



China Development Bank International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

Interim Report 2013



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# 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  
P.O. Box 609  
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 BANKERS

**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

## WEBSITES

[www.cdb-intl.com](http://www.cdb-intl.com)

[www.irasia.com/listco/hk/cdbintl](http://www.irasia.com/listco/hk/cdbintl)

# Management Discussion and Analysis

The board of directors (the “**Board**” or “**Directors**”) of China Development Bank International Investment Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2013 (the “**Period**”). The interim results for the Period have been reviewed by the audit committee and the auditor of the Company.

## OVERALL PERFORMANCE

For the Period, the Group recorded a loss of approximately HK\$10.66 million (30 June 2012: approximately HK\$8.85 million) which is principally attributable to the fragile investment environment, escalating general and administrative expenses attributed to the professional fees and charges on the potential possible transaction.

The investment income for the Period increased 1,809.4% from the same period last year to approximately HK\$5.13 million (30 June 2012: approximately HK\$0.27 million), primarily due to the interest income from the senior, secured and guaranteed convertible notes in North Sea Rigs Holdings Ltd (“**NSR Holdings**”).

For both the periods ended 30 June 2013 and 2012, 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 (the “**PRC**”) and Hong Kong.

The interest income was approximately HK\$2.47 million, representing an increase of 4,403.5% as compared to approximately HK\$0.05 million in the same period last year.

The gain in fair value of investments designated at fair value through profit or loss amounts to approximately HK\$6.04 million (30 June 2012: nil) was recorded in the Period, which was attributable to the senior, secured and guaranteed convertible notes in NSR Holdings.

The gain in fair value of financial assets held for trading amounts to approximately HK\$0.23 million (30 June 2012: approximately HK\$2.35 million) was recorded in the Period, which was attributable to the change in fair value of equity securities of companies listed on Stock Exchange of Hong Kong, warrants instrument in Shudong Investments Limited (“**Shudong**”), the embedded option value of investment in acquiring 12% equity interest of Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. (“**Capital Aihua**”).

The general and administrative expenses of the Group for the Period were approximately HK\$27.61 million (30 June 2012: approximately HK\$12.10 million). It is resulted from the increment in legal and professional fees on the possible transaction, as well as increase in number of employees.

The Group’s net asset value decreased from approximately HK\$1,049.46 million as at 31 December 2012 to approximately HK\$1,033.37 million as at 30 June 2013, with loss per share of HK0.37 cents (30 June 2012: HK0.43 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 30 June 2013, the cash and bank balance of the Group was approximately HK\$547.68 million (31 December 2012: approximately HK\$716.94 million). As almost 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 30 June 2013, 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 2012: zero), putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

### CAPITAL STRUCTURE

There is no change to the Group's capital structure for the Period.

### CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 30 June 2013, there were no charges on the Group's assets and the Group had no material capital commitment or any significant contingent liabilities (31 December 2012: nil).

As at 30 June 2013, 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 Period, the Company had not made any material acquisition and disposal of subsidiaries and associated companies.

## PORTFOLIO REVIEW

### Top Ten Investments

Particulars of top ten investments of the Group as at 30 June 2013 are set out as follows:

Name of investment	Proportion of the share/paid up capital owned	Carrying book cost up to 30 June 2013 HK\$	Market value/ carrying amount as at 30 June 2013 HK\$	Unrealised gain/ (loss) recognized (Note 5) HK\$	Dividend received/ receivable during the period HK\$	Percentage to the Group's net assets as at 30 June 2013	Net assets attributable to the Company (Note 6) HK\$ million
NSR Holdings (Note 1)	N/A	187,200,000	193,239,875	6,039,875	–	18.70%	N/A
Jinqiao Investments Limited ("Jinqiao") (Note 2)	N/A	156,000,000	156,000,000	N/A	–	15.09%	N/A
Beijing Far East Instrument Company Limited ("Beijing Far East") (Note 3)	25%	47,766,128	67,052,212	19,286,084	–	6.49%	80.0
Capital Aihua (Note 4)	12%	31,808,623	32,186,883	378,260	–	3.11%	15.4
HSBC Holdings Plc ("HSBC") (HKEx stock code: 005)	Less than 0.1%	5,007,435	5,280,844	273,409	90,816	0.51%	4.7
Hutchison Whampoa Limited ("Hutchison Whampoa") (HKEx stock code: 013)	Less than 0.1%	4,141,898	4,077,500	(64,398)	76,500	0.39%	4.7
AIA Group Limited ("AIA") (HKEx stock code: 1299)	Less than 0.1%	2,989,253	3,777,750	788,497	28,371	0.37%	2.0
Bank of China Limited ("BOC") – H Shares (HKEx stock code: 3988)	Less than 0.1%	4,169,855	3,509,000	(660,855)	–	0.34%	13.4
Industrial and Commercial Bank of China Limited ("ICBC") – H Shares (HKEx stock code: 1398)	Less than 0.1%	4,418,895	3,423,000	(995,895)	–	0.33%	11.2
Tencent Holdings Limited ("Tencent") (HKEx stock code: 700)	Less than 0.1%	1,926,945	3,042,000	1,115,055	15,500	0.29%	0.3

### 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. Jinqiao is a company incorporated in the British Virgin Islands and is an investment holding company, and its wholly owned subsidiary, Golden Bridge Holdings Limited, had acquired Zhonqpin, Inc., which is principally involved in trading meat and food processing, in pork and pork products, and vegetable and fruits in the PRC. The carrying amount of the inter-related loan and warrant are stated at fair value.
3. 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.
4. 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.
5. The unrealised gain/(loss) represented the changes in fair value of the respective investments during the Period.
6. 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 United States dollars (“**USD**”) 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 USD25 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.



## Management Discussion and Analysis

### Jinqiao

On 27 June 2013, the Company had entered into a facility agreement and a warrant instrument with Jinqiao in relation to a loan and warrant investment in Jinqiao (the “**Jinqiao Agreements**”). Under the Jinqiao Agreements, the Company provided a mezzanine facility having a total commitment of USD20 million to Jinqiao with a 20% interest rate per annum for 2 years. The Company also received the warrant issued by Jinqiao to entitle the Company to purchase the ordinary shares of Jinqiao at the exercise price of USD13.5 per ordinary share at any time before 27 June 2015 for an aggregate amount up to USD10 million. Under the Jinqiao Agreements, the proceeds were applied to provide working capital for the Golden Bridge after acquiring the shares of Zhongpin, Inc. for the purpose of privatization by way of a merger of Golden Bridge Merger Sub Limited, a wholly-owned subsidiary of Golden Bridge, into Zhongpin, Inc., with Zhongpin, Inc. be the surviving entity after such merger. Please refer to the announcement made by the Company for more details of the Jinqiao Agreement.

### 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 Period, Beijing Far East recorded its unaudited consolidated profit of approximately Renminbi (“**RMB**”) 11.61 million, an increase of approximately 11.7%, as compared with its unaudited consolidated profit of approximately RMB10.39 million for the six months ended 30 June 2012.

### 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 may exercise the option or dispose 12% equity interest in Capital Aihua in other ways as and when appropriate.

### China TransInfo

In 2012, Shudong acquired the shares of China TransInfo Technology Corporation (“**China TransInfo**”). China TransInfo, through its affiliate, China TransInfo Technology Group Co., Ltd., (the “**China TransInfo Technology**”) and its PRC operating subsidiaries, is primarily focused on providing urban and highway transportation management solutions and information services. It aims to become the largest provider of transportation information products and comprehensive solutions, as well as the largest real time transportation information platform operator and provider in China. Its carrying amount is stated at fair value.

On 29 October 2012, the Group has entered into a warrant instrument with Shudong to purchase 991,445 preferred shares (the "**Warrant Instrument**"). Under the Warrant Instrument, the Group is entitled to purchase preferred shares of Shudong, at the exercise price of USD7 prior to 29 October 2014. The Board had reviewed the status and the market position of Shudong and had decided to release the Warrant Instrument. As at the date of this report, the Company had entered into a deed of settlement (the "**Settlement Deed**") with Shudong in relation to discharge in full of all the liabilities and obligations of the Company under the Warrant Instrument. Under the Settlement Deed, Shudong will pay USD1 million to the Company on the third business day after the date of the Settlement Deed.

### LISTED INVESTMENTS REVIEW

#### Securities Investments

Given the financial assets held for trading were equity shares listed in the Stock Exchange, the Group intends to not increase its exposure to the stock market. Therefore, the Group did not trade any equities in secondary market during the Period, except for the disposal of entire shares of Hong Kong Exchanges and Clearing Limited ("**HK Exchange**") (HKEx stock code: 388) and some shares of Tencent Holdings Limited ("**Tencent**") (HKEx stock code: 700).

The Group disposed of 20,000 shares of HK Exchanges in the open market in May 2013, which represented the entire equity interest held by the Company in HK Exchanges for net proceeds of approximately HK\$2.65 million. To compare with the carrying value of approximately HK\$3.38 million at the end of month April 2013, the Group made an accounting loss on disposal of approximately HK\$0.73 million. In the same month, the Group also had a partial disposal of 5,500 shares of Tencent in the open market for net proceeds of approximately HK\$1.65 million. To compare with the carrying value of approximately HK\$1.06 million at the end of month April 2013, the Group made an accounting gain on disposal of approximately HK\$0.59 million.

As at 30 June 2013, the market value of the listed securities investments amounted to approximately HK\$31.54 million (31 December 2012: approximately HK\$36.97 million), due to the disposal of the abovementioned shares before interim period end, and the change in fair value of listed securities.

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 unaudited profit attributable to shareholders of HSBC for the period ended 30 June 2013 was approximately US\$10,284 million and the unaudited net assets attributable to shareholders of HSBC at 30 June 2013 was approximately USD174,070 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 unaudited profit attributable to shareholders of Hutchison Whampoa for the period ended 30 June 2013 was approximately HK\$12,398 million and the unaudited net assets attributable to shareholders of Hutchison Whampoa at 30 June 2013 was approximately HK\$401,659 million. The fair value of the investment in Hutchison Whampoa is based on quoted market bid prices.
- (c) AIA is principally engaged in the provision of individuals and businesses with products and services for insurance, protection, savings, investment and retirement needs. The unaudited profit attributable to shareholders of AIA for the period ended 31 May 2013 was approximately USD1,934 million and the unaudited net assets attributable to shareholders of AIA at 31 May 2013 was approximately USD27,172 million. The fair value of the investment in AIA is based on quoted market bid prices.

## Management Discussion and Analysis

- (d) 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.
- (e) 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 RMB238,532 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.
- (f) Tencent is principally engaged in the provision of internet and mobile value-added services and online advertising services. The unaudited profit attributable to shareholders of Tencent for the period ended 30 June 2013 was approximately RMB7,724 million and the unaudited net assets attributable to shareholders of Tencent as at 30 June 2013 was approximately RMB46,628 million. The fair value of the investment in Tencent is based on quoted market bid prices.

## EMPLOYEES

As at 30 June 2013, the Company had 19 employees. The total staff costs of the Group for the Period was approximately HK\$7.87 million (30 June 2012: approximately HK\$2.39 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 30 June 2013 and 31 December 2012. As at 30 June 2013, the Group's current ratio (current assets to current liabilities) was approximately 41.2 (31 December 2012: approximately 67.4). The ratio of total liabilities to total assets of the Group was approximately 1.6% (31 December 2012: approximately 1.2%).

## 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.



### FUTURE PROSPECTS

On 14 December 2012, the Company entered into a non-binding letter of intent (“**LOI**”) in respect of the Company’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 the Company. China Development Bank International Holdings Limited (“**CDBIH**”) is expected to remain as the sole controlling shareholder of the Company. 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.

On 14 March 2013, the Company published a voluntary announcement (“**Announcement**”) and informed its shareholders that the Company was still negotiating with Gateway and its investment manager, EIG, with regard to the possible transaction, and no Binding Agreements in relation to the possible transaction had been entered into as at the date of the Announcement.

On 7 August 2013, the Company published an announcement and informed its shareholders that the Company had ceased the negotiation with Gateway and EIG on the possible transaction due to commercial reasons. The termination of negotiation will have no material impact on the existing business operations and financial positions of the Company.

Ongoing financial crisis in the Eurozone and the fragile US economy continue to weigh down global economic growth and add uncertainties to the markets. Amid notable downward pressure facing the Chinese economy, Mainland China remains an important growth engine for both regional and global economies.

Looking ahead, the Directors will continue to take a prudent approach in managing the Group’s investment portfolio, explore other potential investment opportunities and develop the investment strategies. Given the present unclear economic and geopolitical backdrop as well as increasingly stiff competition, the Group will continue to look for investment opportunities which strengthen profitability under the acceptable risk in the portfolio of the Group.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June	
		2013 HK\$ (Unaudited)	2012 HK\$ (Unaudited)
Investment income	4	5,130,245	268,681
Change in fair value of financial assets held for trading		232,872	2,354,758
Change in fair value of investments designated at fair value through profit or loss		6,039,875	–
Interest income		2,470,262	54,852
General and administrative expenses		(27,608,551)	(12,095,006)
Share of results of associates		3,427,593	729,824
<b>Loss before taxation</b>		<b>(10,307,704)</b>	<b>(8,686,891)</b>
Income tax expense	5	(355,327)	(159,503)
<b>Loss for the period attributable to owners of the Company</b>	6	<b>(10,663,031)</b>	<b>(8,846,394)</b>
<b>Other comprehensive (expense) income</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Change in fair value of available-for-sale financial assets		(4,946,284)	(2,769,293)
Exchange differences arising on translation		(481,616)	3,195
Other comprehensive expense for the period		(5,427,900)	(2,766,098)
<b>Total comprehensive expenses for the period attributable to owners of the Company</b>		<b>(16,090,931)</b>	<b>(11,612,492)</b>
<b>Loss per share</b>			
– Basic (HK cents)	7	(0.37)	(0.43)



# Condensed Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	30 June 2013 HK\$ (Unaudited)	31 December 2012 HK\$ (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	14,144	28,088
Interests in associates	10	67,998,364	65,052,387
Available-for-sale financial assets	11	32,186,883	37,133,167
Financial assets at fair value through profit or loss	12	349,870,645	205,395,356
		<b>450,070,036</b>	307,608,998
<b>Current assets</b>			
Financial assets at fair value through profit or loss	12	50,471,997	36,970,473
Other receivables, prepayments and deposits		697,712	634,874
Amount due from immediate holding company	13	861,944	–
Bank balances and cash	14	547,678,551	716,941,605
		<b>599,710,204</b>	754,546,952
<b>Current liability</b>			
Other payables and accruals		(14,553,646)	(11,193,752)
		<b>585,156,558</b>	743,353,200
<b>Net current assets</b>			
		<b>1,035,226,594</b>	1,050,962,198
<b>Total assets less current liability</b>			
<b>Non-current liability</b>			
Deferred taxation		(1,859,822)	(1,504,495)
		<b>1,033,366,772</b>	1,049,457,703
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	15	29,022,154	29,022,154
Reserves		1,004,344,618	1,020,435,549
		<b>1,033,366,772</b>	1,049,457,703
<b>Net asset value per share</b>			
	19	<b>0.36</b>	0.36

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company							
	Share capital	Share premium	Special reserve	Investment revaluation reserve	Exchange reserve	Capital redemption reserve	Accumulated losses	Total
	HK\$	HK\$	(Note) HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2012 (Audited)	9,822,154	295,000,983	382,880,958	-	13,094,941	270,200	(416,891,623)	284,177,613
Loss for the period	-	-	-	-	-	-	(8,846,394)	(8,846,394)
Change in fair value of available-for-sale financial assets	-	-	-	(2,769,293)	-	-	-	(2,769,293)
Exchange differences arising on translation	-	-	-	-	3,195	-	-	3,195
Total comprehensive (expense) income for the period	-	-	-	(2,769,293)	3,195	-	(8,846,394)	(11,612,492)
Issue of shares by placement	19,200,000	748,800,012	-	-	-	-	-	768,000,012
At 30 June 2012 (Unaudited)	29,022,154	1,043,800,995	382,880,958	(2,769,293)	13,098,136	270,200	(425,738,017)	1,040,565,133
At 1 January 2013 (Audited)	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
Loss for the period	-	-	-	-	-	-	(10,663,031)	(10,663,031)
Change in fair value of available-for-sale financial assets	-	-	-	(4,946,284)	-	-	-	(4,946,284)
Exchange differences arising on translation	-	-	-	-	(481,616)	-	-	(481,616)
Total comprehensive expense for the period	-	-	-	(4,946,284)	(481,616)	-	(10,663,031)	(16,090,931)
At 30 June 2013 (Unaudited)	29,022,154	1,043,800,995	382,880,958	378,260	13,237,900	270,200	(436,223,695)	1,033,366,772

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.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	<b>Six months ended 30 June</b>	
	<b>2013</b> <b>HK\$</b> <b>(Unaudited)</b>	2012 HK\$ (Unaudited)
Net cash used in operating activities	<b>(15,733,316)</b>	(10,460,125)
<b>Investing activities</b>		
Interest received from bank deposits	<b>2,470,262</b>	46,825
Purchase of investments designated at fair value through profit or loss	<b>(156,000,000)</b>	–
<b>Net cash (used in) from investing activities</b>	<b>(153,529,738)</b>	46,825
<b>Cash from financing activity</b>		
Proceeds from issue of shares	–	768,000,012
Net (decrease) increase in cash and cash equivalents	<b>(169,263,054)</b>	757,586,712
Cash and cash equivalents at the beginning of the period	<b>716,941,605</b>	153,102,049
Cash and cash equivalents at the end of the period, representing bank balances and cash	<b>547,678,551</b>	910,688,761

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

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

The impacts of the application of these standards are set out below.

### **HKFRS 10 Consolidated Financial Statements**

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The application of HKFRS 10 does not have any material impact on the amounts recognised.



## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are made in accordance with the consequential amendments to HKAS 34 are set out in note 16. Other than the additional disclosures, the application of HKFRS 13 does not have any material impact on the amounts recognised.

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for 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 and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

## 3. SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the Company's executive directors. The Group's principal activity is investment in equity instruments and other financial instruments. For the purpose of resources allocation and assessment of performance, the CODM regularly reviews the Group's investment portfolio, including available-for-sale financial assets, financial assets at fair value through profit or loss. Information provided to the CODM includes fair value of the respective investees and the Group's financial assets at fair value through profit or loss portfolio are managed and evaluated on a total return basis. No other discrete financial information was provided to the CODM. Therefore no separate segment information is prepared by the Group.

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



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

### 3. SEGMENT INFORMATION (continued)

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

	<b>30 June 2013 HK\$ (Unaudited)</b>	31 December 2012 HK\$ (Audited)
People's Republic of China ("PRC")	<b>67,998,364</b>	65,052,387
Hong Kong	<b>14,144</b>	28,088
	<b>68,012,508</b>	65,080,475

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

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

### 4. INVESTMENT INCOME

	<b>Six months ended 30 June</b>	
	<b>2013 HK\$ (Unaudited)</b>	2012 HK\$ (Unaudited)
Dividend income from financial assets held for trading	<b>255,245</b>	268,681
Interest income from investment designated at fair value through profit or loss	<b>4,875,000</b>	–
	<b>5,130,245</b>	<b>268,681</b>

### 5. INCOME TAX EXPENSE

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

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.

	<b>Six months ended 30 June</b>	
	<b>2013 HK\$ (Unaudited)</b>	2012 HK\$ (Unaudited)
Deferred taxation on withholding tax on undistributed earnings of associates		
Current period	<b>355,327</b>	159,503

## 6. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss for the period attributable to owners of the Company has been arrived at after charging:

	Six months ended 30 June	
	2013 HK\$ (Unaudited)	2012 HK\$ (Unaudited)
Depreciation	13,944	19,172
Staff cost (including retirement benefits contribution)	7,871,377	2,392,433
Operating lease rentals in respect of rental premises	1,136,786	1,130,336

## 7. LOSS PER SHARE

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

	Six months ended 30 June	
	2013 HK\$ (Unaudited)	2012 HK\$ (Unaudited)
<b>Loss</b>		
Loss attributable to owners of the Company and loss for the purpose of basic loss per share	(10,663,031)	(8,846,394)

	2013	2012
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purpose of basic loss per share	2,902,215,360	2,058,259,316

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

## 8. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2013 (Six months ended 30 June 2012: nil). The directors of the Company do not recommend the payment of an interim dividend for the period.

## 9. PROPERTY, PLANT AND EQUIPMENT

There were no additions or disposals noted during the period (Six months ended 30 June 2012: HK\$2,456).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

### 10. INTERESTS IN ASSOCIATES

	<b>30 June 2013 HK\$ (Unaudited)</b>	31 December 2012 HK\$ (Audited)
Unlisted shares, at cost	<b>125,766,128</b>	125,766,128
Share of post-acquisition results and other comprehensive income, net of dividend received	<b>(57,767,764)</b>	(60,713,741)
	<b>67,998,364</b>	65,052,387

Particulars of the Group's associates as at 30 June 2013 and 31 December 2012 are set out as follows:

Name of associate	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			30 June 2013	31 December 2012	30 June 2013	31 December 2012	
China Property Development (Holdings) Limited ("CPDH")	The Cayman Islands	PRC	<b>33.42%</b>	33.42%	<b>20.49%</b>	20.49%	Investment holding
Beijing Far East Instrument Company Limited	PRC	PRC	<b>25%</b>	25%	<b>25%</b>	25%	Manufacture of electronic and electrical instruments

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

### 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2013 HK\$ (Unaudited)</b>	31 December 2012 HK\$ (Audited)
Available-for-sale investment comprises:		
Unlisted equity investment, at fair value	<b>32,186,883</b>	37,133,167

In 2010, the Group entered into an agreement (“**Agreement**”) with Beijing Capital (Hong Kong) Limited (“**Beijing Capital Hong Kong**”), 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**”) and the Option (as defined below) for a cash consideration of RMB28,970,000 (equivalent to HK\$33,994,368).

Pursuant to the Agreement, Beijing Capital Hong Kong granted an option (“**Option**”) to the Group that enables the Group to request Beijing Capital Hong Kong 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 12.

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. The directors use their judgement in selecting an appropriate valuation technique to assess the fair value of both the available-for-sale investment and the Option.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

### 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2013 HK\$</b>	31 December 2012 HK\$
Equity securities listed in Hong Kong <sup>1</sup>	<b>31,537,529</b>	36,970,473
Unlisted overseas warrant instrument <sup>1</sup> (i)	<b>630,770</b>	3,802,013
Option <sup>1</sup> (ii)	<b>18,934,468</b>	14,393,343
Unlisted overseas senior secured guaranteed convertible notes <sup>2</sup> (iii)	<b>193,239,875</b>	187,200,000
Unlisted overseas loan <sup>2</sup> and warrant instrument <sup>1</sup> and related put rights <sup>1</sup> (iv)	<b>156,000,000</b>	–
	<b>400,342,642</b>	242,365,829
Analysed to reporting purpose as		
Non-current assets	<b>349,870,645</b>	205,395,356
Current assets	<b>50,471,997</b>	36,970,473
	<b>400,342,642</b>	242,365,829

<sup>1</sup> The amounts represent financial assets held for trading.

<sup>2</sup> The amounts represent investments designated at fair value through profit or loss (“**FVTPL**”).

Certain financial assets of the Group are designated as FVTPL because the relevant financial assets constitute a group that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the portfolio is provided internally on that basis to the Group’s key management personnel.

- (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 independent third party 991,445 preferred shares, at the exercise price of United States dollar (“**USD**”) 7.00 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 11 above.
- (iii) On 28 December 2012, the Group subscribed senior, secured and guaranteed convertible notes issued by North Sea Rigs Holdings Limited denominated in USD. 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.
- (iv) On 27 June 2013, the Group had entered into a facility agreement and a warrant instrument relating to the related put rights with Jinqiao Investments Limited (“**Jinqiao**”). Under the warrant instrument, the Group has provided a mezzanine facility of USD20,000,000 to Jinqiao with a 20% interest rate per annum on outstanding balance for 2 years and received the warrant issued by Jinqiao to entitle the Group to subscribe for 740,740 ordinary shares of Jinqiao at the exercise price of USD13.50 per ordinary share at any time before 27 June 2015 for an aggregate exercise price up to USD10,000,000. As at 30 June 2013, the facility was fully drawn. As at 30 June 2013, the fair values of loan amount and warrant with related put rights amount are HK\$144,736,316 and HK\$11,263,684 respectively.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

### 13. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount due from immediate holding company is unsecured, interest-free and repayable on demand.

### 14. BANK BALANCES AND CASH

	<b>30 June 2013 HK\$ (Unaudited)</b>	31 December 2012 HK\$ (Audited)
Fixed deposits with banks with maturity less than three months	<b>455,214,107</b>	608,011,737
Cash at banks and in hand	<b>92,464,444</b>	108,929,868
	<b>547,678,551</b>	716,941,605

Bank balances and cash comprise short-term bank deposits carrying interest at prevailing deposits rates which range from 0.01% to 1.14% (31 December 2012: 0.01% to 1.24%) per annum.

### 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$</b>
Ordinary shares of HK\$0.01 each		
Authorised:	12,000,000,000	120,000,000
Issued and fully paid:		
As at 1 January 2012	982,215,360	9,822,154
Issued of shares by placement	1,920,000,000	19,200,000
As at 30 June 2012, 1 January 2013 and 30 June 2013	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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market 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); and
- 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).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2013	31 December 2012				
(i) Unlisted equity securities classified as available-for-sale financial assets	12% equity interest in Capital Aihua engaged in municipal and environmental consultancy services in China – HK\$32,186,883	12% equity interest in Capital Aihua engaged in municipal and environmental consultancy services in China – HK\$37,133,167	Level 3	Market comparable model.  The key inputs are price-to-book ratio and a discount for lack of marketability.	Price-to-book ratio of 3.66.  Discount for lack of marketability of 43%.	The higher the price-to-book ratio, the higher the fair value.  The higher the discount, the lower the fair value.
(ii) Listed equity securities classified as financial assets at FVTPL	Listed equity securities – HK\$31,537,529	Listed equity securities – HK\$36,970,473	Level 1	Quoted bid prices in an active market.	N/A	N/A

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2013	31 December 2012				
(iii) Unlisted overseas warrant instrument classified as financial assets at FVTPL	Unlisted warrant instrument to purchase 991,445 preferred shares – HK\$630,770	Unlisted warrant instrument to purchase 991,445 preferred shares – HK\$3,802,013	Level 3	Binomial Option Pricing Model and market comparable model.  The key inputs are share price, risk-free rate, volatility and a discount for lack of marketability.	Share price of US\$3.96.  Risk-free rate of 2.91%.  Volatility of share prices of 24.81%.  Discount for lack of marketability of 43%.	The higher the share price, the higher the fair value.  The higher the risk-free rate, the higher the fair value.  The higher the volatility, the higher the fair value.  The higher the discount, the lower the fair value.
(iv) Option classified as financial assets at FVTPL	Option arose from the acquisition of the 12% equity interest in Capital Aihua – HK\$18,934,468	Option arose from the acquisition of the 12% equity interest in Capital Aihua – HK\$14,393,343	Level 3	Binomial Option Pricing Model and market comparable model.  The key inputs are fair value of available-for-sale investment, risk-free rate and volatility.	Fair value of available-for-sale investment determined by inputs set out in (j) above.  Risk-free rate of 2.87%.  Volatility of share prices of 46.89%.	The higher the fair value of available-for-sale investment, the lower the fair value.  The higher the risk-free rate, the lower the fair value.  The higher the volatility, the higher the fair value.
(v) Unlisted overseas senior secured guaranteed convertible notes classified as financial assets at FVTPL	5% convertible notes issued by North Sea Rigs Holdings Limited – HK\$193,239,875	5% convertible notes issued by North Sea Rigs Holdings Limited – HK\$187,200,000	Level 3	Binomial Option Pricing Model and Discounted Cash Flow Model.  The key inputs are interest rate, risk-free rate and volatility.	Interest rate determined by the yield rate of the United States Industrial Bonds and credit premium.  Risk-free rate of 0.44%.  Volatility of share prices of 44.62%.	The higher the interest rate, the lower the fair value.  The higher the risk-free rate, the lower the fair value.  The higher the volatility, the higher the fair value.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

### 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2013	31 December 2012				
(vi) Unlisted overseas loan facility classified as financial assets at FVTPL	Unlisted loan facility of Jinqiao-HK\$144,736,316	N/A	Level 3	Discounted Cash Flow Model.  The key input is interest rate.	Interest rate of 28.51%.	The higher the interest rate, the lower the fair value.
(vii) Unlisted overseas warrant instrument and related put rights classified as financial assets at FVTPL	Unlisted warrant instrument and related put rights of Jinqiao-HK\$11,263,684	N/A	Level 3	Binomial Option Pricing Model.  The key inputs are risk-free rate and volatility.	Risk-free rate of 0.37%.  Implied volatility of the entity of 19.57%.	The higher the risk-free rate, the higher the fair value.  The higher the volatility, the higher the fair value.



## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

### 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 2013	37,133,167	205,395,356	242,528,523
Total gains recognised in profit or loss			
– change in fair value of financial assets held for trading	–	1,369,882	1,369,882
– change in fair value of investments designated at fair value through profit or loss	–	6,039,875	6,039,875
	–	7,409,757	7,409,757
Total losses recognised in other comprehensive income			
– change in fair value of available-for-sale financial assets	(4,946,284)	–	(4,946,284)
Purchases	–	156,000,000	156,000,000
At 30 June 2013	32,186,883	368,805,113	400,991,996

Of the total gains for the period included in profit or loss, HK\$7,409,757 relates to financial assets at FVTPL held at the end of the reporting period. Fair value gains on financial assets at FVTPL are included in 'change in fair value of financial assets held for trading' and 'change in fair value of investments designated at fair value through profit or loss'.

Included in other comprehensive income is an amount of HK\$4,946,284 loss relate to available-for-sale investment held at the end of the reporting period and is reported as changes of 'investment revaluation reserve'.

### Fair value measurements and valuation processes

The board of directors of the Company has delegated the valuation work to finance division, which is headed by the vice president of finance division of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuations half yearly. The finance division works closely with the qualified external valuers and rely on their professional advices to establish the appropriate valuation techniques and inputs to the model. The vice president of finance division reports the valuation report and findings to the board of directors of the Company, and explain the cause of fluctuations in the fair value of the assets and liabilities regularly.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

### 17. RELATED PARTY TRANSACTIONS

- (a) 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 period, the Group has incurred a custodian fee of HK\$30,000 (Six months ended 30 June 2012: HK\$30,000) to Orangefield.

On 9 March 2012, the Company entered into the amended and restated deed to investment management agreement with KBR Management Limited (“**KBR**”). During the period, the Group incurred a fee of HK\$266,667 (Six months ended 30 June 2012: HK\$200,000) to KBR.

- (b) On 30 May 2012, the Group entered into an employment agreement with Mr Lawrence H WOOD (also known as WU Yuk Shing or HU Xu Cheng) (“**Mr Wood**”) after his resignation as a director of the Company. Mr Wood would provide services to the Group on the terms and conditions set forth in the employment agreement.

For the six months ended 30 June 2012, the Group had incurred salary of HK\$498,387 excluding remuneration incurred during directorship to Mr Wood. Mr Wood was a director of the Company within the preceding 12 months for the six months ended 30 June 2012 and was a connected person of the Group in accordance with the Listing Rules for the six months ended 30 June 2012.

- (c) **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:

	Six months ended 30 June	
	2013 HK\$ (Unaudited)	2012 HK\$ (Unaudited)
Short term benefits	4,006,016	2,310,000
Post-employment benefits	198,377	18,000
	<b>4,204,393</b>	2,328,000

### 18. OPERATING LEASES

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

	30 June 2013 HK\$ (Unaudited)	31 December 2012 HK\$ (Audited)
	Within one year	2,193,672
In the second to fifth year inclusive	372,624	1,460,445
	<b>2,566,296</b>	3,913,206

## 19. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the condensed consolidated net assets of HK\$1,033,366,772 (31 December 2012: HK\$1,049,457,703) and 2,902,215,360 ordinary shares in issue as at 30 June 2013 (31 December 2012: 2,902,215,360 ordinary shares).

## 20. EVENT AFTER THE END OF THE REPORTING PERIOD

On 22 August 2013, the Group has entered into a deed of settlement relating to the warrant instrument as disclosed in note 12(i). Under the deed of settlement, the Group and the independent third party agreed to terminate the warrant instrument and release and discharge each other from all and any of its obligations thereunder in consideration of the payment by the independent third party to the Group of US\$1,000,000.

# Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF  
**CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED**  
(incorporated in the Cayman Islands with limited liability)

## Introduction

We have reviewed the condensed consolidated financial statements of China Development Bank International Investment Limited and its subsidiaries set out on pages 12 to 29 which comprise the condensed consolidated statement of financial position as of 30 June 2013, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

22 August 2013

# Other Information

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

As at 30 June 2013, 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 (the "SFO")), which were required, pursuant to Section 352 of the SFO, to be recorded 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 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 30 June 2013, 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 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
China Development Bank Corporation ("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 percentage 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 percentage of shares held by Yoobright.

Save as disclosed above, at 30 June 2013, 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.

## SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 February 2005 (the “**Share Option Scheme**”) under which the Board may, at its discretion, grant to any director, employee, executive or officer of the Company, or any director, employee, executive of any subsidiaries from time to time of the Company, to subscribe for the Company’s shares.

As at 30 June 2013, no option had been granted by the Company since the adoption of the Share Option Scheme. There are no share options outstanding as at 1 January 2013 and 30 June 2013. During the Period, 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 Period.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (30 June 2012: nil).

## 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 members of the Audit Committee meet regularly to review the reporting of financial and other information to the 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 make recommendations to the Board. The terms of reference of the Audit Committee were adopted and revised in 2012. The Audit Committee has reviewed the interim report, including the unaudited condensed consolidated interim financial information of the Group for the Period, which has also been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### 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 of the Company. 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 were adopted and revised in 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 were adopted in 2012. The Board has adopted the board diversity policy in 2013.

### 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 Period.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Period, the Directors believe that the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**Code Provisions**”) as set out in Appendix 14 to the Listing Rules, except for the Code Provision F.1.3.

Under the Code Provision F.1.3, 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 the chief investment officer of the Company. Mr BAI Zhe is one of the management of the Company.



## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiry by the Company, the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the Period.

## CHANGES IN DIRECTORS BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of Directors' biographical details since the date of the annual report of the Company for 2012 are as follows.

Mr WANG Xiangfei has retired as an independent non-executive director of 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) with effect from 15 May 2013.

Mr LU Gong has been appointed as an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (listed on the Stock Exchange, stock code: 3366) with effect from 19 April 2013.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## SUBSEQUENT EVENT

The subsequent event is set out in note 20 to the unaudited consolidated financial statements.

## ACKNOWLEDGMENT

On behalf of the Board, I would like to take this opportunity to express our appreciation to the external professionals to provide their professional services to the Group throughout the financial period. I would like to thank my fellow Directors for their valuable contribution and the staff of the Company for their commitment and dedicated services throughout the Period. I would like to express our gratitude to our shareholders for their support to the Group.

## Other Information

### DIRECTORS

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

By Order of the Board

**China Development International Investment Limited**

**ZHANG Xuguang**

*Chairman*

Hong Kong, 22 August 2013