# China Development Bank International Investment Limited

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1062)

## Annual Report 2013

# Contents

# Corporate Information

## DIRECTORS

### Non-executive Director

Mr ZHANG Xuguang *(Chairman)*

### Executive Directors

Mr TENG Rongsong *(Chief Executive Officer)*
Mr MAO Yong Note 1 *(Chief Investment Officer)*
Mr BAI Zhe Note 2
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

Notes:

1. resigned on 31 December 2013
2. appointed on 20 January 2014

## 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**
Level 22, Hopewell Centre
183 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 Fund Management Limited**
(Formerly known as KBR Management Limited)
(ceased on 28 February 2014)
Room 1403, Allied Kajima Building
138 Gloucester Road, Wanchai, 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

Dear Shareholders,

As compared with year 2012, a series of unfavourable events including European debt crisis and downgrade of US government credit rating happened, the performance of global investment market greatly improved in the year 2013. Enjoying the ongoing mild development of the global investment atmosphere, the Group successfully achieved profit for the fiscal year 2013.

Looking ahead, we expect the investment environment in the US and other advanced economies will extend the uptick from the year 2013. Anticipated mild and slow removal of excess liquidity will not cause significant influence of global investment market. In Asia, as the Chinese economy is maturing and a more sustainable development is desired, slower future growth levels are to be expected. The Group will continue to take a cautious approach in managing the Group's investment portfolio, explore other potential investment opportunities which strengthen profitability under the acceptable risk in the portfolio of the Group.

Finally, I would like to take this opportunity to extend my sincerest gratitude to our shareholders for their support. I would also like to thank members of the Board, the management and the staff for their diligence. Despite the turmoil in the international economy in 2013, our team has worked hard to confront the challenges head on and achieve its goals. I am confident that we will be able to achieve long-term sustainable returns for our shareholders by working together as a more mature and united team in the year ahead.

By the order of the Board
**CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED**

**ZHANG Xuguang**
*Chairman*

Hong Kong, 25 March 2014

# Management Discussion and Analysis

The board of directors (the "**Board**" or "**Directors**") of China Development Bank International Investment Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2013 (the "**Year**"). The audited consolidated 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 profit of approximately Hong Kong dollars ("**HK$**") 18.18 million (31 December 2012: loss of approximately HK$8.67 million) which is primarily attributable to the substantial increase in Group's investment income during the Year.

The investment income for the Year increased 2,616.31% from the last year to approximately HK$27.68 million (31 December 2012: approximately HK$1.02 million), primarily due to the coupon interests from the convertible notes, convertible bond as well as loan and warrant instrument during the Year.

For both the years ended 31 December 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 noncurrent assets (other than financial instruments) are located in People's Republic of China (the "**PRC**") and Hong Kong.

The interest income was approximately HK$4.11 million, representing an increase of 715.77% as compared to approximately HK$0.50 million last year.

The gain in fair value of financial assets held for trading amounts to approximately HK$28.79 million (31 December 2012: HK$11.41 million) was recorded in the Year, which was attributable to the change in fair value of equity securities of companies listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), warrants instrument in Shudong Investments Limited ("**Shudong**"), the exercise of embedded option of investment in acquiring 12% equity interest of Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. ("**Capital Aihua**"), unlisted warrant instrument and related put rights of Jinqiao Investments Limited ("**Jinqiao**"), and unlisted warrant of Yingde Gases Group Company Limited ("**Yingde Gases**").

The loss in fair value of investments designated at fair value through profit or loss amounts to approximately HK$8.34 million (31 December 2012: nil) was recorded in the Year, which were attributable to the change in fair value of senior, secured and guaranteed convertible notes in North Sea Rigs Holdings Limited ("**NSR Holdings**") convertible bonds of Yingde Gases and loan of Jinqiao.

The general and administrative expenses of the Group for the Year were approximately HK$38.61 million (31 December 2012: approximately HK$22.59 million). It is resulted from the increment in legal and professional fees on transactions as well as the staff costs.

The Group's net asset value increased from approximately HK$1,049.46 million as at 31 December 2012 to approximately HK$1,064.32 million as at 31 December 2013, with earnings per share of HK0.63 cents (31 December 2012: loss per share of HK0.35 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 2013, the cash and bank balance of the Group was approximately HK$442.73 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 2013.

As at 31 December 2013, the Group had no borrowings, 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 Year.

## CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 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 31 December 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 Year, 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 31 December 2013 are set out as follows:

| Name of investment | Proportion of the share/paid up capital owned | Carrying book cost up to 31 December 2013 HK$ | Market value/ carrying amount as at 31 December 2013 HK$ | Unrealised gain/ (loss) recognized (Note 5) HK$ | Dividend received/ receivable during the year HK$ | Percentage to the Group's net assets as at 31 December 2013 | Net assets attributable to the Company (Note 6) HK$ million |
|---|---|---|---|---|---|---|---|
| Yingde Gases (HKEx stock Code: 2168) (Note 1) | N/A | 195,000,000 | 194,876,357 | (123,643) | – | 18.31% | N/A |
| NSR Holdings (Note 2) | N/A | 187,200,000 | 179,203,034 | (7,996,966) | – | 16.84% | N/A |
| Jinqiao (Note 3) | N/A | 156,000,000 | 129,241,070 | (26,758,930) | – | 12.14% | N/A |
| Beijing Far East Instrument Company Limited ("**Beijing Far East**") (Note 4) | 25% | 47,766,128 | 70,545,621 | 22,779,493 | 1,606,425 | 6.63% | 84.3 |
| HSBC Holdings Plc ("**HSBC**") (HKEx stock code: 005) | Less than 0.1% | 4,280,041 | 5,469,329 | 1,189,288 | 242,006 | 0.51% | 4.9 |
| Hutchison Whampoa Limited ("**Hutchison Whampoa**") (HKEx stock code: 013) | Less than 0.1% | 4,141,898 | 5,270,000 | 1,128,102 | 106,500 | 0.50% | 5.0 |
| Tencent Holdings Limited ("**Tencent**") (HKEx stock code: 700) | Less than 0.1% | 1,926,945 | 4,946,000 | 3,019,055 | 15,500 | 0.47% | 0.3 |
| AIA Group Limited ("**AIA**") (HKEx stock code: 1299) | Less than 0.1% | 2,989,253 | 4,473,500 | 1,484,247 | 44,390 | 0.42% | 1.9 |
| Industrial and Commercial Bank of China Limited ("**ICBC**") – H Shares (HKEx stock code: 1398) | Less than 0.1% | 4,418,895 | 3,668,000 | (750,895) | 189,680 | 0.34% | 12.0 |
| Ping An Insurance (Group) Company of China Limited ("**Ping An**") – H shares (HKEx Stock code: 2318) | Less than 0.1% | 3,007,219 | 3,055,800 | 48,581 | 27,570 | 0.29% | 3.5 |

*Notes:*

1. Yingde Gases is a company incorporated in the Cayman Islands and listed on the Stock Exchange. Its principal activities is the production and sales of industrial gases. The carrying amount of the convertible bonds and warrant instrument are stated at fair value.

2. 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.

3. 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 Zhongpin, Inc., which is principally involved in trading meat and food processing, 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.

4. 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.

5. The unrealised gain/(loss) represented the changes in fair value of the respective investments during the Year.

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

### Yingde Gases

On 24 November 2013, the Group and Yingde Gases had entered into the investment agreement whereby Yingde Gases issued and the Group subscribed for (i) the principal amount of United States dollars ("**US$**") $25,000,000 8% coupon convertible bond due 2015; and (ii) at nil consideration, 18,953,853 warrant exercisable to purchase ordinary shares of US$0.000001 each in the capital of Yingde Gases.

### 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.

## 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 US$20 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 US$13.5 per ordinary share at any time before 27 June 2015 for an aggregate amount up to US$10 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.

## 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, Beijing Far East recorded its unaudited consolidated profit of approximately Renminbi ("**RMB**") 19.40 million, an increase of approximately 47.9%, as compared with its unaudited consolidated profit of approximately RMB13.12 million for the year ended 31 December 2012.

## Capital Aihua

In November 2010, the Group invested approximately RMB28.97 million in acquiring 12% equity interest of in 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. After the management of the Company has reviewed the status and the market position of Capital Aihua, the option has been exercised in November 2013 and the investment has been disposed.

## Shudong

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 US$7 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. On 28 August 2013, 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 has paid US$1 million to the Company on 31 August 2013.

## LISTED INVESTMENTS REVIEW

### Securities Investments

Given the financial assets held for trading were equity shares listed on the Stock Exchange, the Group intends not to increase its exposure to the stock market. Therefore, the Group did not trade any equities in secondary market during the Year, except for the disposal of listed shares.

During the Year, the disposal included entire shareholdings of Hong Kong Exchanges and Clearing Limited (HKEx stock code: 388), amounted to 20,000 shares, 5,500 shares of Tencent (HKEx stock code: 700), 40,000 shares of ZTE Corporation (HKEx stock code: 763), 70,000 shares of CNOOC Limited (HKEx stock code: 883) and 1,100,000 shares of Bank of China Limited (HKEx stock code: 3988).

To compare with the cost, approximately HK$1.47 million losses on disposal have been recognized by the Group cumulatively.

As at 31 December 2013, the market value of the listed securities investments amounted to approximately HK$32.07 million (31 December 2012: approximately HK$36.97 million), resulting from the change in fair value of listed securities and the disposal of the abovementioned shares before year end.

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 was approximately US$16,204 million and the audited net assets attributable to shareholders of HSBC as at 31 December 2013 was approximately US$181,871 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 was approximately HK$31,112 million and the audited net assets attributable to shareholders of Hutchison Whampoa as at 31 December 2013 was approximately HK$426,609 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 was approximately RMB15,502 million and the audited net assets attributable to shareholders of Tencent as at 31 December 2013 was approximately RMB57,945 million. The fair value of the investment in Tencent is based on quoted market bid prices.

(d) 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 2013 was approximately US$2,822 million and the audited net assets attributable to shareholders of AIA as at 30 November 2013 was approximately US$24,831 million. The fair value of the investment in AIA 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 unaudited profit attributable to shareholders of ICBC for the period ended 30 June 2013 was approximately RMB138,347 million and the unaudited net assets attributable to shareholders of ICBC as at 30 June 2013 was approximately RMB1,171,507 million. The fair value of the investment in ICBC is based on quoted market bid prices.

(f) Ping An is principally engaged in the provision of life insurance, property and casualty insurance, banking and other financial services. The audit profit attributable to shareholders of Ping An for the Year was approximately RMB28,154 million and the audited net assets attributable to shareholders of Ping An as at 31 December 2013 was approximately RMB182,709 million. The fair value of the investment in Ping An is based on quoted market bid prices.

## EMPLOYEES

As at 31 December 2013, the Company had 13 employees. The total staff costs of the Group for the Year was approximately HK$16.43 million (31 December 2012: approximately HK$8.59 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 2013 and 31 December 2012. As at 31 December 2013, the Group's current ratio (current assets to current liabilities) was approximately 79.2 (31 December 2012: approximately 67.4). The ratio of total liabilities to total assets of the Group was approximately 0.8% (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

In respect of the United States economic performance, it is widely expected that, remain on track and progressing steadily, while some of the Euro Zone countries are starting to show signs of recovery; however, the market is still worrying about the removal of excess liquidity gradually by United States Federal Reserve with taping off Quantitative Easing in the near future.

Mainland China economy is likely to grow steadily in 2014, remains an important growth engine for both regional and global economies. The PRC's authorities have expressed confidence in their ability to maintain China's sustainable and healthy economic development in the long term. The People's Bank of China will support economic growth by continuing to adjust its monetary policy in the short term. The Group believes that low interest rates and ample liquidity will continue to prevail throughout 2014.

Hong Kong's economy is strongly influenced by the external economic environment, and it is expected to remain steady in 2014.

Looking forward, the management believes that the Hong Kong and Mainland China market environments remain challenging. In order to improve the performance of the Group and deliver the best returns to shareholders, the Group will continue to look for investment opportunities which strengthen profitability under the acceptable risk in the portfolio of the Group. The management will continue to closely monitor the market situation and enhance all areas of operation, to raising levels of financial discipline and improving profitability within the Group.

# Report of the Directors

The Board of the Company presents this report to the shareholders of the Company together with the audited consolidated financial statements of the Group for the Year.

## 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 2013 are set out in notes 14 and 28, respectively, to the financial statements.

## RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income as set out on page 34 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 78 of the annual report.

## DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2012: nil).

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Thursday, 19 June 2014 (the "**AGM**"). For further details of the AGM, please refer to page 31 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 16 June 2014. The register of members of the Company will be closed from Tuesday, 17 June 2014 to Thursday, 19 June 2014 (both dates inclusive), during which period 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 Thursday, 19 June 2014 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 Year 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 Year are set out in the consolidated statement of changes in equity and note 27(b) to the financial statements.

## DISTRIBUTABLE RESERVE

At 31 December 2013, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$861,801,659 (2012: HK$853,665,114).

## DIRECTORS

The Directors of the Company during the financial year ended 31 December 2013 and up to the date of this report were:

*Non-executive Director*
Mr ZHANG Xuguang *(Chairman)*

*Executive Directors*
Mr TENG Rongsong *(Chief Executive Officer)*
Mr MAO Yong [Note 1] *(Chief Investment Officer)*
Mr BAI Zhe [Note 2]
Mr LIU Xiao Guang

*Independent Non-executive Directors*
Mr WANG Xiangfei
Mr LU Gong
Mr FAN Ren Da, Anthony

*Notes:*

1. resigned on 31 December 2013

2. appointed on 20 January 2014

Mr WANG Xiangfei and Mr LU Gong 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. Further, Mr BAI Zhe, the newly appointed by the Board as the Director on 20 January 2014, will also retire from office at the AGM in accordance with Article 87(3) of the Articles and, being eligible, will offer himself for re-election as Director of the Company at the AGM. Mr BAI Zhe, Mr WANG Xiangfei and Mr LU Gong, 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 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 ("**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 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 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 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 |
|---|---|---|---|---|
| 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% |
| China Development Bank International Holdings Limited ("**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 31 December 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.

## 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 Shares.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2013, 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 businesses of 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

On 15 November 2013, the transfer of 12% equity interests of Capital Aihua from Legend Ocean Limited ("**Legend Ocean**"), the wholly-owned subsidiary of the Company, to Beijing Capital (Hong Kong) Limited ("**Beijing Capital Hong Kong**"), the transferee, at the transfer price of RMB42,006,500 (approximately HK$53,033,153) be confirmed through a public auction process in Shanghai United Assets and Equity Exchange. On 29 November 2013, Legend Ocean and Beijing Capital Hong Kong had entered into the Shanghai asset transfer agreement in relation to the above mentioned shares transfer. Mr LIU Xiao Guang is the director of Beijing Capital Hong Kong.

Save as disclosed above, 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 or as at 31 December 2013 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 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.

During the year ended 31 December 2013, 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 2013, 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 2013, no option had been granted by the Company since the adoption of the Share Option Scheme. There were no options outstanding as at 1 January 2013 and 31 December 2013. During the Year, 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.

## 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.

Save as disclosed above, at no time during the Year 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 31.

## 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.

## INVESTMENTS

Details of the Group's investments as at 31 December 2013 are set out on pages 7 to 11.

## BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2013.

## 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 2013 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 year ended 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 years ended 31 December 2012 and 31 December 2013 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, 25 March 2014

# Biographical Details of Directors and Senior Management

## NON-EXECUTIVE DIRECTOR

### Mr ZHANG Xuguang *(Chairman)*

**Mr ZHANG Xuguang**, aged 49, has been appointed as an 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 CDBIH. Mr ZHANG has been the executive vice president of CDB since September 2013. He served as the president of CDBC from August 2009 to December 2013. 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. Mr ZHANG was 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 40, 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. Currently, Mr TENG is the president of CDBIH. Mr TENG has been the chief investment officer of CDBC since November 2010. In September 2009, Mr TENG joined CDBC as the 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 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. In the last three years, Mr TENG was the director of CECEP Wind-Power Corporation and Loncin Motor Company Limited (listed on the Shanghai Stock Exchange, A shares stock code: 603766).

### Mr BAI Zhe

**Mr BAI Zhe**, aged 37, has been appointed as an executive Director of the Company since 20 January 2014. Mr BAI joined the Company in July 2012 as the managing director of the Company. He is also the chief operating officer of CDBIH. Mr BAI has been appointed as the division head of International Business Division of CDBC since January 2014. Prior to that, Mr BAI served as the deputy division head of Direct Investment Division IV of CDBC from 2011 to 2013. From 1998 to 2011, Mr BAI had been working at, in chronological order, Tianjin Branch, a working mission of South America, Hong Kong Branch and International Finance Department of CDB. Mr BAI obtained a Bachelor's degree in Law from Xiamen University in 1998. Mr BAI has extensive experience in general corporate management, international banking, finance and investment management.

### Mr LIU Xiao Guang

**Mr LIU Xiao Guang**, aged 59, 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 degree in economics from Beijing Commerce College in 1982. Mr LIU is currently the chairman of Beijing Capital Group Co., Ltd. ("**The Capital Group**"), 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 a 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, an executive director of New Environmental Energy Holdings Limited (listed on the Stock Exchange, stock code: 3989) and a non-executive director of Juda International Holdings Limited (listed on the Stock Exchange, stock code: 1329). From 1995 to 2012, Mr LIU served as the vice-chairman and the general manager of The Capital Group. 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 Xiangfei

**Mr WANG Xiangfei**, aged 62, 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 vice 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 is also the independent non-executive director of SEEC Media Group Limited (listed on the Stock Exchange, stock code: 205). Mr WANG 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 six 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) and was 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) for three years.

## Mr LU Gong

**Mr LU Gong**, aged 55, 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. He is also an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (listed on the Stock Exchange, stock code: 3366). 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 53, 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 Holdings 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 LT Holdings Limited (formerly known as 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).

# CHANGE OF DIRECTOR

Mr MAO Yong retired as an executive director of the Company on 31 December 2013 to devote more time to his personal developments.

# Corporate Governance Report

## CORPORATE GOVERNANCE CODE

Throughout the Year, the Directors believe that the Company complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules for the Year, except for the Code Provisions A.2.7 and F.1.3 of the CG Code.

Under the Code Provision A.2.7 of the 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 the geographical barriers Mr ZHANG Xuguang did not hold any meeting with three independent non-executive Directors without the executive Directors present.

Under the Code Provision F.1.3 of the 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, an executive Director of the Company.

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.

## BOARD OF DIRECTORS

As at 31 December 2013, after the resignation of Mr MAO Yong as the executive Director, the Board comprised six Directors with one non-executive Director, namely Mr ZHANG Xuguang, the chairman of the Board, two executive Directors, namely Mr TENG Rongsong 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, the Board considers these independent non-executive Directors to be independent.

During the Year, 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 on a timely manner, which enable the Board to make an informed decision on matters placed before it.

The Company adopted a Board Diversity Policy (the "**Diversity Policy**") which became effective on August 2013. This Diversity Policy aims to set out the approach to achieve diversity on the Company's Board of Directors. All Board appointments are based on merits, and have paid due regard for the benefits of diversity on the Board in selecting candidates.

During the Year, five 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 | 3/5 | 60.00% |
| **Executive Directors** | | |
| Mr TENG Rongsong | 3/5 | 60.00% |
| Mr MAO Yong [Note] | 4/5 | 80.00% |
| Mr LIU Xiao Guang | 4/5 | 80.00% |
| **Independent Non-executive Directors** | | |
| Mr WANG Xiangfei | 5/5 | 100.00% |
| Mr LU Gong | 3/5 | 60.00% |
| Mr FAN Ren Da, Anthony | 5/5 | 100.00% |

Note: resigned on 31 December 2013

During the Year, the Company had arranged the professional training to the Directors to develop and refresh their knowledge and skills relevant to the directors' duties. Mr TENG Rongsong, Mr MAO Yong, Mr LIU Xiao Guang, Mr WANG Xiangfei and Mr FAN Ren Da, Anthony had participated a training provided by the external legal professional, Freshfields Bruckhaus Deringer, on 13 December 2013. Mr ZHANG Xuguang and Mr LU Gong had read the Directors training materials.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 December 2013, 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 adopted and revised in 2012 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.

During the Year, 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 | 2/2 | 100% |
| Mr WANG Xiangfei | 2/2 | 100% |
| Mr LU Gong | 1/2 | 50% |

## 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, the Remuneration Committee had made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

During the Year, two 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 | 2/2 | 100% |
| Mr Mr LU Gong | 0/2 | 0% |
| Mr FAN Ren Da, Anthony | 2/2 | 100% |

## 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 is available on the websites of the Company and the Stock Exchange. The nomination committee has reviewed the progress of implementation of Diversity Policies. During the Year, the Nomination Committee had reviewed the structure, size and composition of the Board including the Directors' skills, knowledge and experience.

During the Year, two 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 | 1/2 | 50% |
| Mr WANG Xiangfei | 2/2 | 100% |
| Mr FAN Ren Da, Anthony | 2/2 | 100% |

## AUDITOR'S REMUNERATION

Deloitte was re-appointed by the shareholders as the Company's auditor at the annual general meeting held on 7 June 2013 (the "**AGM 2013**"). The audit services engagement for 2013 had been reviewed and approved by the Audit Committee.

During the Year, 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 | 325,000 |
| Annual audit services Note 2 | 900,000 |
| Other non-audit services Note 3 | 450,000 |

Notes:

1. The external auditor had reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2013.

2. The external auditor had provided the audit services to the Company for the Year.

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.

## 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 no less than 15 hours of relevant professional training in accordance with rule 3.29 of the Listing Rules during the Year.

## 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 on its business through the annual general meeting, the annual and interim reports, notices, announcements, circulars as well as Company's website.

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 Year, the Company had convened the AGM 2013 at 10th Floor, Winland International Financial Center, No. 7 Financial Street, Xicheng District, Beijing, People's Republic of China held on 7 June 2013 at 11:00 a.m. At the AGM 2013, 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 2012; (ii) re-elect the retiring Directors and authorize the Board to fix the remuneration of the Directors; (iii) re-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. The individual attendance of each Director at the AGM 2013 is set out below:

| Name of Director | Number of entitled general meeting attended | Attendance rate |
|---|---|---|
| **Non-executive Director** | | |
| Mr ZHANG Xuguang | 1/1 | 100.00% |
| **Executive Directors** | | |
| Mr TENG Rongsong | 1/1 | 100.00% |
| Mr MAO Yong | 1/1 | 100.00% |
| Mr LIU Xiao Guang | 0/1 | 0.00% |
| **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 Thursday, 19 June 2014 at 10th Floor, Winland International Financial Center, 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 2013. The report was submitted to the Audit Committee to review. The Board through the Audit Committee has conducted a review of the effectiveness of the internal control system of the Company annually which cover 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, 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.

# Independent Auditor's Report

Deloitte.
德勤

**TO THE SHAREHOLDERS OF**
**CHINA DEVELOPMENT BANK 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 34 to 77, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 of the Group as at 31 December 2013, and of the Group's profit 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
25 March 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

| | NOTES | 2013<br>HK$ | 2012<br>HK$ |
|---|---|---|---|
| Investment income | 6 | **27,676,408** | 1,018,899 |
| Change in fair value of financial assets held for trading | | **28,790,609** | 11,411,761 |
| Change in fair value of investments designated at fair value through profit or loss | | **(8,336,063)** | – |
| Interest income | | **4,109,435** | 503,748 |
| Gain on disposal of available-for-sale financial assets | | **929,464** | – |
| General and administrative expenses | | **(38,605,051)** | (22,593,057) |
| Share of results of associates | | **5,894,027** | 1,394,103 |
| **Profit (loss) before taxation** | | **20,458,829** | (8,264,546) |
| Income tax expense | 7 | **(2,274,903)** | (404,495) |
| **Profit (loss) for the year attributable to owners of the Company** | 8 | **18,183,926** | (8,669,041) |
| **Other comprehensive income (expense)** | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Change in fair value of available-for-sale financial assets | | **(4,395,080)** | 5,324,544 |
| Reclassified upon disposal of available-for-sale financial assets | | **(929,464)** | – |
| Exchange differences arising on translation | | **2,003,487** | 624,575 |
| Other comprehensive (expense) income for the year | | **(3,321,057)** | 5,949,119 |
| **Total comprehensive income (expense) for the year attributable to owners of the Company** | | **14,862,869** | (2,719,922) |
| **Earnings (loss) per share** | | | |
| – Basic (HK cents) | 12 | **0.63** | (0.35) |

# Consolidated Statement of Financial Position

At 31 December 2013

| | NOTES | 2013<br>HK$ | 2012<br>HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **5,783** | 28,088 |
| Interests in associates | 14 | **71,343,476** | 65,052,387 |
| Available-for-sale financial assets | 15 | **–** | 37,133,167 |
| Financial assets at fair value through profit or loss | 16 | **503,320,461** | 205,395,356 |
| | | **574,669,720** | 307,608,998 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | 16 | **32,065,404** | 36,970,473 |
| Other receivables, prepayments and deposits | 17 | **23,262,904** | 634,874 |
| Bank balances and cash | 18 | **442,728,651** | 716,941,605 |
| | | **498,056,959** | 754,546,952 |
| **Current liability** | | | |
| Other payables and accruals | 19 | **(6,284,812)** | (11,193,752) |
| **Net current assets** | | **491,772,147** | 743,353,200 |
| **Total assets less current liability** | | **1,066,441,867** | 1,050,962,198 |
| **Non-current liability** | | | |
| Deferred taxation | 20 | **(2,121,295)** | (1,504,495) |
| **Net assets** | | **1,064,320,572** | 1,049,457,703 |
| **Capital and reserves** | | | |
| Share capital | 21 | **29,022,154** | 29,022,154 |
| Reserves | | **1,035,298,418** | 1,020,435,549 |
| | | **1,064,320,572** | 1,049,457,703 |
| Net asset value per share | 29 | **0.37** | 0.36 |

The financial statements on pages 34 to 77 were approved and authorised for issue by the directors on 25 March 2014 and are signed on its behalf by:

DIRECTOR

DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$ | Share premium HK$ | Special reserve HK$ (Note) | Investment revaluation reserve HK$ | Exchange reserve HK$ | Capital redemption reserve HK$ | Accumulated losses HK$ | Total HK$ |
| At 1 January 2012 | 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 |
| Change in fair value of available-for-sale financial assets | **–** | **–** | **–** | **(4,395,080)** | **–** | **–** | **–** | **(4,395,080)** |
| Reclassified upon disposal of available-for-sale financial assets | **–** | **–** | **–** | **(929,464)** | **–** | **–** | **–** | **(929,464)** |
| Exchange differences arising on translation | **–** | **–** | **–** | **–** | **2,003,487** | **–** | **–** | **2,003,487** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **18,183,926** | **18,183,926** |
| Total comprehensive (expense) income for the year | **–** | **–** | **–** | **(5,324,544)** | **2,003,487** | **–** | **18,183,926** | **14,862,869** |
| At 31 December 2013 | **29,022,154** | **1,043,800,995** | **382,880,958** | **–** | **15,723,003** | **270,200** | **(407,376,738)** | **1,064,320,572** |

Note: Special reserve 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 2013

| | 2013<br>HK$ | 2012<br>HK$ |
|---|---|---|
| **Operating activities** | | |
| Profit (loss) before taxation | **20,458,829** | (8,264,546) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **22,305** | 35,319 |
| Written off of property, plant and equipment | **–** | 2,455 |
| Interest income | **(4,109,435)** | (503,748) |
| Share of results of associates | **(5,894,027)** | (1,394,103) |
| Change in fair value of financial assets held for trading | **(28,790,609)** | (11,411,761) |
| Change in fair value of investments designated at fair value through profit or loss | **8,336,063** | – |
| Gain on disposal of available-for-sale financial assets | **(929,464)** | – |
| Operating cash flows before movements in working capital | **(10,906,338)** | (21,536,384) |
| (Increase) decrease in other receivables, prepayments and deposits | **(6,599,705)** | 1,210,744 |
| (Decrease) increase in other payables and accruals | **(4,908,940)** | 1,786,761 |
| **Cash used in operations** | **(22,414,983)** | (18,538,879) |
| Income taxes paid | **(1,658,103)** | – |
| **Net cash used in operating activities** | **(24,073,086)** | (18,538,879) |
| **Investing activities** | | |
| Interest received | **4,109,435** | 503,748 |
| Dividend received from an associate | **1,606,425** | 1,074,675 |
| Proceeds from disposal of available-for-sale financial assets | **16,709,762** | – |
| Proceeds from disposal of financial assets held for trading | **38,247,010** | – |
| Repayment of principal of investments designated at fair value through profit or loss | **39,000,000** | – |
| Purchase of financial assets at fair value through profit or loss | **(349,812,500)** | (187,200,000) |
| **Net cash used in investing activities** | **(250,139,868)** | (185,621,577) |
| **Cash from financing activity** | | |
| Proceeds from issue of shares | **–** | 768,000,012 |
| **Net (decrease) increase in cash and cash equivalents** | **(274,212,954)** | 563,839,556 |
| **Cash and cash equivalents at the beginning of the year** | **716,941,605** | 153,102,049 |
| **Cash and cash equivalents at the end of the year,** represented by bank balances and cash | **442,728,651** | 716,941,605 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its immediate parent company is China Development Bank International Holdings Limited, a private limited company established in Hong Kong and its ultimate parent company is China Development Bank Corporation ("**CDB**"), a wholly state-owned policy bank established on 17 March 1994 in the People's Republic of China ("**PRC**"). CDB 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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate 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 28.

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")

The Group has applied the following new and revised HKFRSs issued by HKICPA that are relevant for the preparation of the Group's consolidated financial statements for the first time in the current year:

| | |
|---|---|
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2009-2011 cycle |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| 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 |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

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

Except as described below, the application of the new and revised 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.

**New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

**Impact of the application of HKFRS 10**

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.

**Impact of the application of HKFRS 12**

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 14 for details).

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

**HKFRS 13 "Fair Value Measurement"**

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 15, 16 and 24 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised 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 Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Groups' 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. 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. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| HK(IFRIC)-Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application-the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The directors anticipate that the application of the new and revised HKFRSs 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 (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets and financial assets at fair value through profit or loss that are measured at fair values at the end of each reporting period, 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 or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant 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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary.

### 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).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates

An associate is an entity over which the Group has significant influence. 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is 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 associate. When the Group's share of losses of an associate 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 recognizing 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 the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 of disposal) 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 an associate of the Group (such as a sale or contribution of assets), profits and 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 24(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.

# 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

**Financial assets (continued)**

*Impairment of financial assets (continued)*

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
- 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**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 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.

*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, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 the profit before tax as reported in the consolidated statement of profit or loss and other 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.

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.

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.

At 31 December 2012, the Group's unlisted equity instruments that were classified as available-for-sale financial assets and carried at fair value with a carrying amount of HK$37,133,167 as set out in note 15 were 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 note 16, appropriate assumptions are used based on unobservable data as adjusted for specific features of the instruments. The carrying amounts of these financial instruments at 31 December 2013 are HK$503,320,461 (2012: HK$205,395,356).

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has delegated the valuation work to finance division, which is headed up 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 valuation. The finance division works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The vice president of finance division of the Company reports the finance division's findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 24 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

## 5. 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, 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.

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

| | **2013**<br>**HK$** | 2012<br>HK$ |
|---|---|---|
| PRC | **71,343,476** | 65,052,387 |
| Hong Kong | **5,783** | 28,088 |
| | **71,349,259** | 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.

## 6. INVESTMENT INCOME

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Dividend income from financial assets held for trading | **1,086,956** | 1,018,899 |
| Interest income from investments designated at fair value through profit or loss | **26,589,452** | – |
| | **27,676,408** | 1,018,899 |

## 7. INCOME TAX EXPENSE

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Current tax | | |
| Withholding tax | **1,658,103** | – |
| Deferred taxation on withholding tax on undistributed earnings of associates | | |
| Current year (note 20) | **616,800** | 404,495 |
| | **2,274,903** | 404,495 |

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 (the "**EIT Law**") of PRC, withholding tax of 10% is imposed on gain in respect of disposal of domestic investments in the PRC.

Under the EIT 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.

## 7. INCOME TAX EXPENSE (continued)

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

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Profit (loss) before taxation | **20,458,829** | (8,264,546) |
| Tax at the Hong Kong Profits Tax rate of 16.5% | **3,375,707** | (1,363,650) |
| Tax effect of expenses not deductible for tax purpose | **2,084,806** | 745,189 |
| Tax effect of income not taxable for tax purpose | **(3,835,333)** | (2,321,126) |
| Tax effect of share of results of associates | **(972,514)** | (230,027) |
| Tax effect of tax losses not recognised | **–** | 3,169,614 |
| Utilisation of tax losses previously not recognised | **(655,276)** | – |
| Tax effect of deductible temporary difference not recognised | **2,610** | – |
| Tax effect of undistributed earnings of associates | **616,800** | 404,495 |
| PRC capital gain tax | **1,658,103** | – |
| Income tax expense for the year | **2,274,903** | 404,495 |

## 8. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Profit (loss) for the year to owners of the Company has been arrived at after charging: | | |
| Auditor's remuneration | **900,000** | 720,000 |
| Directors' fee (note 9) | **400,000** | 925,580 |
| Other staff costs (note a) | | |
| Basic salaries and other benefits | **15,877,981** | 8,334,915 |
| Retirement benefits contribution | **555,938** | 251,911 |
| Total staff costs | **16,833,919** | 9,512,406 |
| Investment management fees | **400,000** | 400,000 |
| Depreciation of property, plant and equipment | **22,305** | 35,319 |
| Operating lease rentals in respect of rental premises | **2,876,834** | 3,212,932 |
| Project management fees (note b) | **–** | 1,344,979 |
| Legal and professional fees | **13,283,461** | 2,444,155 |
| Write-off of property, plant and equipment | **–** | 2,455 |

Notes:

(a) During the year ended 31 December 2013, the Group paid HK$649,217 (2012: HK$107,971) services fee to a personnel services company which providing staff to the Group. Such amounts are excluded from the total staff costs as mentioned above.

(b) 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 benefits contributions HK$ | Total HK$ |
|---|---|---|---|---|
| **For the year ended 31 December 2013** | | | | |
| Mr. Zhang Xuguang | **–** | **–** | **–** | **–** |
| Mr. Teng Rongsong (chief executive officer) | **–** | **–** | **–** | **–** |
| Mr. Mao Yong | **–** | **–** | **–** | **–** |
| Mr. Liu Xiao Guang | **100,000** | **–** | **–** | **100,000** |
| Mr. Wang Xiangfei | **100,000** | **–** | **–** | **100,000** |
| Mr. Lu Gong | **100,000** | **–** | **–** | **100,000** |
| Mr. Fan Ren Da, Anthony | **100,000** | **–** | **–** | **100,000** |
| | **400,000** | **–** | **–** | **400,000** |
| **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 |

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 (2012: 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

Of the five individuals with the highest emoluments in the Group, none of them (2012: nil) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the five (2012: five) individuals were as follows:

| | **2013 HK$** | 2012 HK$ |
|---|---|---|
| Basic salaries and other benefits | **7,776,116** | 4,686,312 |
| Retirement benefits contributions | **351,872** | 37,250 |
| | **8,127,988** | 4,723,562 |

Their emoluments were within the following bands:

| | **2013 No. of individuals** | 2012 No. of individuals |
|---|---|---|
| Nil to HK$1,000,000 | **–** | 2 |
| HK$1,000,001 to HK$1,500,000 | **2** | 3 |
| HK$1,500,001 to HK$2,000,000 | **3** | – |
| | **5** | 5 |

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 the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

## 12. EARNINGS (LOSS) PER SHARE

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

| | **2013 HK$** | 2012 HK$ |
|---|---|---|
| **Earnings (loss)** | | |
| Profit (loss) for the year attributable to owners of the Company and earnings (loss) for the purpose of basic earnings (loss) per share | **18,183,926** | (8,669,041) |

## 12. EARNINGS (LOSS) PER SHARE (continued)

| | 2013 | 2012 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | **2,902,215,360** | 2,482,543,229 |

No diluted earnings (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 2012 | 401,733 | 375,021 | 776,754 |
| Disposal/write-off | – | (17,499) | (17,499) |
| At 31 December 2012 and 2013 | **401,733** | **357,522** | **759,255** |
| DEPRECIATION | | | |
| At 1 January 2012 | 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 |
| Provided for the year | **–** | **22,305** | **22,305** |
| At 31 December 2013 | **401,733** | **351,739** | **753,472** |
| CARRYING VALUES | | | |
| At 31 December 2013 | **–** | **5,783** | **5,783** |
| At 31 December 2012 | – | 28,088 | 28,088 |

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 2013, the Group had gross carrying amount of fully depreciated property, plant and equipment of HK$732,274 (2012: HK$668,103) that is still in use.

# 14. INTERESTS IN ASSOCIATES

| | 2013 HK$ | 2012 HK$ |
|---|---|---|
| Cost of investment in associates | **125,766,128** | 125,766,128 |
| Share of post-acquisition results and other comprehensive income, net of dividend received | **(54,422,652)** | (60,713,741) |
| | **71,343,476** | 65,052,387 |

Details of each of the Group's associates as at 31 December 2013 and 2012 are set out as follows:

| Name of associate | Form of entity | Place of incorporation/ establishment | Place of operation | Equity interest attributable to the Group | | Proportion of voting power held | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | **31 December 2013** | 31 December 2012 | **31 December 2013** | 31 December 2012 | |
| Beijing Far East Instrument Company Limited | Incorporated | PRC | PRC | **25%** | 25% | **25%** | 25% | Manufacture of electronic and electrical instruments |
| China Property Development (Holdings) Limited | Incorporated | The Cayman Islands | PRC | **33.42%** | 33.42% | **20.49%** | 20.49% | Investment holding |

## Summarised financial information of associates

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associate's unaudited management account prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

## 14. INTERESTS IN ASSOCIATES (continued)

### Beijing Far East Instrument Company Limited ("BJFE")

| | **At 31 December 2013 HK$** | At 31 December 2012 HK$ |
|---|---|---|
| Non-current assets | **112,135,236** | 112,129,409 |
| Current assets | **602,823,923** | 453,470,709 |
| Current liabilities | **(432,776,671)** | (309,677,898) |

| | **Year ended 31 December 2013 HK$** | Year ended 31 December 2012 HK$ |
|---|---|---|
| Revenue | **893,237,501** | 776,951,762 |
| Profit and total comprehensive income for the year | **24,672,016** | 16,179,793 |
| Dividends received from the associate during the year | **1,606,425** | 1,074,674 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in BJFE recognised in the consolidated financial statements:

| | **At 31 December 2013 HK$** | At 31 December 2012 HK$ |
|---|---|---|
| Net assets of BJFE | **282,182,488** | 255,922,220 |
| Proportion of the Group's ownership interest in BJFE | **25%** | 25% |
| Carrying amount of the Group's interest in BJFE | **70,545,622** | 63,980,555 |

## 14. INTERESTS IN ASSOCIATES (continued)

### China Property Development (Holdings) Limited ("CPDH")

| | At 31 December 2013 HK$ | At 31 December 2012 HK$ |
|---|---|---|
| Current assets | **25,992,564** | 29,676,847 |
| Current liabilities | **(23,605,210)** | (26,469,690) |

| | Year ended 31 December 2013 HK$ | Year ended 31 December 2012 HK$ |
|---|---|---|
| Loss and total comprehensive expense for the year | **(819,799)** | (7,931,914) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in CPDH recognised in the consolidated financial statements:

| | At 31 December 2013 HK$ | At 31 December 2012 HK$ |
|---|---|---|
| Net assets of CPDH | **2,387,354** | 3,207,157 |
| Proportion of the Group's ownership interest in CPDH | **33.42%** | 33.42% |
| Carrying amount of the Group's interest in CPDH | **797,854** | 1,071,832 |

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Available-for-sale investment comprises: | | |
| Unlisted equity investment, at fair value | – | 37,133,167 |

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 (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 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 classified as a derivative financial instrument and was initially and subsequently measured at fair value. The Option has been exercised in November 2013 and the Group requested Beijing Capital to reacquire the 12% equity interest in Capital Aihua (see note 24(c)).

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 values of both the available-for-sale investment and the Option.

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

| | **2013**<br>**HK$** | 2012<br>HK$ |
|---|---|---|
| Equity securities listed in Hong Kong[1] | **32,065,404** | 36,970,473 |
| Unlisted overseas warrant instrument[1] (i) | **–** | 3,802,013 |
| Option[1] (ii) | **–** | 14,393,343 |
| Unlisted overseas senior secured guaranteed convertible notes[2] (iii) | **179,203,034** | 187,200,000 |
| Unlisted overseas loan[2] and warrant instrument and related put rights[1] (iv) | **129,241,070** | – |
| Unlisted local convertible bond[2] and warrant[1] (v) | **194,876,357** | – |
| | **535,385,865** | 242,365,829 |
| Analysed to reporting purpose as | | |
| Non-current assets | **503,320,461** | 205,395,356 |
| Current assets | **32,065,404** | 36,970,473 |
| | **535,385,865** | 242,365,829 |

1 The amounts represent financial assets held for trading

2 The amounts represent investments designated at fair value through profit or loss

Certain financial assets of the Group are designated at fair value through profit or loss 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 group 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 arrangement to purchase 991,445 preferred shares from an independent third party. Under the warrant instrument arrangement, 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. The warrant instrument arrangement has been terminated and settled in August 2013.

(ii) The Option is classified as a derivative financial instrument arose from the acquisition of the 12% equity interest in Capital Aihua as disclosed in note 15 above. The Option has been exercised in November 2013.

(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, principally engaged 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 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 carrying amount of the convertible notes exceeded 10% of the assets of the Group at 31 December 2013.

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(iv) On 27 June 2013, the Group had entered into a facility agreement and a warrant instrument agreement relating to the warrant instrument and related put rights with Jinqiao Investments Limited ("**Jinqiao**"). Jinqiao is a company incorporated in the British Virgins Islands ("**BVI**") principally engaged in trading meat and food processing, pork and pork products, and vegetables and fruits in the PRC. Under the warrant instrument agreement, 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 31 December 2013, the fair values of loan amount and warrant with related put rights amount are HK$103,956,559 and HK$25,284,511 respectively. The carrying amounts of the loan and warrant with related put rights exceeded 10% of the assets of the Group at 31 December 2013.

(v) On 24 November 2013, the Group and Yingde Gases Group Company Limited (盈德氣體集團有限公司) ("**Yingde Gases**") had entered into the investment agreement whereby Yingde Gases issued and the Group subscribed for (i) the principal amount of US$25,000,000 8% coupon convertible bond due 2015; and (ii) at nil consideration, 18,953,853 warrant exercisable to purchase ordinary shares of US$0.000001 each in the capital of Yingde Gases. Yingde Gases is a company incorporated in the Cayman Islands, principally engaged in the production and sales of industrial gases.

As at 31 December 2013, the fair value of convertible bond and warrant are HK$193,394,545 and HK$1,481,812 respectively. The carrying amounts of the convertible bond and warrant exceeded 10% of the assets of the Group as 31 December 2013.

The information of the fair values of financial assets at fair value through profit or loss is disclosed in note 24(c).

## 17. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | **2013**<br>**HK$** | 2012<br>HK$ |
|---|---|---|
| Account receivable | **6,288,965** | – |
| Other receivables | **505,294** | 37,234 |
| Receivable from disposal of available-for-sale financial assets | **16,028,325** | – |
| Prepayments and deposits | **440,320** | 597,640 |
| | **23,262,904** | 634,874 |

Account receivable is aged within 30 days based on the invoice date. The Group assessed the credit quality of account receivable based on historical default rates and creditworthiness of the counterparty. The directors considered that the credit risk is limited and the Group has not provided for any impairment loss.

## 18. BANK BALANCES AND CASH

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Fixed deposits with banks with maturity less than three months | **262,650,361** | 608,011,737 |
| Cash at banks and in hand | **180,078,290** | 108,929,868 |
| | **442,728,651** | 716,941,605 |

Bank balances and cash comprise short-term bank deposits carrying interest at prevailing deposits rates which range from 0.67% to 1.36% (2012: 0.01% to 1.24%) per annum.

## 19. OTHER PAYABLES AND ACCRUALS

| | **2013** **HK$** | 2012 HK$ |
|---|---|---|
| Accrued operating expenses | **6,284,812** | 2,712,648 |
| Project management fee payable | **–** | 8,481,104 |
| | **6,284,812** | 11,193,752 |

## 20. DEFERRED TAXATION LIABILITIES

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

| | **Unrealised profits** HK$ | **Tax losses** HK$ | **Undistributed profits of an associate** HK$ | **Total** **HK$** |
|---|---|---|---|---|
| **At 1 January 2012** | – | – | 1,100,000 | **1,100,000** |
| Recognised in profit or loss (note 7) | 1,032,867 | (1,032,867) | 404,495 | **404,495** |
| **At 31 December 2012** | 1,032,867 | (1,032,867) | 1,504,495 | **1,504,495** |
| Recognised in profit or loss (note 7) | 578,503 | (578,503) | 616,800 | **616,800** |
| **At 31 December 2013** | 1,611,370 | (1,611,370) | 2,121,295 | **2,121,295** |

At the end of the reporting period, the Group had unused tax losses of HK$95,010,784 (2012: HK$95,476,070) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$9,765,880 (2012: HK$6,259,800) of such losses. No deferred tax assets have been recognised in respect of the remaining HK$85,244,904 (2012: HK$89,216,270) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$27,358 (2012: HK$11,539). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 21. SHARE CAPITAL

| | Number of shares | Share capital HK$ |
|---|---|---|
| Shares of HK$0.01 each | | |
| Authorised: | | |
| At 1 January 2012, 31 December 2012 and 2013 | 12,000,000,000 | 120,000,000 |
| Issued and fully paid: | | |
| At 1 January 2012 | 982,215,360 | 9,822,154 |
| Placement of shares | 1,920,000,000 | 19,200,000 |
| At 31 December 2012 and 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 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

(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 year, the Group has incurred a custodian fee of HK$60,000 (2012: HK$60,000) to Orangefield.

(b) On 9 March 2012, the Group entered into a renewed investment management agreement with KBR Fund Management Limited (formerly known as "KBR Management Limited") ("**KBR**"). KBR is the investment manager of the Group. During the year, the Group incurred a fee of HK$400,000 (2012: HK$400,000) to KBR.

(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:

| | **2013 HK$** | 2012 HK$ |
|---|---|---|
| Short term benefits | **8,176,116** | 5,611,892 |
| Post-employment benefits | **351,872** | 37,250 |
| | **8,527,988** | 5,649,142 |

## 23. 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 Company 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 new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

## 24. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2013**<br>**HK$** | 2012<br>HK$ |
|---|---|---|
| **Financial assets** | | |
| *Available-for-sale financial assets* | **–** | 37,133,167 |
| *Financial assets at fair value through profit or loss* | | |
| Financial assets held for trading | **58,831,727** | 55,165,829 |
| Investments designated at fair value through profit or loss | **476,554,138** | 187,200,000 |
| | **535,385,865** | 242,365,829 |
| *Loans and receivables* | | |
| Other receivables | **22,822,584** | 37,234 |
| Bank balances and cash | **442,728,651** | 716,941,605 |
| | **465,551,235** | 716,978,839 |
| **Financial liability** | | |
| *Financial liability at amortised cost* | | |
| Other payables | **–** | 8,481,104 |

# 24. 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 fair value through profit or loss, 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 cur`rency 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$. The Group's exposure to foreign currency risk primarily arises from investments denominated in RMB and USD against HK$ as functional currency. During the year, the Group did not have foreign currency hedging policy but management continuously monitors the foreign exchange exposure.

As HK$ is pegged to USD, 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 profit for the year would increase/decrease by HK$669,810 (2012: loss for the year decrease/increase by HK$601,945).

*(ii) Other price risk*

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

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% (2012: 20%) higher/lower, profit for the year ended 31 December 2013 would increase/decrease by HK$6,413,081 (2012: loss for the year decrease/increase by HK$7,394,095) as a result of the changes in fair value of investments in equity securities held for trading.

# 24. FINANCIAL INSTRUMENTS (continued)

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

**Credit risk**

As at 31 December 2013, 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.

**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 24(a) is expected to be settled within one year.

## (c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets 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).

# 24. FINANCIAL INSTRUMENTS (continued)

## (c) Fair value measurements of financial instruments (continued)

| | Financial assets/financial liabilities | Fair value as at 31 December 2013 | Fair value as at 31 December 2012 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value | Sensitivity |
|---|---|---|---|---|---|---|---|---|
| (i) | Listed equity securities classified as financial assets at fair value through profit or loss | Listed equity securities- HK$32,065,404 | Listed equity securities- HK$36,970,473 | Level 1 | Quoted bid prices in an active market. | N/A | N/A | N/A |
| (ii) | Unlisted overseas senior secured guaranteed convertible notes classified as financial assets at fair value through profit or loss | 5% convertible notes issued by NSR Holdings- HK$179,203,034 | 5% convertible notes issued by NSR Holdings- 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 reference to the yield rate of the United States Industrial Bonds with similar credit rating and duration and credit premium, of 43.90%. | The higher the risk-free rate, the lower the fair value. | No indication that a slight increase in the interest rate used would result in a significant decrease in fair value measurement, and vice versa. |
| | | | | | | Risk-free rate, determined by reference to the yield rate of the United States Zero Coupon Bond with similar duration, of 0.36%. | The higher the risk-free rate, the higher the fair value. | No indication that a slight increase in the risk-free rate used would result in a significant increase in fair value measurement, and vice versa. |
| | | | | | | Volatility, determined by reference to the historical volatility of the share prices of publicly listed entities in similar industries, of 37.28%. | The higher the volatility, the higher the fair value. | No indication that a slight increase in the volatility used would result in a significant increase in fair value measurement, and vice versa. |

# 24. FINANCIAL INSTRUMENTS (continued)

## (c) Fair value measurements of financial instruments (continued)

| | Financial assets/financial liabilities | Fair value as at 31 December 2013 | Fair value as at 31 December 2012 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value | Sensitivity |
|---|---|---|---|---|---|---|---|---|
| (iii) | Unlisted overseas loan facility classified as financial assets at fair value through profit or loss | Unlisted loan facility of Jinqiao-HK$103,956,559 | N/A | Level 3 | Discounted Cash Flow Model.<br><br>The key input is interest rate. | Interest rate, determined by reference to the yield rate of a market comparable bond with similar duration and credit premium, of 39.51%. | The higher the interest rate, the lower the fair value. | No indication that a slight increase in the interest rate used would result in a significant decrease in fair value measurement, and vice versa. |
| (iv) | Unlisted overseas warrant instrument and related put rights classified as financial assets at fair value through profit or loss | Unlisted warrant instrument and related put rights of Jinqiao-HK$25,284,511 | N/A | Level 3 | Monte Carlo Simulation Model.<br><br>The key inputs are risk-free rate and volatility. | Risk-free rate, determined by reference to the yield rate of the United States Treasury Bond with similar duration, of 0.26%. | The higher the risk-free rate, the higher the fair value. | No indication that a slight increase in the risk-free rate used would result in a significant increase in fair value measurement, and vice versa. |
| | | | | | | Volatility, determined by reference to the historical volatility of the share prices of publicly listed entities in similar industries, of 19.72%. | The higher the volatility, the higher the fair value. | If the volatility is 5% higher/lower, while all other variables were held constant/the fair value would increase by HK$4,221,517 and decrease by HK$3,941,271 respectively. |

# 24. FINANCIAL INSTRUMENTS (continued)

## (c) Fair value measurements of financial instruments (continued)

| | Financial assets/financial liabilities | Fair value as at 31 December 2013 | Fair value as at 31 December 2012 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value | Sensitivity |
|---|---|---|---|---|---|---|---|---|
| (v) | Unlisted local convertible bond classified as financial assets at fair value through profit or loss | Unlisted convertible bond of Yingde Gases- HK$193,394,545 | N/A | Level 3 | Monte Carlo Simulation Model and Discounted Cash Flow Model.<br><br>The key inputs are interest rate, risk-free rate and implied volatility. | Interest rate, determined by reference to the yield rate of a market comparable bond with similar duration and credit premium, of 16.92%. | The higher the interest rate, the lower the fair value. | If the interest rate is 5% higher/ lower, while all the other variables were held constant, the fair value would decrease by HK$3,820,346 and increase by HK$14,646,563 respectively. |
| | | | | | | Risk-free rate, determined by reference to the yield rate of the Hong Kong Exchange Fund Notes with similar duration, of 0.86%. | The higher the risk-free rate, the higher the fair value. | No indication that a slight increase in the risk-free rate used would result in a significant increase in fair value measurement, and vice versa. |
| | | | | | | Implied volatility, determined by reference to implied volatility of its share price, of 12.15%. | The higher the implied volatility, the higher the fair value. | No indication that a slight increase in the implied volatility used would result in a significant increase in fair value measurement, and vice versa. |
| (vi) | Unlisted local warrant instrument classified as financial assets at fair value through profit or loss | Unlisted warrant instrument of Yingde Gases - HK$1,481,812 | N/A | Level 3 | Binomial Option Pricing Model.<br><br>The key inputs are risk-free rate and implied volatility. | Risk-free rate, determined by reference to the yield rate of the Hong Kong Exchange Fund Notes with similar duration, of 0.66%. | The higher the risk-free rate, the higher the fair value. | If the risk-free rate is 0.5% higher/ lower, while all the other variables were held constant, the fair value would increase by HK$198,258 and decrease by HK$177,976 respectively. |
| | | | | | | Implied volatility, determined by reference to implied volatility of its share price, of 12.15%. | The higher the implied volatility, the higher the fair value. | If the implied volatility is 0.5% higher/lower, while all other variables were held constant/ the fair value would increase by HK$251,707 and decrease by HK$229,910 respectively. |

# 24. FINANCIAL INSTRUMENTS (continued)

## (c) Fair value measurements of financial instruments (continued)

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

The fair values of the financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

**Fair value hierarchy**

| | **Level 1**<br>HK$ | **Level 2**<br>HK$ | **Level 3**<br>HK$ | **Total**<br>HK$ |
|---|---|---|---|---|
| **2013** | | | | |
| **Financial assets** | | | | |
| *Financial assets at fair value through profit or loss* | | | | |
| Financial assets at fair value through profit or loss | **32,065,404** | **–** | **503,320,461** | **535,385,865** |
| **2012** | | | | |
| **Financial assets** | | | | |
| *Available-for-sale financial assets* | | | | |
| Available-for-sale investment | – | – | 37,133,167 | 37,133,167 |
| *Financial assets at fair value through profit or loss* | | | | |
| Financial assets at fair value through profit or loss | 36,970,473 | – | 205,395,356 | 242,365,829 |
| | 36,970,473 | – | 242,528,523 | 279,498,996 |

The fair values of the financial assets included in the level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value measurements of financial instruments (continued)

**Reconciliation of Level 3 fair value measurements**

| | Available-for-sale investment HK$ | Financial assets at FVTPL HK$ | Total HK$ |
|---|---|---|---|
| At 1 January 2012 | 31,808,623 | 13,043,394 | 44,852,017 |
| Total gains recognised in profit or loss | | | |
| – change in fair value of financial assets held for trading | – | 5,151,962 | 5,151,962 |
| Total gains recognised in other comprehensive income | | | |
| – change in fair value of available-for-sale financial assets | 5,324,544 | – | 5,324,544 |
| Purchases | – | 187,200,000 | 187,200,000 |
| At 31 December 2012 | 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 | – | 23,938,331 | 23,938,331 |
| – change in fair value of investments designated at fair value through profit or loss | – | (8,336,063) | (8,336,063) |
| | 37,133,167 | 220,997,624 | 258,130,791 |
| Total gains recognised in other comprehensive income | | | |
| – change in fair value of available-for-sale financial assets | (4,395,080) | – | (4,395,080) |
| Purchases | – | 349,812,500 | 349,812,500 |
| Repayment of principal | – | (39,000,000) | (39,000,000) |
| Disposals | (32,738,087) | (28,489,663) | (61,227,750) |
| At 31 December 2013 | – | 503,320,461 | 503,320,461 |

Of the total gains for the year included in profit or loss, HK$15,602,268 (2012: HK$5,151,962) relates to financial assets at fair value through profit or loss held at the end of the reporting period. Fair value gains on financial assets at fair value through profit or loss 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$4,395,080 loss (2012: HK$5,324,544 gain) relates to available-for-sale investment held at the end of the reporting period and was reported as changes of ‘investment revaluation reserve’. Upon disposal of available-for-sale of financial assets, the cumulative gain of HK$929,464 that had been recognised, in other comprehensive income and accumulated in ‘investment revaluation reserve’ is recognised in profit and loss.

## 25. 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'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'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 2013 and 2012. There are no outstanding options as at the end of the respective reporting period.

## 26. 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:

| | **2013**<br>**HK$** | 2012<br>HK$ |
|---|---|---|
| Within one year | **–** | 2,452,761 |
| In the second to fifth year inclusive | **–** | 1,460,445 |
| | **–** | 3,913,206 |

Operating lease payments represent payable by the Group for office premises. Leases are negotiated for terms of one to three years (2012: one to three years) and rental are fixed from one to three years (2012: one to three years).

## 27. COMPANY INFORMATION OF FINANCIAL POSITION

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

| | 2013 HK$ | 2012 HK$ |
|---|---|---|
| Non-current assets | | |
| Property, plant and equipment | **5,783** | 28,088 |
| Investments in subsidiaries | **18** | 25 |
| Financial assets at fair value through profit or loss | **503,320,461** | 191,002,013 |
| Amounts due from subsidiaries | **53,741,048** | 54,833,939 |
| | **557,067,310** | 245,864,065 |
| Current assets | | |
| Financial assets at fair value through profit or loss | **32,065,404** | 36,970,473 |
| Other receivables, prepayments and deposits | **7,234,579** | 634,874 |
| Bank balances and cash | **407,240,704** | 716,929,273 |
| | **446,540,687** | 754,534,620 |
| Current liabilities | | |
| Other payables and accruals | **6,161,812** | 11,070,752 |
| Amounts due to subsidiaries | **106,352,172** | 106,370,465 |
| | **112,513,984** | 117,441,217 |
| Net current assets | **334,026,703** | 637,093,403 |
| Net assets | **891,094,013** | 882,957,468 |
| Capital and reserves | | |
| Share capital | **29,022,154** | 29,022,154 |
| Reserves | **862,071,859** | 853,935,314 |
| | **891,094,013** | 882,957,468 |

### (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 2012 | 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 |
| Profit for the year | – | – | – | 8,136,545 | 8,136,545 |
| At 31 December 2013 | **29,022,154** | **1,043,800,995** | **270,200** | **(181,999,336)** | **891,094,013** |

## 28. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2013 and 2012 are as follows:

| Name of subsidiaries | Place of incorporation and operation | Paid up issued ordinary share capital | Proportion of nominal value of issued ordinary share capital directly held by the Company 2013 | 2012 | Principal activities |
|---|---|---|---|---|---|
| Pacific Equity Venture Inc. | BVI | 1 share of HK$1 | **100%** | 100% | Investment holding |
| Kencheers Investments Limited | 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. ("**Success Journey**") | BVI | 1 share of US$1 | –* | 100% | Investment holding |
| Grow Reach International Limited ("**Grow Reach**") | BVI | 1 share of US$1 | –* | 100% | Investment holding |

* Grow Reach was struck off during the Year.

* Success Journey was struck off during the year.

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

## 29. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK$1,064,320,572 (2012: HK$1,049,457,703) and 2,902,215,360 ordinary shares in issue as at 31 December 2013 (2012: 2,902,215,360 ordinary shares).

# FIVE YEAR FINANCIAL SUMMARY

For the five year ended 31 December 2013

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

## Results

| | **2013 HK$** | 2012 HK$ | 2011 HK$ | 2010 HK$ | 2009 HK$ |
|---|---|---|---|---|---|
| Investment income | **27,676,408** | 1,018,899 | 623,390 | 479,060 | 122,260 |
| Profit (loss) before taxation | **20,458,829** | (8,264,546) | (16,257,587) | (7,426,497) | (10,689,725) |
| **Assets and liabilities** | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | **5,783** | 28,088 | 65,862 | 85,366 | 74,350 |
| Interests in associates | **71,343,476** | 65,052,387 | 64,108,384 | 59,195,669 | 65,536,834 |
| Interests in jointly controlled entities | **–** | – | – | – | 13,716,271 |
| Loans to a jointly controlled entity | **–** | – | – | – | 4,996,430 |
| Available-for-sale financial assets | **–** | 37,133,167 | 31,808,623 | 31,808,623 | – |
| Financial assets at fair value through profit or loss | **503,320,461** | 205,395,356 | 13,043,394 | 2,185,745 | – |
| | **574,669,720** | 307,608,998 | 109,026,263 | 93,275,403 | 84,323,885 |
| Current assets | | | | | |
| Financial assets at fair value through profit or loss | **32,065,404** | 36,970,473 | 30,710,674 | 17,030,506 | 19,594,361 |
| Other receivables, prepayments and deposits | **23,262,904** | 634,874 | 1,845,618 | 3,347,904 | 1,068,601 |
| Cash and cash equivalents | **442,728,651** | 716,941,605 | 153,102,049 | 200,621,488 | 83,143,139 |
| | **498,056,959** | 754,546,952 | 185,658,341 | 220,999,898 | 103,806,101 |
| Current liability | | | | | |
| Other payables and accruals | **(6,284,812)** | (11,193,752) | (9,406,991) | (15,827,648) | (10,878,715) |
| Net current assets | **491,772,147** | 743,353,200 | 176,251,350 | 205,172,250 | 92,927,386 |
| Total assets less current liability | **1,066,441,867** | 1,050,962,198 | 285,277,613 | 298,447,653 | 177,251,271 |
| Non-current liability | | | | | |
| Deferred taxation | **(2,121,295)** | (1,504,495) | (1,100,000) | (837,000) | (837,000) |
| Net assets | **1,064,320,572** | 1,049,457,703 | 284,177,613 | 297,610,653 | 176,414,271 |
| **Capital and reserves** | | | | | |
| Share capital | **29,022,154** | 29,022,154 | 9,822,154 | 9,822,154 | 6,820,940 |
| Reserves | **1,035,298,418** | 1,020,435,549 | 274,355,459 | 287,788,499 | 169,593,331 |
| Total equity | **1,064,320,572** | 1,049,457,703 | 284,177,613 | 297,610,653 | 176,414,271 |