**1,018,899**	623,390

7. 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 **HK$**	2011 HK$
Deferred taxation on withholding tax on undistributed earnings of associates		
Current year (note 20)	**404,495**	263,000

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

	2012 **HK$**	2011 HK$
Loss before taxation	**(8,264,546)**	(16,257,587)
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	**404,495**	263,000

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

	2012 HK$	2011 HK$
Loss for the year to owners of the Company has been arrived at after charging:		
Auditor's remuneration	**845,000**	620,000
Directors' fee (note 9)	**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	**9,512,406**	4,530,270
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 (note)	**1,344,979**	2,500,000
Legal and professional fees	**2,319,155**	5,424,386
Write-off of property, plant and equipment	**2,455**	–

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.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the directors of the Company and the chief executive were as follows:

	Directors' fee HK$	Basic salaries and other benefits HK$	Retirement benefit contributions HK$	Total HK$
For the year ended 31 December 2012				
Mr Zhang Xuguang	–	–	–	–
Mr Teng Rongsong (chief executive officer)	–	–	–	–
Mr Mao Yong	–	–	–	–
Mr Liu Xiao Guang	**93,276**	–	–	**93,276**
Mr Wang Xiangfei	**78,142**	–	–	**78,142**
Mr Lu Gong	**78,142**	–	–	**78,142**
Mr Fan Ren Da, Anthony	**78,142**	–	–	**78,142**
Mr Lawrence H. Wood (note)	**401,612**	–	–	**401,612**
Mr Liu Xue Min (note)	**15,135**	–	–	**15,135**
Mr Pan Wentang (note)	**15,135**	–	–	**15,135**
Mr Ge Zemin (note)	**15,135**	–	–	**15,135**
Mr To Chun Kei (note)	**50,287**	–	–	**50,287**
Mr Fung Tze Wa (note)	**50,287**	–	–	**50,287**
Dr Kwong Chun Wai Michael (note)	**50,287**	–	–	**50,287**
	925,580	–	–	**925,580**
For the year ended 31 December 2011				
Mr Liu Xiao Guang	34,100	–	–	34,100
Mr Lawrence H. Wood (note)	814,000	–	–	814,000
Mr Liu Xue Min (note)	34,100	–	–	34,100
Mr Pan Wentang (note)	34,100	–	–	34,100
Mr Ge Zemin (note)	34,100	–	–	34,100
Mr To Chun Kei (note)	113,300	–	–	113,300
Mr Fung Tze Wa (note)	113,300	–	–	113,300
Dr Kwong Chun Wai Michael (note)	113,300	–	–	113,300
	1,290,300	–	–	1,290,300

Note: Mr Lawrence H. Wood, Mr Liu Xue Min, Mr Pan Wentang and Mr Ge Zemin have resigned as executive directors of the Company, and Mr To Chun Kei, Mr Fung Tze Wa and Dr Kwong Chun Wai Michael have resigned as independent non-executive directors of the Company, with effect from 21 March 2012.

None of the directors (2011: nil) waived any emoluments for the year. No incentives were paid by the Group to the directors as inducement to join, or upon joining the Group, or as compensation for loss of office.

10. EMPLOYEES' EMOLUMENTS

For the year ended 31 December 2011, of the five individuals with the highest emoluments in the Group, one was the director whose emoluments are included in the disclosures in note 9 above. The director was resigned on 21 March 2012 and subsequently employed as an employee whose emoluments are included in the five highest paid individuals. The emoluments of the resigned director (excluding those emolument during his directorship) and the remaining four (2011: remaining four) highest paid individuals were as follows:

	2012 **HK$**	2011 HK$
Basic salaries and other benefits	**4,686,312**	1,950,155
Retirement benefits contributions	**37,250**	34,884
	4,723,562	1,985,039

Their emoluments were within the following bands:

	2012 **No. of** **individuals**	2011 No. of individuals
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**3**	–
	5	4

No incentive was paid by the Group to the above individuals as inducements to join, or upon joining the Group.

11. DIVIDENDS

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

12. LOSS PER SHARE

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

	2012 **HK$**	2011 HK$
Loss		
Loss for the year attributable to owners of the Company and loss for the purposes of basic loss per share	**(8,669,041)**	(16,520,587)

12. LOSS PER SHARE (continued)

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,482,543,229**	982,215,360

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture and fixtures HK$	Total HK$
COST			
At 1 January 2011	401,733	340,872	742,605
Additions	–	34,149	34,149
At 31 December 2011	**401,733**	**375,021**	**776,754**
Disposal/write-off	**–**	**(17,499)**	**(17,499)**
At 31 December 2012	**401,733**	**357,522**	**759,255**
DEPRECIATION			
At 1 January 2011	401,733	255,506	657,239
Provided for the year	–	53,653	53,653
At 31 December 2011	**401,733**	**309,159**	**710,892**
Provided for the year	**–**	**35,319**	**35,319**
Eliminated on disposal/write-off	**–**	**(15,044)**	**(15,044)**
At 31 December 2012	**401,733**	**329,434**	**731,167**
CARRYING VALUES			
At 31 December 2012	**–**	**28,088**	**28,088**
At 31 December 2011	–	65,862	65,862

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values at the following rates per annum:

Leasehold improvements	$33^{1}/_{3}$%
Furniture and fixtures	$33^{1}/_{3}$%

As at 31 December 2012, the Group had gross carrying amount of fully depreciated property, plant and equipment of HK$668,103 (2011: HK$624,953) that is still in use.

14. INTERESTS IN ASSOCIATES

	2012 HK$	2011 HK$
Unlisted shares, at cost	**125,766,128**	125,766,128
Share of post-acquisition results and other comprehensive income, net of dividend received	**(60,713,741)**	(61,657,744)
	65,052,387	64,108,384

Particulars of the Group's associates as at 31 December 2012 and 2011 are set out as follows:

Name of associate	Place of incorporation/ establishment and operation	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			31 December 2012	31 December 2011	**31 December 2012**	31 December 2011	
China Property Development (Holdings) Limited ("**CPDH**")	The Cayman Islands	PRC	**33.42%**	33.42%	**20.49%**	20.49%	Investment holding
Beijing Far East Instrument Company Limited	PRC	PRC	**25%**	25%	**25%**	25%	Manufacture of electronic and electrical instruments

Summarised financial information in respect of the Group's associates is set out below:

	2012 HK$	2011 HK$
Total assets	**589,703,707**	575,996,000
Total liabilities	**(330,574,330)**	(323,297,000)
Net assets	**259,129,377**	252,699,000
Group's share of net assets of associates	**65,052,387**	64,108,384

	2012 HK$	2011 HK$
Total income	**777,058,087**	835,311,000
Total expenses	**(768,810,209)**	(830,346,000)
Profit for the year	**8,247,878**	4,965,000
Group's share of results of associates	**1,394,103**	1,825,168
Group's share of other comprehensive income of associates	**624,575**	3,087,547

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$	2011 HK$
Available-for-sale investment comprises:		
Unlisted equity investment, at fair value	**37,133,167**	31,808,623

In 2010, the Group entered into an agreement ("**Agreement**") with Beijing Capital (Hong Kong) Limited ("Beijing Capital"), one of the shareholders of the Company, to acquire 12% equity interest in 首創愛華（天津）市政環境工程有限公司 (Note: For identification purpose, the English name of this company is Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. The official name of the company is in Chinese.) ("**Capital Aihua**") for a cash consideration of RMB28,970,000 (equivalent to HK$33,994,368).

Pursuant to the Agreement, Beijing Capital granted an option ("**Option**") to the Group that enables the Group to request Beijing Capital to reacquire the 12% equity interest in Capital Aihua at the cost of the acquisition plus a guaranteed return. The Option is a derivative financial instrument and was initially and subsequently measured at fair value. Details of the Option are set out in note 16.

Capital Aihua is an unlisted sino-foreign equity joint venture established in the PRC, which does not have a quoted market price in an active market. In prior years, the unlisted equity instrument classified as available-for-sale investment has been carried at cost less impairment which approximates the fair value whilst a put option that is linked to the securities of the same investee has been measured at fair value. During the current period, the directors have re-assessed the fair value measurement of the available-for-sale investment and determined that the available-for-sale investment should have been measured at fair value. The directors use their judgement in selecting an appropriate valuation technique to assess the fair values of both the available-for-sale investment and the Option.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 **HK$**	2011 HK$
Financial assets held for trading		
Equity securities listed in Hong Kong	**36,970,473**	30,710,674
Unlisted overseas warrant instrument (i)	**3,802,013**	–
Option (ii)	**14,393,343**	13,043,394
Investments designated at FVTPL		
Unlisted overseas senior secured guaranteed convertible notes (iii)	**187,200,000**	–
	242,365,829	43,754,068
Analysed to reporting purpose as		
Current assets	**36,970,473**	30,710,674
Non-current assets	**205,395,356**	13,043,394
	242,365,829	43,754,068

(i) On 29 October 2012, the Group has entered into a warrant instrument to purchase 991,445 preferred shares from an independent third party. Under the warrant instrument, the Group is entitled to purchase from the independent third party 991,445 preferred shares, at the exercise price of USD7.00 prior to 29 October 2014.

(ii) The Option is a derivative financial instrument arose from the acquisition of the 12% equity interest in Capital Aihua as disclosed in note 15 above.

(iii) On 28 December 2012, the Group subscribed senior, secured and guaranteed convertible notes issued by North Sea Rigs Holdings Limited ("**NSR Holdings**") denominated in USD. NSR Holdings is a company incorporated in the Cayman Islands. The convertible notes bear interest at 5.0% per annum on the principal amount of the convertible notes from the issue date to the final maturity date, which is the date falling three years after the issue date. The interest is payable semi-annually in arrears on the last day of each interest period. The carry amount of the convertible notes exceeded 10% of the assets of the Group at 31 December 2012.

The information of the fair values of financial assets designated at fair value through profit or loss is disclosed in note 25(c).

17. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2012 HK$	2011 HK$
Other receivables	**37,234**	82,938
Prepayments and deposits	**597,640**	1,762,680
	634,874	1,845,618

18. BANK BALANCES AND CASH

	2012 HK$	2011 HK$
Fixed deposits with banks with maturity less than three months	**608,011,737**	7,570,978
Cash at banks and in hand	**108,929,868**	145,531,071
	716,941,605	153,102,049

Bank balances and cash comprise short-term bank deposits carrying interest at prevailing deposits rates which range from 0.01% to 1.24% (2011: 0.01% to 0.44%) per annum.

19. OTHER PAYABLES AND ACCRUALS

	2012 HK$	2011 HK$
Project management fee payable	**8,481,104**	8,481,104
Other payables	**–**	48,687
Accrued operating expenses	**2,712,648**	877,200
	11,193,752	9,406,991

20. DEFERRED TAXATION LIABILITIES

As at 31 December 2012, the Group had unused tax losses of HK$95,652,039 (2011: HK$76,442,253) available for offset against future profits. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Movement on deferred taxation liabilities during the year is as follows:

	Undistributed profits of an associate HK$
At 1 January 2011	837,000
Recognised in profit or loss (note 7)	263,000
At 31 December 2011	1,100,000
Recognised in profit or loss (note 7)	404,495
At 31 December 2012	1,504,495

21. SHARE CAPITAL

	Number of shares	**Share capital** HK$
Shares of HK$0.01 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 2012	12,000,000,000	120,000,000
Issued and fully paid:		
At 1 January 2011 and 31 December 2011	982,215,360	9,822,154
Placement of shares	1,920,000,000	19,200,000
At 31 December 2012	2,902,215,360	29,022,154

Pursuant to the share subscription agreement dated 22 May 2011 entered into between the Company and China Development Bank Capital Corporation Ltd (國開金融有限責任公司), an intermediate holding company of the Company, an aggregate of 1,920,000,000 new shares were allotted and issued by the Company to China Development Bank International Holdings Limited at HK$0.40 per share on 21 March 2012.

22. RELATED PARTY TRANSACTIONS AND BALANCES

On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited ("**Orangefield**"). Orangefield is the custodian of the Group. During the year, the Group has incurred a custodian fee of HK$60,000 (2011: HK$60,000) to Orangefield. Custodian of the Group is also regarded as a connected party in accordance with paragraph 13 of Chapter 21 of the Listing Rules.

On 3 March 2008, the Group entered into an investment management agreement with KBR Management Limited ("**KBR**"). On 9 March 2012, the investment management agreement is renewed. KBR is the investment manager of the Group. During the year, the Group incurred a fee of HK$400,000 (2011: HK$400,000) to KBR. Investment manager of the Group is also regarded as a connected party in accordance with paragraph 13 of Chapter 21 of the Listing Rules.

On 30 May 2012, the Group entered into an employment agreement with Mr Lawrence H WOOD after resignation as a director of the Company. Mr Lawrence H WOOD would provide services to the Group on the terms and conditions set forth in the employment agreement. During the year, the Group has incurred salary of HK$1,398,387 excluding remuneration incurred during directorship (2011: nil) to Mr Lawrence H WOOD. Mr Lawrence H WOOD was a director of the Company within the preceding 12 months and is a connected person of the Group in accordance with the Listing Rules.

Compensation of key management personnel

The remuneration of directors of the Company and other members of the key management during the period was as follows:

	2012 **HK$**	2011 HK$
Short term benefits	**5,611,892**	3,240,455
Post-employment benefits	**37,250**	34,884
	5,649,142	3,275,339

23. CONTINGENT LIABILITIES

CPDH, an associate of the Group, had certain legal claims arising from the transactions relating to its former subsidiary, World Lexus Pacific Limited and one of its subsidiaries, Beijing Pacific Palace Real Estate Development Co., Limited. The arbitration proceedings were ended in November 2009. The tribunal made the final award of the arbitration proceedings in May 2010 (the "**Award**"). CPDH was required and had settled all the legal claims in accordance with the judgements in the Award. Accordingly, an additional amount of approximately HK$5,600,000 was paid and recognised in profit or loss of CPDH for the year ended 31 December 2011.

The directors of the Company, with reference to the information provided by the directors and lawyers of CPDH, were of the opinion that no further provision was required to be recognised in the consolidated financial statements of CPDH which have been accounted for by the Group under the equity method of accounting in the consolidated financial statements of the Group.

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Group reviews the capital structure periodically. As a part of this review, the directors consider the cost of capital and the associated risks. Based on the recommendations by the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 **HK$**	2011 HK$
Financial assets		
Available-for-sale financial assets	**37,133,167**	31,808,623
Financial assets at fair value through profit or loss		
Financial assets held for trading	**55,165,829**	43,754,068
Investments designated at FVTPL	**187,200,000**	–
	242,365,829	43,754,068
Loans and receivables		
Other receivables	**37,234**	82,938
Bank balances and cash	**716,941,605**	153,102,049
	716,978,839	153,184,987
Financial liability		
Financial liability at amortised cost		
Other payables	**8,481,104**	8,529,791

25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, financial assets at FVTPL, other receivables, bank balances and cash and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Foreign currency risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the operating costs denominated and settled in HK$. The Group's exposure to foreign currency risk primarily arises from investments denominated in USD against HK$ as functional currency. During the year, the Group did not have foreign currency hedging policy but management continuously monitors the foreign exchange exposure.

As USD is pegged to HK$, the Group does not expect any significant movements in the USD/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in HK$ is presented as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant movement in the USD/HK$ exchange rates at the reporting dates.

The Group is mainly exposed to fluctuation in the exchange rate of RMB. If the exchange rate of RMB against HK$ had been increased/decreased by 5%, the Group's loss for the year would decrease/increase by HK$720,000 (2011: decrease/increase by HK$652,000).

(ii) Other price risk

The Group is exposed to price risk through its investments in available-for-sale financial assets and financial assets at FVTPL. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Other price risk (continued)

Other price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of listed equity securities had been 20% (2011: 20%) higher/lower, loss for the year ended 31 December 2012 would decrease/increase by HK$7,394,095 (2011: HK$6,142,135) as a result of the changes in fair value of investment in equity securities held for trading.

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on the convertible notes. The Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on convertible notes and liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

25. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Other payables are the only financial liability of the Group and the balance as disclosed in note 25(a) is expected to be settled within one year.

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- The directors use their judgement in selecting an appropriate valuation technique in the measurement of the fair value of derivative instruments and embedded derivative instruments in convertible notes. The fair value is derived by using unobservable market data for comparable assets, and adjusted for differences between the investment and the referenced comparable including purchase price, market and industry conditions, current and projected operating performance;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

25. FINANCIAL INSTRUMENTS (continued)

(c) Fair values (continued)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$	**Level 2** HK$	**Level 3** HK$	**Total** HK$
2012				
Available-for-sale financial assets				
Available-for-sale investment	**–**	**–**	**37,133,167**	**37,133,167**
Financial assets at FVTPL				
Financial assets at FVTPL	**36,970,473**	**–**	**205,395,356**	**242,365,829**
	36,970,473	**–**	**242,528,523**	**279,498,996**
2011				
Available-for-sale financial assets				
Available-for-sale investment	–	–	31,808,623	31,808,623
Financial assets at FVTPL				
Financial assets at FVTPL	30,710,674	–	13,043,394	43,754,068
	30,710,674	–	44,852,017	75,562,691

There were no transfers between Levels 1, 2 and 3 in the current and prior years.

25. FINANCIAL INSTRUMENTS (continued)

(c) Fair values (continued)

Reconciliation of Level 3 fair value measurement of financial assets

	Available-for-sale investment HK$	**Financial assets at FVTPL** HK$	**Total** HK$
At 1 January 2011	31,808,623	2,185,745	33,994,368
Total gain in profit or loss	–	10,857,649	10,857,649
At 31 December 2011	31,808,623	13,043,394	44,852,017
Total gains:			
– in other comprehensive income	5,324,544	–	5,324,544
– in profit or loss	–	5,151,962	5,151,962
Purchases	–	187,200,000	187,200,000
At 31 December 2012	37,133,167	205,395,356	242,528,523

Of the total gains for the year included in profit or loss, HK$5,151,962 (2011: HK$10,857,649) relates to financial assets at FVTPL held at the end of the reporting period. Fair value gains or losses on financial assets at FVTPL are included in 'change in fair value of financial assets at fair value through profit or loss'.

Included in other comprehensive income is an amount of HK$5,324,544 (2011: nil) gain relate to available-for-sale investment held at the end of the reporting period and is reported as changes of 'investment revaluation reserve'.

26. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme (the "Scheme") under which the board of directors of the Company may grant options to the Group's employees, including directors, to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share. Maximum number of shares in respect of which options may be granted under the Scheme may not exceed 64,711,400 ordinary shares. Maximum entitlement for each participant under the Scheme is not permitted to exceed 1% of the issued share capital in any twelve month period. An amount of HK$10 is payable upon acceptance of an option as consideration and minimum period of six calendar months after the offer date of the relevant option must be held before it can be exercised.

The subscription price will be the highest of:

(a) the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotation sheet on the date of grant (being a business day);

(b) the average closing price of the shares of the Company as stated in the Stock Exchange of Hong Kong Limited's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares of the Company.

There were no options granted under the Scheme during the years ended 31 December 2012 and 2011. There are no outstanding options as at the end of the respective reporting period.

27. OPERATING LEASES

At the end of the reporting period, commitments for future minimum lease payments under non-cancellable operating leases which fall due are as follows:

	2012 HK$	2011 HK$
Within one year	**2,452,761**	2,964,306
In the second to fifth year inclusive	**1,460,445**	3,912,998
	3,913,206	6,877,304

Operating lease payments represent payable by the Group for office premises. Leases are negotiated for terms of one to three years (2011: one to three years) and rental are fixed from one to three years (2011: one to three years).

28. COMPANY STATEMENT OF FINANCIAL POSITION

(a) Financial information of the financial position of the Company

	2012 HK$	2011 HK$
Non-current assets		
Property, plant and equipment	**28,088**	65,862
Interests in subsidiaries	**25**	25
Financial assets at fair value through profit or loss	**191,002,013**	–
Amounts due from subsidiaries	**54,833,939**	54,806,953
	245,864,065	54,872,840
Current assets		
Financial assets at fair value through profit or loss	**36,970,473**	30,710,674
Other receivables, prepayments and deposits	**634,874**	1,840,626
Bank balances and cash	**716,929,273**	153,088,567
	754,534,620	185,639,867
Current liabilities		
Other payables and accruals	**11,070,752**	9,283,991
Amounts due to subsidiaries	**106,370,465**	106,387,476
	117,441,217	115,671,467
Net current assets	**637,093,403**	69,968,400
Net assets	**882,957,468**	124,841,240
Capital and reserves		
Share capital	**29,022,154**	9,822,154
Reserves	**853,935,314**	115,019,086
	882,957,468	124,841,240

28. COMPANY STATEMENT OF FINANCIAL POSITION (continued)

(b) Movement of capital and reserves of the Company

	Share capital HK$	Share premium HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2011	9,822,154	295,000,983	270,200	(151,357,103)	153,736,234
Loss for the year	–	–	–	(28,894,994)	(28,894,994)
At 31 December 2011	9,822,154	295,000,983	270,200	(180,252,097)	124,841,240
Loss for the year	–	–	–	(9,883,784)	(9,883,784)
Issue of shares by placement	19,200,000	748,800,012	–	–	768,000,012
At 31 December 2012	29,022,154	1,043,800,995	270,200	(190,135,881)	882,957,468

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 31 December 2012 and 2011 are as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Paid of issued ordinary share capital	Proportion of nominal value of issued ordinary share capital directly held by the Company 2012	2011	Principal activities
Pacific Equity Venture Inc.	British Virgin Islands ("**BVI**")	1 share of HK$1	**100%**	100%	Investment holding
Kencheers Investments Ltd.	BVI	1 share of HK$1	**100%**	100%	Investment holding
Legend Ocean Limited	BVI	1 share of US$1	**100%**	100%	Investment holding
Success Journey Ltd.	BVI	1 share of US$1	**100%**	100%	Investment holding
Grow Reach International Limited	BVI	1 share of US$1	**100%**	100%	Investment holding

None of the subsidiaries had issued any debt securities at the end of the year.

30. 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).

FIVE YEAR FINANCIAL SUMMARY

For the five year ended 31 December 2012

The consolidated results and assets and liabilities of the Group for the past five years:–

Results

	2012 **HK$**	2011 HK$	2010 HK$	2009 HK$	2008 HK$
Investment income	**1,018,899**	623,390	479,060	122,260	1,372,134
Loss before taxation	**(8,264,546)**	(16,257,587)	(7,426,497)	(10,689,725)	(33,956,826)
Assets and liabilities					
Non-current assets					
Property, plant and equipment	**28,088**	65,862	85,366	74,350	49,762
Interests in associates	**65,052,387**	64,108,384	59,195,669	65,536,834	70,773,138
Interests in jointly controlled entities	**–**	–	–	13,716,271	23,946,348
Loans to a jointly controlled entity	**–**	–	–	4,996,430	7,470,489
Available-for-sale financial assets	**37,133,167**	31,808,623	31,808,623	–	–
Financial assets at fair value through profit or loss	**205,395,356**	13,043,394	2,185,745	–	–
	307,608,998	109,026,263	93,275,403	84,323,885	102,239,737
Current assets					
Financial assets at fair value through profit or loss	**36,970,473**	30,710,674	17,030,506	19,594,361	18,029,500
Other receivables, prepayments and deposits	**634,874**	1,845,618	3,347,904	1,068,601	6,555,166
Cash and cash equivalents	**716,941,605**	153,102,049	200,621,488	83,143,139	72,471,934
	754,546,952	185,658,341	220,999,898	103,806,101	97,056,600
Current liability					
Other payables and accruals	**11,193,752**	9,406,991	15,827,648	10,878,715	12,231,227
Net current assets	**743,353,200**	176,251,350	205,172,250	92,927,386	84,825,373
Total assets less current liability	**1,050,962,198**	285,277,613	298,447,653	177,251,271	187,065,110
Non-current liability					
Deferred taxation	**1,504,495**	1,100,000	837,000	837,000	315,000
Net assets	**1,049,457,703**	284,177,613	297,610,653	176,414,271	186,750,110
Capital and reserves					
Share capital	**29,022,154**	9,822,154	9,822,154	6,820,940	6,820,940
Reserves	**1,020,435,549**	274,355,459	287,788,499	169,593,331	179,929,170
Total equity	**1,049,457,703**	284,177,613	297,610,653	176,414,271	186,750,110