



China Development Bank International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

Interim Report 2014



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Corporate Information

DIRECTORS

Non-executive Director

Mr ZHANG Xuguang ^{Note 3}

Executive Directors

Mr TENG Rongsong ^{Note 4}
(*Chairman and Chief Executive Officer*)

Mr BAI Zhe ^{Note 1}

Mr LIU Xiao Guang

Mr YUAN Chun ^{Note 6}

Independent Non-executive Directors

Mr WANG Xiangfei

Mr LU Gong ^{Note 7}

Mr FAN Ren Da, Anthony

Mr SIN Yui Man ^{Note 8}

COMPANY SECRETARY

Mr WONG Kwok Ho

AUDIT COMMITTEE

Mr ZHANG Xuguang ^{Note 3}

Mr WANG Xiangfei (*Chairman*)

Mr LU Gong ^{Note 7}

Mr FAN Ren Da, Anthony ^{Note 5}

Mr SIN Yui Man ^{Note 8}

REMUNERATION COMMITTEE

Mr LIU Xiao Guang

Mr LU Gong ^{Note 7} (*Chairman*)

Mr FAN Ren Da, Anthony

Mr SIN Yui Man ^{Note 8}

NOMINATION COMMITTEE

Mr ZHANG Xuguang ^{Note 3}

Mr TENG Rongsong ^{Note 5} (*Chairman*)

Mr WANG Xiangfei

Mr FAN Ren Da, Anthony

Notes:

1. appointed on 20 January 2014
2. ceased on 28 February 2014
3. resigned on 4 April 2014
4. re-designated as the chairman of the Board on 4 April 2014
5. appointed on 4 April 2014
6. appointed on 13 June 2014
7. Resignation with effect from 1 September 2014
8. Appointment with effect from 1 September 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) ^{Note 2}

Room 1403, Allied Kajima Building
138 Gloucester Road, Wanchai, Hong Kong

HuaAn Asset Management (Hong Kong) Limited ^{Note 8}

Suite 3808-9, 38th Floor
ICBC Tower, Citibank Plaza
3 Garden Road, Central, Hong Kong

CUSTODIAN

Orangefield Management (Hong Kong) Limited

6th Floor, St. John's Building
33 Garden Road, Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITES

www.cdb-intl.com

www.irasia.com/listco/hk/cdbintl

Management Discussion and Analysis

The board of directors (the “**Board**” or “**Directors**”) of China Development Bank International Investment Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2014 (the “**Period**”). The interim results for the Period have been reviewed by the audit committee and auditor of the Company.

OVERALL PERFORMANCE

For the Period, the Group recorded a profit of approximately HK\$27.64 million (30 June 2013: loss of approximately HK\$10.66 million) which is primarily attributable to the increase in Group’s investment income and change in fair value of financial investments during the Period.

The investment income for the Period increased 480.2% from the same period last year to approximately HK\$29.76 million (30 June 2013: approximately HK\$5.13 million), primarily due to the coupon interests from the convertible notes, convertible bond as well as loan and warrant instrument.

For both the periods ended 30 June 2013 and 2014, the Group’s investment income was all derived in Hong Kong, based on the physical location of the underlying assets that generate the revenue. The Group’s non-current assets (other than financial instruments) are located in People’s Republic of China (the “**PRC**”) and Hong Kong.

The bank interest income was approximately HK\$0.95 million, representing a decrease of 61.5% as compared to approximately HK\$2.47 million in the corresponding period last year.

The loss in fair value of financial assets held for trading amounts to approximately HK\$16.99 million (30 June 2013: gain in fair value of HK\$0.23 million) was recorded in the Period, 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**” or “**HKEx**”), change in fair value of unlisted warrant instrument and related put rights of Jinqiao Investments Limited (“**Jinqiao**”) and change in fair value of unlisted warrant of Yingde Gases Group Company Limited (“**Yingde Gases**”).

The gain in fair value of investments designated at fair value through profit or loss amounts to approximately HK\$19.92 million (30 June 2013: HK\$6.04 million) was recorded in the Period, which were attributable to the change in fair value of senior, secured and guaranteed convertible notes in North Sea Rigs Holdings Limited (“**NSR Holdings**”), change in fair value of loan of Jinqiao and change in fair value of unlisted convertible bond of Yingde Gases.

The general and administrative expenses of the Group for the Period were approximately HK\$9.23 million (30 June 2013: approximately HK\$27.61 million). It is mainly resulted from the decrease in legal and professional fees on transactions.

The Group’s net asset value increased from approximately HK\$1,064.32 million as at 31 December 2013 to approximately HK\$1,091.28 million as at 30 June 2014, with earnings per share of HK0.95 cents (30 June 2013: loss per share of HK0.37 cents).

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2014, the cash and bank balance of the Group was approximately HK\$516.19 million (31 December 2013: approximately HK\$442.73 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 30 June 2014.

As at 30 June 2014, the Group had no borrowings, gearing ratio (calculated as the long term loan to the total shareholder's equity) was zero (31 December 2013: zero), putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

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

CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 30 June 2014, there were no charges on the Group's assets and the Group had no material capital commitment or any significant contingent liabilities (31 December 2013: nil).

As at 30 June 2014, as far as the Directors are aware, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

PORTFOLIO REVIEW

Top Ten Investments

Particulars of top ten investments of the Group as at 30 June 2014 are set out as follows:

Name of investment	Proportion of the share/paid up capital owned	Carrying book cost up to 30 June 2014 HK\$	Market value/ carrying amount as at 30 June 2014 HK\$	Unrealised gain/ (loss) recognized (Note 5) HK\$	Dividend received/ receivable during the period HK\$	Percentage to the Group's net assets as at 30 June 2014	Net assets attributable to the Company (Note 6) HK\$ million
Yingde Gases (HKEx stock code: 2168) (Note 1)	12%	195,000,000	200,608,390	5,732,033	–	18.38%	N/A
NSR Holdings (Note 2)	N/A	187,200,000	183,226,825	4,023,791	–	16.79%	N/A
Jinqiao (Note 3)	N/A	78,000,000	83,489,911	(6,751,159)	–	7.65%	N/A
Beijing Far East Instrument Company Limited ("Beijing Far East") (Note 4)	25%	47,766,128	73,593,406	N/A	–	6.74%	86.5
Tencent Holdings Limited ("Tencent") (HKEx stock code: 700)	Less than 0.1%	1,926,945	5,910,000	964,000	12,000	0.54%	0.5
Hutchison Whampoa Limited ("Hutchison Whampoa") (HKEx stock code: 013)	Less than 0.1%	4,141,898	5,300,000	30,000	435,000	0.49%	5.4
HSBC Holdings Plc ("HSBC") (HKEx stock code: 005)	Less than 0.1%	4,280,041	5,108,607	(360,722)	95,740	0.47%	5.1
AIA Group Limited ("AIA") (HKEx stock code: 1299)	Less than 0.1%	2,989,253	4,479,250	5,750	32,913	0.41%	2.1
Industrial and Commercial Bank of China Limited ("ICBC") – H Shares (HKEx stock code: 1398)	Less than 0.1%	4,418,895	3,430,000	(238,000)	–	0.31%	3.2
China Construction Bank Corporation ("CCB") – H Shares (HKEx stock code: 939)	Less than 0.1%	2,874,500	2,821,590	4,815	–	0.26%	2.6

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, in pork and pork products, and vegetable and fruits in the PRC. The carrying amount of the inter-related loan and warrant are stated at fair value.
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 Period.
6. The calculation of net assets attributable to the Company is based on the latest published interim results or annual report of the respective investments at the end of each reporting period.

UNLISTED INVESTMENTS REVIEW

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 (“**USD**”) USD25,000,000 8% coupon convertible bond due 2015; and (ii) at nil consideration, 18,953,853 warrant exercisable to purchase ordinary shares of USD0.000001 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 USD75 million. NSR Holdings is a company incorporated in the Cayman Islands and is an investment holding company.

The proceeds raised from the issuance of the convertible notes will be used by NSR Holdings in connection with the construction of the drilling rig. NSR Holdings is principally involved in engaging contractors to construct the drilling rig which will then be sold or leased to drilling rig operators located in the North Sea area of Norway. Pursuant to the subscription agreement, the Group subscribed for the convertible notes in the principal amount of up to USD25 million.

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

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

Management Discussion and Analysis

The management of the Company 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 USD20 million to Jinqiao with a 20% interest rate per annum for 2 years. The Company also received the warrant issued by Jinqiao to entitle the Company to purchase the ordinary shares of Jinqiao at the exercise price of USD13.5 per ordinary share at any time before 27 June 2015 for an aggregate amount up to USD10 million. Under the Jinqiao Agreements, the proceeds were applied to provide working capital for the Golden Bridge after acquiring the shares of Zhongpin, Inc. for the purpose of privatization by way of a merger of Golden Bridge Merger Sub Limited, a wholly-owned subsidiary of Golden Bridge, into Zhongpin, Inc., with Zhongpin, Inc. be the surviving entity after such merger. Please refer to the announcement made by the Company for more details of the Jinqiao Agreement.

Beijing Far East

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

Based on the unaudited management accounts for the Period, Beijing Far East recorded its unaudited consolidated profit of approximately Renminbi (“**RMB**”) 11.80 million, an increase of approximately 1.6%, as compared with its unaudited consolidated profit of approximately RMB11.61 million for the period ended 30 June 2013.

LISTED INVESTMENTS REVIEW

Securities Investments

Given all the equity shares are listed in the Stock Exchange, the Group did not trade and dispose any equities in secondary market during the Period.

As at 30 June 2014, the market value of the listed securities investments amounted to approximately HK\$32.00 million (31 December 2013: approximately HK\$32.07 million).

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

- (a) Tencent is principally engaged in the provision of internet and mobile value-added services and online advertising services. The unaudited profit attributable to shareholders of Tencent for the period ended 30 June 2014 was approximately RMB12,293 million and the unaudited net assets attributable to shareholders of Tencent as at 30 June 2014 was approximately RMB69,982 million. The fair value of the investment in Tencent is based on quoted market bid prices.

- (b) Hutchison Whampoa is principally engaged in activities of ports and related services, telecommunications and e-commerce, property and hotels, retail and manufacturing, energy, infrastructure, finance and investments. The unaudited profit attributable to shareholders of Hutchison Whampoa for the period ended 30 June 2014 was approximately HK\$28,443 million and the unaudited net assets attributable to shareholders of Hutchison Whampoa at 30 June 2014 was approximately HK\$459,039 million. The fair value of the investment in Hutchison Whampoa is based on quoted market bid prices.
- (c) HSBC is principally engaged in the provision of a comprehensive range of banking and related financial services through an international network in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa. The unaudited profit attributable to shareholders of HSBC for the period ended 30 June 2014 was approximately USD9,746 million and the unaudited net assets attributable to shareholders of HSBC at 30 June 2014 was approximately USD190,281 million. The fair value of the investment in HSBC 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 unaudited profit attributable to shareholders of AIA for the period ended 31 May 2014 was approximately USD1,546 million and the unaudited net assets attributable to shareholders of AIA at 31 May 2014 was approximately USD28,030 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 audited profit attributable to shareholders of ICBC for the year ended 31 December 2013 was approximately RMB262,649 million and the audited net assets attributable to shareholders of ICBC as at 31 December 2013 was approximately RMB1,274,134 million. The fair value of the investment in ICBC is based on quoted market bid prices.
- (f) CCB is principally engaged in the provision of a comprehensive range of commercial banking products and services. The audited profit attributable to shareholders of CCB for the year ended 31 December 2013 was approximately RMB214,657 million and the audited net assets attributable to shareholders of CCB as at 31 December 2013 was approximately RMB1,065,951 million. The fair value of the investment in CCB is based on quoted market bid prices.

EMPLOYEES

As at 30 June 2014, the Company had 13 employees. The total staff costs of the Group for the Period was approximately HK\$5.44 million (30 June 2013: approximately HK\$7.87 million). The Company determines its staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages of the Company's employees including basic salary, double pay, performance bonuses and mandatory provident fund are reviewed on regular basis. The Company has adopted a share option scheme on 7 February 2005 for the purposes of providing incentives and rewards to eligible participants who have made contributions to the Group.

GEARING RATIO

The Group had no outstanding bank borrowings as at 30 June 2014 and 31 December 2013. As at 30 June 2014, the Group's current ratio (current assets to current liabilities) was approximately 211.9 (31 December 2013: approximately 79.2). The ratio of total liabilities to total assets of the Group was approximately 0.5% (31 December 2013: approximately 0.8%).

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

Looking forward, the management believes that in the second half of 2014, the business and operating environment is full of challenges and volatility. Mainland China would be expected a slower economic growth, and its economic structure would undergone significant changes correspondingly. In regards to the Quantitative Easing and recent geopolitical conflicts, the Group has its concerns on such agenda.

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.

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Investment income	4	29,761,543	5,130,245
Change in fair value of financial assets held for trading		(16,987,297)	232,872
Change in fair value of investments designated at fair value through profit or loss		19,924,805	6,039,875
Bank interest income		949,287	2,470,262
General and administrative expenses		(9,231,176)	(27,608,551)
Share of results of associates		3,598,544	3,427,593
Profit (loss) before taxation		28,015,706	(10,307,704)
Income tax expense	5	(372,739)	(355,327)
Profit (loss) for the period attributable to owners of the Company	6	27,642,967	(10,663,031)
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		–	(4,946,284)
Share of exchange differences of associate		(679,604)	(481,616)
Other comprehensive expense for the period		(679,604)	(5,427,900)
Total comprehensive income (expenses) for the period attributable to owners of the Company		26,963,363	(16,090,931)
Earnings (loss) per share			
– Basic (HK cents)	7	0.95	(0.37)

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	30 June 2014 HK\$ (Unaudited)	31 December 2013 HK\$ (Audited)
Non-current assets			
Property, plant and equipment	9	1,286	5,783
Interests in associates	10	74,262,416	71,343,476
Financial assets at fair value through profit or loss	11	383,835,215	503,320,461
		458,098,917	574,669,720
Current assets			
Financial assets at fair value through profit or loss	11	115,488,158	32,065,404
Other receivables, prepayments and deposits		7,012,189	23,262,904
Bank balances and cash	12	516,192,772	442,728,651
		638,693,119	498,056,959
Current liability			
Other payables and accruals		(3,014,067)	(6,284,812)
		635,679,052	491,772,147
Net current assets			
		1,093,777,969	1,066,441,867
Total assets less current liability			
Non-current liability			
Deferred taxation		(2,494,034)	(2,121,295)
		1,091,283,935	1,064,320,572
Net assets			
Capital and reserves			
Share capital	13	29,022,154	29,022,154
Reserves		1,062,261,781	1,035,298,418
		1,091,283,935	1,064,320,572
Net asset value per share			
	16	0.38	0.37

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company							Total HK\$
	Share capital HK\$	Share premium HK\$	Special reserve HK\$ (Note)	Investment revaluation reserve HK\$	Exchange reserve HK\$	Capital redemption reserve HK\$	Accumulated losses HK\$	
At 1 January 2013 (Audited)	29,022,154	1,043,800,995	382,880,958	5,324,544	13,719,516	270,200	(425,560,664)	1,049,457,703
Loss for the period	-	-	-	-	-	-	(10,663,031)	(10,663,031)
Other comprehensive expense								
Change in fair value of available-for-sale financial assets	-	-	-	(4,946,284)	-	-	-	(4,946,284)
Shares of exchange differences of associate	-	-	-	-	(481,616)	-	-	(481,616)
Total comprehensive expense for the period	-	-	-	(4,946,284)	(481,616)	-	(10,663,031)	(16,090,931)
At 30 June 2013 (Unaudited)	29,022,154	1,043,800,995	382,880,958	378,260	13,237,900	270,200	(436,223,695)	1,033,366,772
At 1 January 2014 (Audited)	29,022,154	1,043,800,995	382,880,958	-	15,723,003	270,200	(407,376,738)	1,064,320,572
Profit for the period	-	-	-	-	-	-	27,642,967	27,642,967
Other comprehensive expense								
Shares of exchange differences of associate	-	-	-	-	(679,604)	-	-	(679,604)
Total comprehensive (expense) income for the period	-	-	-	-	(679,604)	-	27,642,967	26,963,363
At 30 June 2014 (Unaudited)	29,022,154	1,043,800,995	382,880,958	-	15,043,399	270,200	(379,733,771)	1,091,283,935

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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Net cash from (used in) operating activities	33,514,834	(15,733,316)
Investing activities		
Repayment of principal of investment designated at fair value through profit or loss	39,000,000	–
Interest received from bank deposits	949,287	2,470,262
Purchase of investments designated at fair value through profit or loss	–	(156,000,000)
Net cash from (used in) investing activities	39,949,287	(153,529,738)
Net increase (decrease) in cash and cash equivalents	73,464,121	(169,263,054)
Cash and cash equivalents at the beginning of the period	442,728,651	716,941,605
Cash and cash equivalents at the end of the period, representing bank balances and cash	516,192,772	547,678,551

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of these new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the Company's executive directors. The Group's principal activity is investment in equity instruments and other financial instruments. For the purpose of resources allocation and assessment of performance, the CODM regularly reviews the Group's investment portfolio, including 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (continued)

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

	30 June 2014 HK\$ (Unaudited)	31 December 2013 HK\$ (Audited)
People's Republic of China ("PRC")	74,262,416	71,343,476
Hong Kong	1,286	5,783
	74,263,702	71,349,259

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

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

4. INVESTMENT INCOME

	Six months ended 30 June	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Dividend income from financial assets held for trading	575,653	255,245
Interest income from investment designated at fair value through profit or loss	29,185,890	4,875,000
	29,761,543	5,130,245

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Deferred taxation on withholding tax on undistributed earnings of an associate		
Current period	372,739	355,327

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

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

6. PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit (loss) for the period attributable to owners of the Company has been arrived at after charging:

	Six months ended 30 June	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Depreciation of property, plant and equipment	4,497	13,944
Staff costs (including retirement benefits contribution)	5,442,792	7,871,377
Operating lease rentals in respect of rental premises	–	1,136,786

7. 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:

	Six months ended 30 June	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company and earnings (loss) for the purpose of basic earnings (loss) per share	27,642,967	(10,663,031)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	2,902,215,360	2,902,215,360

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

8. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2014 (Six months ended 30 June 2013: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

9. PROPERTY, PLANT AND EQUIPMENT

There were no additions or disposals noted for both periods.

10. INTERESTS IN ASSOCIATES

	30 June 2014 HK\$ (Unaudited)	31 December 2013 HK\$ (Audited)
Unlisted shares, at cost	125,766,128	125,766,128
Share of post-acquisition results and other comprehensive income, net of dividend received	(51,503,712)	(54,422,652)
	74,262,416	71,343,476

Details of each of the Group's associates as at 30 June 2014 and 31 December 2013 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
				30 June 2014	31 December 2013	30 June 2014	31 December 2013	
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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2014 HK\$ (Unaudited)	31 December 2013 HK\$ (Audited)
Equity securities listed in Hong Kong ¹	31,998,247	32,065,404
Unlisted overseas senior secured guaranteed convertible notes ² (i)	183,226,825	179,203,034
Unlisted overseas loan ² and warrant instrument and related put rights ¹ (ii)	83,489,911	129,241,070
Unlisted local convertible bond ² and warrant ¹ (iii)	200,608,390	194,876,357
	499,323,373	535,385,865
Analysed to reporting purpose as		
Non-current assets	383,835,215	503,320,461
Current assets	115,488,158	32,065,404
	499,323,373	535,385,865

¹ The amounts represent financial assets held for trading

² The amounts represent investments designated at fair value through profit or loss ("FVTPL")

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

- (i) 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.

As at 30 June 2014, the fair values of convertible notes are HK\$183,226,825 (31 December 2013: HK\$179,203,034).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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

- (ii) 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, in 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 30 June 2014, the fair values of loan amount and warrant with related put rights amount are HK\$75,458,853 and HK\$8,031,058 (31 December 2013: HK\$103,956,559 and HK\$25,284,511), respectively.

- (iii) 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 USD25,000,000 8% coupon convertible bond due 2015; and (ii) at nil consideration, 18,953,853 warrant exercisable to purchase ordinary shares of USD0.000001 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 30 June 2014, the fair value of convertible bond and warrant are HK\$198,793,265 and HK\$1,815,125 (31 December 2013: HK\$193,394,545 and HK\$1,481,812), respectively.

The information of the fair values of financial assets at fair value through profit or loss is disclosed in note 14.

12. BANK BALANCES AND CASH

	30 June 2014 HK\$ (Unaudited)	31 December 2013 HK\$ (Audited)
Fixed deposits with banks with maturity less than three months	263,830,728	262,650,361
Cash at banks and in hand	252,362,044	180,078,290
	516,192,772	442,728,651

Bank balances and cash comprise short-term bank deposits carrying interest at prevailing deposits rates which range from 0.9% to 1.21% (31 December 2013: 0.67% to 1.36%) per annum.

13. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Share capital HK\$
Authorised:		
As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014	12,000,000,000	120,000,000
Issued and fully paid:		
As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014	2,902,215,360	29,022,154

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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 are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	30 June 2014	31 December 2013					
(i) Listed equity securities classified as financial assets at fair value through profit or loss	Listed equity securities – HK\$31,998,247	Listed equity securities – HK\$32,065,404	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\$183,226,825	5% convertible notes issued by NSR Holdings – HK\$179,203,034	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 32%. Risk-free rate, determined by reference to the yield rate of the United States Zero Coupon Bond with similar duration, of 0.27%. Volatility, determined by reference to the historical volatility of the share prices of publicly listed entities in similar industries, of 22.37%.	The higher the interest rate, the lower the fair value. The higher the risk-free rate, the higher the fair value. The higher the volatility, the higher the fair value.	If the interest rate is 3% higher/lower, while all the other variables were held constant, the fair value would decrease by HK\$5,387,205 and increase by HK\$6,831,289 respectively. 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. No indication that a slight increase in volatility used would result in a significant increase in fair value measurement, and vice versa.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	30 June 2014	31 December 2013					
(iii) Unlisted overseas loan facility classified as financial assets at fair value through profit or loss	Unlisted loan facility of Jinqiao – HK\$75,458,853	Unlisted loan facility of Jinqiao – HK\$103,956,559	Level 3	Discounted Cash Flow Model. 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 27.82%.	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\$1,727,103 and increase by HK\$1,870,582 respectively.
(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\$8,031,058	Unlisted warrant instrument and related put rights of Jinqiao – HK\$25,284,511	Level 3	Binomial Convertible Bond Model. 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 0.14%. Volatility, determined by reference to the historical volatility of the share prices of publicly listed entities in similar industries, of 35.88%.	The higher the risk-free rate, the higher the fair value. The higher the volatility, 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. If the volatility is 10% higher/lower, while all other variables were held constant, the fair value would increase by HK\$1,989,272 and decrease by HK\$1,866,786 respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	30 June 2014	31 December 2013					
(v) Unlisted local convertible bond classified as financial assets at fair value through profit or loss	Unlisted convertible bond of Yingde Gases - HK\$198,793,265	Unlisted convertible bond of Yingde Gases - HK\$193,394,545	Level 3	Binomial Option Pricing Model and Discounted Cash Flow Model. 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 17.22%. Risk-free rate, determined by reference to the yield rate of the Hong Kong Exchange Fund Notes with similar duration, of 0.23%. Implied volatility, determined by reference to implied volatility of its share price, of 12.76%.	The higher the interest rate, the lower the fair value. The higher the risk-free rate, the higher the fair value. The higher the implied volatility, the higher 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\$8,518,321 and increase by HK\$10,852,894 respectively. 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. If the implied volatility is 10% higher/lower, while all the other variables were held constant, the fair value would increase by HK\$6,062,214 and decrease by HK\$4,178,732 respectively.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	30 June 2014	31 December 2013					
(vi) Unlisted local warrant instrument classified as financial assets at fair value through profit or loss	Unlisted warrant instrument of Yingde Gases – HK\$1,815,125	Unlisted warrant instrument of Yingde Gases – HK\$1,481,812	Level 3	Black-Scholes Pricing Model 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 0.54%. Implied volatility, determined by reference to implied volatility of its share price, of 12.70%.	The higher the risk-free rate, the higher the fair value. The higher the implied volatility, 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\$201,863 and decrease by HK\$183,216 respectively. If the implied volatility is 5% higher/lower, while all other variables were held constant, the fair value would increase by HK\$3,129,616 and decrease by HK\$1,651,543 respectively.

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Available- for-sale investment HK\$	Financial assets at FVTPL HK\$	Total HK\$
At 1 January 2013	37,133,167	205,395,356	242,528,523
Total gains recognised in profit or loss			
– change in fair value of financial assets held for trading	–	1,369,882	1,369,882
– change in fair value of investments designated at fair value through profit or loss	–	6,039,875	6,039,875
	–	7,409,757	7,409,757
Total loss recognised in other comprehensive income			
– change in fair value of available-for-sale financial assets	(4,946,284)	–	(4,946,284)
Purchases	–	156,000,000	156,000,000
At 30 June 2013	32,186,883	368,805,113	400,991,996
At 1 January 2014	–	503,320,461	503,320,461
Total gain (loss) recognised in profit or loss			
– change in fair value of financial assets held for trading	–	(16,920,140)	(16,920,140)
– change in fair value of investments designated at fair value through profit or loss	–	19,924,805	19,924,805
	–	3,004,665	3,004,665
Repayment of principal	–	(39,000,000)	(39,000,000)
At 30 June 2014	–	467,325,126	467,325,126

Of the total gains for the period included in profit or loss, HK\$3,004,665 (Six months ended 30 June 2013: HK\$7,409,757) 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 was an amount of HK\$4,946,284 loss related to available-for-sale investment held at 30 June 2013 and was reported as changes of investment revaluation reserve. The available-for-sale investment was disposed in November 2013.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation processes

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.

15. RELATED PARTY TRANSACTIONS

- (a) On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited ("**Orangefield**"). Orangefield is the custodian of the Group. During the period, the Group has incurred a custodian fee of HK\$30,000 (Six months ended 30 June 2013: HK\$30,000) 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 period, the Group incurred a fee of HK\$66,667 (Six months ended 30 June 2013: HK\$266,667) 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:

	Six months ended 30 June	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Short term benefits	2,849,938	4,006,016
Post-employment benefits	38,750	198,377
	2,888,688	4,204,393

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

16. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the condensed consolidated net assets of HK\$1,091,283,935 (31 December 2013: HK\$1,064,320,572) and 2,902,215,360 ordinary shares in issue as at 30 June 2014 (31 December 2013: 2,902,215,360 ordinary shares).

17. EVENT AFTER THE END OF THE REPORTING PERIOD

On 24 July 2014, the Group has disposed all equity securities listed in Hong Kong which is included in financial assets at fair value through profit or loss at 30 June 2014, after netting the market charges and fee, on settlement date, 28 July 2014, the total net amount from the disposals are HK\$32,785,952.

Report on Review of Condensed Consolidated Financial Statements



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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Development Bank International Investment Limited and its subsidiaries set out on pages 11 to 28 which comprise the condensed consolidated statement of financial position as of 30 June 2014, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2014

Other Information

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

As at 30 June 2014, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Directors or chief executive of the Company, as at 30 June 2014, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity	Nature of Interests	Number of issued shares of the Company held	Approximate percentage of the existing issued share capital of the Company
China Development Bank Corporation ("CDB") (Note 1)	Interest of controlled corporation	Corporate Interest	1,920,000,000	66.16%
China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) ("CDBC") (Note 1)	Interest of controlled corporation	Corporate Interest	1,920,000,000	66.16%
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 30 June 2014, the Company had not been notified by any person, other than Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

As at 30 June 2014, no option had been granted by the Company since the adoption of the Share Option Scheme. There are no share options outstanding as at 1 January 2014 and 30 June 2014. During the Period, there were no share options exercised, lapsed or cancelled under the Share Option Scheme.

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (30 June 2013: nil).

AUDIT COMMITTEE

As at 30 June 2014, the audit committee of the Company (the “**Audit Committee**”) comprised three members, namely, Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony. All 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. The members of the Audit Committee meet regularly to review the reporting of financial and other information to the shareholders, the system of internal control, risk management, the effectiveness and objectivity of the audit process. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The terms of reference of the Audit Committee were adopted and revised in 2012. The Audit Committee has reviewed the interim report, including the unaudited condensed consolidated interim financial information of the Group for the Period, which has also been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “**Remuneration Committee**”) comprises three members, namely Mr LIU Xiao Guang, Mr LU Gong and Mr FAN Ren Da, Anthony. The majority members of the Remuneration Committee are independent non-executive Directors. The chairman of the Remuneration Committee is Mr LU Gong, an independent non-executive Director of the Company. The Remuneration Committee advises the Board on the Group’s overall policy and structure for the remuneration of Directors and senior management. The terms of reference of the Remuneration Committee were adopted and revised in 2012.

NOMINATION COMMITTEE

As at 30 June 2014, the nomination committee of the Company (the “**Nomination Committee**”) comprised three members, namely Mr TENG Rongsong, 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 TENG Rongsong, chairman of the Board. The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy. The terms of reference of the Nomination Committee were adopted in 2012. The Board has adopted the board diversity policy in 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Under the Code Provision F.1.3, the company secretary should report to the board chairman and/or the chief executive. Although Mr WONG Kwok Ho, the company secretary of the Company, does not directly report to Mr TENG Rongsong, the chairman of the Board and the chief executive officer of the Company, he directly reports to Mr BAI Zhe, an executive Director.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CHANGES IN DIRECTORS BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of Directors' biographical details since the date of the annual report of the Company for 2013 are as follows.

Mr. ZHANG Xuguang has resigned as a non-executive Director, chairman of the Board, chairman of Nomination Committee and member of Audit Committee of the Company with effect from 4 April 2014.

Mr TENG Rongsong has been re-designated as the chairman of the Board and appointed as the chairman of the Nomination Committee of the Company with effect from 4 April 2014.

Mr. BAI Zhe has been appointed as an executive Director of the Company with effect from 20 January 2014. Mr BAI is the deputy chief executive officer of CDBIH. He served as the chief operating officer of CDBIH and the division head of International Business Division of CDBC.

The change of company name from "New Environmental Energy Holdings Limited" to "Capital Environment Holdings Limited" took effect on 8 March 2014. Mr LIU Xiao Guang is an executive director of Capital Environment Holdings Limited (formerly known as New Environmental Energy Holdings Limited) (listed on the Stock Exchange, stock code: 3989).

Mr YUAN Chun has been appointed as an executive Director and vice president of the Company with effect from 13 June 2014. Details of Mr YUAN's appointment were disclosed in the announcement of the Company dated 13 June 2014.

Mr LU Gong has resigned as an independent non-executive Director, the chairman of Remuneration Committee and a member of Audit Committee of the Company with effect from 1 September 2014.

Mr FAN Ren Da, Anthony has been appointed as a member of audit committee of the Company with effect from 4 April 2014.

Mr SIN Yui Man has been appointed as an independent non-executive Director, the chairman of Remuneration Committee and a member of Audit Committee of the Company with effect from 1 September 2014. Details of Mr SIN's appointment will be disclosed in the announcement of the Company published in September 2014.

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

SUBSEQUENT EVENT

The subsequent event is set out in note 17 to the unaudited condensed consolidated financial statements.

ACKNOWLEDGMENT

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

Other Information

DIRECTORS

As at the date hereof, the Board is comprised of Mr TENG Rongsong, Mr BAI Zhe, Mr LIU Xiao Guang and Mr YUAN Chun as executive Directors; and Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony as independent non-executive Directors.

By Order of the Board

China Development International Investment Limited

TENG Rongsong

Chairman

Hong Kong, 27 August 2014