China Development Bank International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

Annual Report 2016

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr BAI Zhe *(Chairman)*
Mr YUAN Chun *(Chief Executive Officer)*
Mr ZHANG Jielong *(Deputy Chief Executive Officer)*
Mr LIU Xiao Guang [Note 1]

Independent Non-executive Directors

Mr WANG Xiangfei
Mr SIN Yui Man
Mr FAN Ren Da, Anthony

COMPANY SECRETARY

Mr YU Chi Kit

AUDIT COMMITTEE

Mr WANG Xiangfei *(Chairman)*
Mr SIN Yui Man
Mr FAN Ren Da, Anthony

REMUNERATION COMMITTEE

Mr SIN Yui Man *(Chairman)*
Mr WANG Xiangfei [Note 2]
Mr FAN Ren Da, Anthony
Mr LIU Xiao Guang [Note 1]

NOMINATION COMMITTEE

Mr BAI Zhe *(Chairman)*
Mr WANG Xiangfei
Mr FAN Ren Da, Anthony

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Notes:

1. Passed away on 16 January 2017
2. Appointed on 16 March 2017

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

PricewaterhouseCoopers
22/F., Prince's Building
Central, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law
Freshfields Bruckhaus Deringer

As to the Cayman Islands Law
Conyers Dill & Pearman

INVESTMENT MANAGER

HuaAn Asset Management (Hong Kong) Limited
Unit No. 4702, 47th Floor
Central Plaza
No. 18 Harbour Road
Wanchai, Hong Kong

CUSTODIAN

Vistra Management (Hong Kong) Limited (formerly known as Orangefield Management (Hong Kong) Limited)
19/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, 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

In 2016, China Development Bank International Investment Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") obtained satisfactory returns from the Group's investment projects. The global economy was still struggling as external vulnerabilities and domestic challenges stalled the recovery pace of many countries. China and other emerging markets were affected by internal economic rebalancing and external factors such as the impending U.S. rate hike, low commodities prices, stagnant external demand, and geopolitical events. The Company used its best effort to pursue the best returns to the shareholders of the Company (the "**Shareholders**").

In 2017, the Company believes that the investment in logistics industry will possibly create the best returns to the Shareholders. Logistics is a key part of the "plumbing" of the global trading system. The efficiency of logistics-related industries has a material influence on investment decisions of large and small companies, and thus affects the amount and location of job opportunities to be created around the world. During the "13th Five Year" period, the National Development and Reform Commission announced that, based on the requirements of leading the new economic normality and implementing the new development concept, reducing the cost and improving efficiency in the logistics industry and serving important material-strategies should continue to be the key mission of "Reducing Cost, Reducing Deficiencies and Promoting Supply-side Structural Reforms" and the innovative development of the logistics industry will be promoted with great efforts. On one hand, with the innovation of logistics industry systems and mechanisms, the improvement of relevant policies, the strengthening of the construction of critical segments of logistics industry, the support of the development of new logistic modes such as third party logistics and multi-mode transportation and the reduction of tax liabilities, reduction of costs and improvement of efficiency in the logistics industry will be promoted and the real economy will be strengthened and its growth will be stabilised. On the other hand, the "Three Strategies" will be implemented by planning the establishment of a big international logistic channel, promoting reforms in Beijing, Tianjin and Hebei agricultural products circulation system and accelerating the multi-mode transportation development with a core business along the Yangtze River golden waterway. Meanwhile, the sustainable healthy development of the logistic industry will be backed by foundation work including organization and implementation of major projects of modern logistics industry, demonstration of the logistic pilots and formulation and revision of industry standard. The Company will continue to seek for the best investment opportunities to create the best returns to the Shareholders.

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 its profitability with acceptable risk of the portfolio of the Group. The management will continue to closely monitor the market situation and enhance its operations in all areas to raise the levels of financial discipline and improve the profitability of the Group.

Finally, I would like to take this opportunity to extend my sincerest gratitude to the Shareholders for your 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 2016, 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 the Shareholders by working together as a more mature and united team in the years ahead.

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

BAI Zhe
Chairman

Hong Kong, 15 March 2017

Management Discussion and Analysis

The board of directors (the "**Board**" or "**Directors**") of the Company announces the audited consolidated results of the Group for the year ended 31 December 2016 (the "**Year**"). The audited consolidated results for the Year have been reviewed by the audit committee and audited by the auditor of the Company, PricewaterhouseCoopers.

OVERALL PERFORMANCE

For the Year, the Group recorded a profit for the year attributable to owners of the Company of approximately HK$89.79 million (2015: approximately HK$113.26 million) which is primarily attributable to the change in fair value of financial assets at fair value through profit or loss during the Year. The investment income for the Year decreased to Nil (2015: approximately HK$34.60 million), primarily due to the repayment or mature of the convertible notes, convertible bond and loan during the year ended 31 December 2015. For the years ended 31 December 2016 and 2015, the Group's investment income was 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 and property, plant and equipment) are located in PRC. The interest income during the Year was approximately HK$0.19 million (2015: approximately HK$0.25 million). The gain in fair value of financial assets at fair value through profit or loss amounted to approximately HK$96.62 million (2015: approximately HK$98.37 million) was recorded in the Year. The general and administrative expenses of the Group for the Year were approximately HK$15.35 million (2015: approximately HK$19.23 million). The decrease was mainly resulted from the reduction in employee benefit expenses (including basic salaries and other benefits and retirement benefits contribution). The Group's net asset value increased to approximately HK$1,306.86 million (2015: approximately HK$1,221.52 million). The earnings per share for the Year was amounted to approximately HK3.09 cents (2015: approximately HK3.90 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 pursue investment opportunities.

On 11 November 2016, a loan agreement (the "**Loan Agreement**") was entered into between China Development Bank International Investment Limited ("**CDBIH**") as lender and the Company as borrower, pursuant to which CDBIH will provide a term loan to the Company in an amount of up to US$100,000,000, at an interest rate of 1.65% per annum over US$ 3-month LIBOR. The loan will be repayable on the date falling twelve months after the date of first drawdown, which may be automatically extended for another twelve months unless notified by either CDBIH or the Company not to extend repayment.

As at 31 December 2016, the cash and cash equivalents of the Group was approximately HK$108.75 million (2015: HK$748.58 million). As almost all the retained cash was denominated in Hong Kong Dollars and placed in 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 2016.

As at 31 December 2016, the Group had no borrowings and the gearing ratio (calculated as the long term loan to the total shareholder's equity) was zero (31 December 2015: zero), putting the Group in an advantageous position to realise its investment strategies and pursue 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 2016, there were no charges on the Group's assets and the Group had no material capital commitment or any significant contingent liabilities (31 December 2015: nil).

As at 31 December 2016, 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 or disposal of subsidiaries and associated companies.

PORTFOLIO REVIEW

Particulars of the significant investments of the Group as at 31 December 2016 are set out as follows:

Name of investment	Cost as at 31 December 2016	Market value/ carrying amount as at 31 December 2016	Market value/ carrying amount as at 31 December 2015	Unrealised gains recognised for the year ended 31 December 2016	Accumulated unrealised gains recognised as of 31 December 2016	Percentage to the Group's total assets as at 31 December 2016
	HK$	HK$	HK$	HK$	HK$	%
Financial assets at fair value through profit or loss						
Jade Sino Ventures Limited ("**Jade Sino**") *(Note 1)*	194,987,520	254,764,255	218,000,293	36,763,962	59,776,735	19%
Jolly Investment Limited ("**Jolly**") *(Note 2)*	195,000,000	224,640,000	n/a	29,640,000	29,640,000	17%
Best Logistics Technologies Limited ("**Best Logistics**") *(Note 3)*	234,000,000	263,874,000	n/a	29,874,000	29,874,000	20%
Spruce *(Note 4)*	200,460,000	200,951,790	n/a	491,790	491,790	15%
G7 Networks Limited ("**G7**") *(Note 5)*	195,000,000	195,012,769	n/a	12,769	12,769	15%
	1,019,447,520	1,139,242,814	218,000,293	96,782,521	119,795,294	87%

Notes:

1. Jade Sino is an investment holding company incorporated in the British Virgin Islands with limited liabilities. It directly holds 20% of the equity interests of Jiangxi JinkoSolar Power Engineering Co., Ltd.* ("**Jiangxi JinkoSolar**"), a company incorporated in the PRC with limited liabilities and its subsidiaries are principally engaged in developing, building and operating photovoltaic power stations in the PRC. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.

2. Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. It indirectly holds 21.74% of the equity interests of Guangzhou P.G. Investment Co., Ltd.* ("**PG Investment**"), a company incorporated in the PRC. PG Investment is a logistics warehouse infrastructure operator in the PRC. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.

3. Best Logistics was incorporated in the Cayman Islands with limited liabilities which is principally engaged in express delivery, freight delivery and supply chain service. As at 31 December 2016, proportion of the enlarged issued share capital owned by the Group is approximately 0.96%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.

4. Spruce is an investment holding company incorporated in the Cayman Islands and provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC. As at 31 December 2016, proportion of the enlarged issued share capital owned by the Group is approximately 1.51%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.

5. G7 is a technology leader in the logistics sector in the PRC. Its services span all aspects of fleet management including order processing, short/long haul visibility, asset tracking, dispatch, and route planning. As at 31 December 2016, proportion of the enlarged issued share capital owned by the Group is approximately 8.33%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.

UNLISTED INVESTMENTS REVIEW

The Company has been committed to identifying and exploring suitable investment opportunities in the logistics industry and has established certain investment layout in areas including, but not limited to, logistics infrastructure and supply chain services. The transactions below with G7, Spruce, Best Logistics and PG Investment are expected to create investment returns for Shareholders and further promote the Company's overall market advantage in modern service industries such as logistics, consumption and finance.

The Company will leverage the resources of China Development Bank Corporation ("**CDB**") in the areas of agriculture modernisation, logistics infrastructure and microcredit and will fully utilize the Company's extensive knowledge and experience in finance, management and relevant industries to assist G7, Spruce, Best Logistics and PG Investment in enhancing their efficiency, exploring business opportunities, optimising the decision-making and incentive mechanisms and improving corporate governance practices continuously.

G7

On 29 December 2016, a wholly-owned subsidiary of the Company has entered into a convertible preferred share subscription agreement with G7 pursuant to which the Group, as one of the investors, agreed to subscribe for the newly issued preferred shares of G7 at a cash consideration in the amount of US$25 million. The transaction has been completed as at the date of this report.

* *for identification purpose only*

G7 is a leading logistics data service company in the PRC with its business coverage spanning across the PRC and its neighboring countries in Asia. G7 is connected to over 300,000 cargo vehicles of more than 30,000 customers. By installing smart devices on vehicles in the fleet, G7 utilizes the real-time sensing technology to provide data services that span the entire logistic process, to connect the data of every single vehicle, consignor, fleet owner and driver, and thus to improve the efficiency of transport service. Based on the big data of the connected vehicles, G7 cooperates with premium partners from oil distribution, toll roads and bridges, insurance, banking and financial leasing industries to establish a one-stop service platform that integrates primary consumption of fleets. The platform enables safer, more economical, more efficient and more environmentally-friendly logistic services. G7 is an independent third party of the Company.

Spruce

On 24 November 2016, the Company has entered into an investment agreement with Spruce pursuant to which the Company agreed to subscribe for the newly issued convertible preferred shares of Spruce at a cash consideration in the amount of US$25.7 million.

Spruce is a holding company incorporated in the Cayman Islands and provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC. It is the largest e-commerce platform in terms of gross merchandise volume in the area of supply chain for agricultural products in the PRC. By shortening the distribution process of agricultural products, improving the efficiency of agricultural products supply chain, and establishing large-scale warehousing and distribution system and the fine quality control for the whole process, Spruce is able to provide economic and efficient services for farmers and restaurant customers in the PRC's agricultural products supply chain. Spruce is an independent third party of the Company.

Best Logistics

On 18 January 2016, the Company had entered into a convertible preferred shares purchase agreement with Best Logistics as well as the members of Best Logistics group, the existing holders of the securities of Best Logistics and investors of the new preferred shares of Best Logistics, pursuant to which the Company, as one of the investors of the new preferred shares, agreed to subscribe for certain new preferred shares at a cash consideration in the amount of US$30 million.

Best Logistics is a leading innovative integrated logistics and supply chain service provider in the PRC. It engages in business including express delivery, freight delivery and supply chain service. Best Logistics, incorporated in the Cayman Islands with limited liabilities, is an independent third party of the Company.

PG Investment

On 15 December 2015, the Company had entered into a share subscription agreement with Jolly and an independent third party of the Company, pursuant to which Jolly agreed to issue an aggregate of 31,448 ordinary shares of Jolly and the Company as one of the investors agreed to subscribe for 7,245 ordinary shares of Jolly at a cash consideration in the amount of US$25 million, representing approximately 23.04% of the enlarged issued share capital of Jolly.

Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. Jolly intended to indirectly invest in PG Investment, a PRC company. PG Investment is a leading logistics warehouse infrastructure operator in the PRC, whose principal business includes investment, construction and operation of large scale logistics parks, business facilities and exhibition centers. Jolly and PG Investment are independent third parties of the Company.

JinkoSolar Power

On 29 September 2014, the Company had entered into a share subscription agreement (the "**Jade Sino Subscription Agreement**") with CDBIH and Jade Sino, pursuant to which the Company and CDBIH agreed to subscribe for 11,904 and 13,096 ordinary shares of Jade Sino, representing approximately 23.81% and 26.19% of the enlarged issued share capital of Jade Sino respectively.

The principal asset of Jade Sino was the 13,404 preferred shares of JinkoSolar Power Engineering Group Limited ("**JinkoSolar Power**") out of the total 26,809 preferred shares subscribed on 11 August 2014 by CDBIH. Upon completion of Jade Sino Subscription Agreement, Jade Sino applied the amount of US$52.5 million (equivalent to approximately HK$409.5 million) contributed by the Company and CDBIH to completing the subscription of the remaining 13,405 preferred shares of JinkoSolar Power. The subscription of the remaining 13,405 preferred shares of JinkoSolar Power by Jade Sino was completed on 13 November 2014.

After the restructuring of JinkoSolar Power in December 2016, Jade Sino directly holds 20% of the equity interests of Jiangxi JinkoSolar, a company incorporated in the PRC with limited liabilities.

Beijing Far East

Beijing Far East, an associate of the Group, is a leading industrial precision instrument manufacturer in the PRC. 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 HK$13.88 million (2015: HK$19.81 million).

LISTED INVESTMENTS REVIEW

Securities Investments

The Group has not held any listed equities in the secondary market during the Year.

EMPLOYEES

As at 31 December 2016, the Company had 7 (2015: 6) employees. The total staff costs of the Group for the Year was approximately HK$4.56 million (2015: HK$7.99 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 2015 and 31 December 2016. As at 31 December 2016, the Group's current ratio (current assets to current liabilities) was approximately 17.42 (2015: 87.96). The ratio of total liabilities to total assets of the Group was approximately 0.65% (2015: 0.93%).

EXCHANGE EXPOSURE

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

FUTURE PROSPECTS

The Company has been committed to identifying and exploring suitable investment opportunities in the logistics industry and has established certain investment layout in areas including, but not limited to, logistics infrastructure and supply chain services. Logistics industry is a fundamental and strategic industry which supports the national economic development and is also a key industry which CDB, the ultimate controlling Shareholder supports. The Company will continue to be committed to identifying and exploring suitable investment opportunities in the logistics industry and has established certain investment layout in areas including logistics infrastructure, supply chain services. The Company will continue to extend its area of investment from its current basis to the enterprises which enhance the efficiency of logistics infrastructure and create investment returns for Shareholders and further promote the Company's overall market strength in modern service industries such as logistics, consumption and finance. The Company will proactively leverage the resources of CDB in logistics infrastructure and microcredit based on its existing logistics network with its extensive industry knowledge and experience in finance and management in order to assist companies in continuously enhancing its efficiency, exploring business opportunities, optimizing the decision-making process and incentive mechanism and improving corporate governance practices.

The Company will continue to actively pursue opportunities to bring the best returns to the Shareholders and pave the way for business growth. The Company anticipates the growth in logistic industry to remain optimistic.

LOOKING FORWARD

Looking forward, the management believes that the business and operating environment is full of challenges and volatility. Amidst an expectation of a slower growth in mainland China, the market is facing a slowdown in economic growth, and the economic structure has undergone significant changes during the transition from medium term to long term.

In order to improve the performance of the Group and deliver the best returns to the Shareholders, the Group will continue to look for investment opportunities which will strengthen the profitability with acceptable risk of the portfolio of the Group. The management will continue to closely monitor the market situation and enhance its operations in all areas, to raise the level of financial discipline and improve profitability of the Group.

Report of the Directors

The Board presents this report to the Shareholders 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, equity and debt related securities in listed and/or unlisted companies or entities on a global basis. The activities of the subsidiaries are set out in note 24 to the consolidated financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities at 31 December 2016 are set out in notes 14 and 24, respectively, to the consolidated financial statements of this report.

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 48 of this report.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on page 5 of this report under the heading "Overall Performance" and the paragraphs below.

During the Year, profit for the Year attributable to owner of the Company amounted to approximately HK$89.79 million, as compared to approximately HK$113.26 million last year. The decline of the profit for the Year attributable to owners of the Company was primarily attributable to the change in fair value of financial assets designated at fair value through profit or loss and reduction in general and administrative expenses during the Year. The change in the fair value of the financial assets designated at fair value through profit or loss was approximately HK$96.78 million as compared with approximately HK$97.97 million last year. The general and administrative expenses of the Group for the Year decreased from approximately HK$19.23 million in last year to approximately HK$15.35 million in this Year, primarily due to the decrease in employee benefits expenses (including basic salaries and other benefits and retirement benefits contribution). Profit before income tax amounted to approximately HK$85.07 million (2015: approximately HK$118.30 million).

Financial key performance indicators (Notes)

	2016 HK$	2015 HK$	Change percentage
Revenue	**–**	34,597,808	(100%)
Change in fair value financial asset held for trading	**(163,785)**	400,496	(141%)
Change in fair value of investment designed at fair value through profit or loss	**96,782,521**	97,966,455	(1%)
General and administrative expenses	**(15,346,143)**	(19,229,243)	(20%)
Finance income	**193,961**	250,913	(23%)
Profit before tax	**85,072,530**	118,298,132	(28%)
Earnings per share	**0.031**	0.039	(21%)
Bank balance and cash	**108,751,139**	748,578,554	(85%)
Net asset value per share	**0.45**	0.42	7%
Current ratio	**17.42**	87.96	(80%)

Note 1: Reason for choosing the financial key performance indicators and relationship with the Group's objective

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. The management of the Company closely monitors the financial key performance indicators on a regular basis.

Note 2: Trend represented by each financial key performance indicators

Please refer to the "Management Discussion and Analysis" for the trend analysis.

Note 3: Difference between the financial key performance indicators and financial statements

No difference is noted between the financial key performance indicators and the financial statements.

Key risks factors

The key risks factors of the Group are set out in the heading "Management Discussion and Analysis" on page 10 under a section headed "Exchange Exposure" and note 3.2 of the consolidated financial statements in this report respectively. Besides, the following section lists out the key risks and uncertainties which the Group faces. It is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risks factors outlined below. Besides, this report does not constitute a recommendation or advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Currency risk

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operation and its investment activities. The Group will continue to closely monitor the financial risks by alleviating the currency risk through denominated its investments in US$. Since US$ is pegged to the HK$, the currency risk of the Group is not significant. Besides, the cash and bank deposit of the Group are deposited with authorised banks located in Hong Kong, therefore the related credit risk for such is minimal and no related significant impact is noted on the business operation of the Group.

Financing risk

The unfavorable global market conditions may adversely affect the ability of the Group to acquire financing, any decline in the liquidity of the global capital markets may adversely affect the markets in Hong Kong and limit our ability to obtain funds. However, the Group strived to enhance its liquidity risk management through carefully monitor the cash flows and financing strategy and no related significant impact is noted on the business operation of the Group.

Future development and important events after the end of the financial year

Looking ahead, the business environment remains very challenging as downward pressure on economy of the PRC, the global financial and economic conditions are expected to remain unstable. Nevertheless, the Group will cautiously review and adjust the business strategies from time to time, and seek the best returns to maximise value of the Shareholders. The Group believes that the logistic industry will continue to grow and create a higher return.

Environmental policies and performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As an investment company, we pride ourselves as an environment friendly corporation. We are aware that, minimizing the consumption of resources and adoption of best environmental practices in the business process of the Group to the extent practicable is our underlying commitment to preserving and improving the environment. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives include recycling of used papers, energy saving and water saving.

The Board is pleased to present you the environmental, social and governance report (the "**ESG Report**") set out on pages 41 to 43 of this report which depicts the performance on the sustainability of the Group.

Relationship with suppliers, customers, employees and other stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet the Group's immediate and long-term goals. Although there are no major customers and suppliers during the Year, as disclosed in the section headed "Major Customers and Suppliers" on page 23 of this report, the Company creates a framework for motivating staff and an formal communication channel in order to maintain healthy relationships with its employees and other stakeholders.

Compliance with the relevant laws and regulations

In relation to human resources, the Group is committed to complying with the requirements of the ordinances relating to disability, gender, family status and racial discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

On the corporate level, the Group complies with the requirements under the Companies Law (Revised) under the laws of Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the Companies Ordinance and the Securities and Futures Ordinance (the "**SFO**") under the laws of Hong Kong for, among other things, the disclosure of information and corporate governance, and the

Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**").

The Company uses the restricted word "Bank" as its company name under the approvals granted by Cayman Islands Monetary Authority ("**CIMA**") and Hong Kong Monetary Authority ("**HKMA**") in 2012. The Company complies with certain requirements and conditions under the approvals granted by CIMA and HKMA pursuant to the Banks and Trust Companies Law (2009 Revision) under the laws of Cayman Islands and Banking Ordinance under the laws of Hong Kong respectively.

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 94 of this report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2015: nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on Friday, 2 June 2017 (the "**AGM**"). For further details of the AGM, please refer to page 36 of this report or the notice of AGM to 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 Thursday, 25 May 2017. The register of members of the Company will be closed from Friday, 26 May 2017 to Friday, 2 June 2017 (both dates inclusive), during which period no share transfers will be registered. Shareholders whose names appear on the register of members of the Company at the opening of business on Friday, 2 June 2017 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 20 to the financial statements. Please also refer to capital structure as set out on page 6 of this report.

SHARES ISSUED

The Company has not issued any share during the Year.

DEBENTURES ISSUED

The Company has not issued any debenture during the Year.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Group as set out on pages 20 to 21 of this report, no equity-linked agreements were entered into the Group or existed during the Year.

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 23(b) to the financial statements of this report.

DISTRIBUTABLE RESERVE

As at 31 December 2016, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$1,139,890,919 (2015: HK$1,036,550,871).

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors

Mr BAI Zhe	*(Chairman)*
Mr YUAN Chun	*(Chief Executive Officer)*
Mr ZHANG Jielong	*(Deputy Chief Executive Officer)*
Mr LIU Xiao Guang [Note]	

Independent Non-executive Directors
Mr WANG Xiangfei
Mr SIN Yui Man
Mr FAN Ren Da, Anthony

Note: Mr LIU Xiao Guang passed away on 16 January 2017.

Mr SIN Yui Man and Mr FAN Ren Da, Anthony will retire by rotation from the Board in accordance with Article 88 of the articles of association of the Company (the "**Articles**") at the AGM. Mr SIN Yui Man and Mr FAN Ren Da, Anthony, 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 25 to 27 of this 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 note 9 of the consolidated financial statements of this report 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.

PERMITTED INDEMNITY PROVISION

Articles provide that every Director is entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company and its listed subsidiaries have taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Company. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

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

As at 31 December 2016, 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 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 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 31 December 2016, 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	Nature of Interests	Number of issued shares of the Company held	Approximate percentage of the existing issued share capital of the Company
CDB (Note 1)	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)	Corporate Interest	1,920,000,000	66.16%
CDBIH (Note 1)	Corporate Interest	1,920,000,000	66.16%
Mr LUI Tong (Note 2)	Corporate Interest	163,702,560	5.64%
Yoobright Investments Limited ("**Yoobright**") (Note 2)	Corporate Interest	163,702,560	5.64%

Notes:

1. CDBIH 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, as at 31 December 2016, 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, Mr BAI Zhe, Mr YUAN Chun and Mr ZHANG Jielong 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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

None of the Directors or their connected entities is materially interested either directly or indirectly in any transaction, arrangement or contract 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 2016 which is significant 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 21 of the financial statements in this report and are satisfied that related party transactions which constitute connected transactions or continuing connected transactions were properly disclosed in accordance with the Listing Rules.

Investment Management Agreement

On 29 August 2014, the Company entered into the new investment management agreement (the "**New Investment Management Agreement**") with HuaAn Asset Management (Hong Kong) Limited ("**HuaAn**"), pursuant to which HuaAn has agreed to act as the investment manager of the Company and to provide investment management services to the Company for a period of three years commencing from 1 September 2014 and expiring on 31 August 2017, for a management fee payable of HK$350,000 per annum. HuaAn has been appointed as the investment manager of the Company with effect from 1 September 2014. During the Year, the Company incurred a fee of HK$350,000 to HuaAn.

HuaAn is a connected person of the Company pursuant to Rule 14.08 of the Listing Rules and the transactions contemplated under the New Investment Management Agreement (together with the annual caps) constitute continuing connected transactions. The management fee payable by the Company is HK$350,000 per annum, and each of the percentage ratios on an annual basis was less than 5% on 29 August 2014. The transaction contemplated under the New Investment Management Agreement thus constitutes a continuing connected transaction pursuant to Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement, annual review requirements but are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

HuaAn was a company incorporated on 10 June 2010 in Hong Kong with limited liability and is a corporation licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

In accordance with Rule 14A.56 of the Listing Rules, the auditor of the Company has performed certain agreed upon procedures in respect of the continuing connected transactions and reported that the transactions entered into:

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

(b) were, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(c) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have not exceeded the relevant annual caps.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed and approved the continuing connected transactions and confirmed that the continuing connected transactions were carried out in accordance with the following principles:

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

(b) on normal commercial terms or better; and

(c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

Loan Agreement

On 11 November 2016, the Loan Agreement was entered into between CDBIH as lender and the Company as borrower, pursuant to which CDBIH will provide a term loan to the Company in an amount of up to US$100,000,000, at an interest rate of 1.65% per annum over US$ 3-month LIBOR. The loan will be repayable on the date falling twelve months after the date of first drawdown, which may be automatically extended for another twelve months unless notified by either CDBIH or the Company not to extend repayment.

On 11 November 2016, CDBIH held approximately 66.16% of the issued share capital of the Company and is the controlling Shareholder. Accordingly, CDBIH is a connected person of the Company, and entering into the Loan Agreement between the Company and CDBIH constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the Board considers that as (i) the Loan Agreement has been entered into after arm's length negotiations between the Company and CDBIH and determined on normal commercial terms or better, and (ii) the loan is not secured by any asset of the Group, the loan is fully exempted from the Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

Save as disclosed above, during the Year, 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 of the Listing Rules. A summary of significant related party transactions that did not constitute connected transactions made during the Year was disclosed in note 21 to the financial statements of this report.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 7 February 2005 (the "**Share Option Scheme**"). As at 31 December 2016, 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 shares 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 2016, no option had been granted by the Company since the adoption of the Share Option Scheme. There are no options outstanding as at 1 January 2016 and 31 December 2016. 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 in this report.

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 28 to 36 in this report.

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 2016 are set out on pages 6 to 9 in this report.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

On 26 August 2015, the Company entered into an amendment and restatement agreement (the "**Amendment and Restatement Agreement**") amending an original facility agreement dated 7 August 2014 among CDBIH as the borrower, Broad Sino Developments Limited, the wholly-owned subsidiary of CDBIH, as the security provider and Natixis ("**Natixis**") as the lender and calculation agent relating to a US$100,000,000 facility. Pursuant to the new facility agreement (the "**Facility Agreement**") as amended by the Amendment and Restatement Agreement, the total facility has been increased to US$180,000,000 (the "**Facility**") and Natixis, as the lender has made or will make available: (a) the Facility A which is a term loan facility in US$100,000,000 (the "**Facility A**") to CDBIH as the Facility A borrower (the "**Facility A Borrower**"); and (b) the Facility B which is a term loan facility in US$80,000,000 (the "**Facility B**") to the Company and/or CDBIH as the Facility B borrower(s) (the "**Facility B Borrower(s)**" and together with the Facility A Borrower being the "**Borrowers**"), for a term commencing from the date of the Amendment and Restatement Agreement ending on 12 September 2017. The Facility Agreement imposes a specific performance obligation on the controlling Shareholder.

Pursuant to the terms of the Facility Agreement, a "change of control" occurs if (A) the Facility A Borrower ceases to directly or indirectly hold, legally and beneficially: (1) more than 50% of the issued share capital of the Company; (2) issued share capital having the right to cast more than 50% of the votes capable of being cast in general meetings of the Company; or (3) the right to determine the composition of the majority of the board of directors or equivalent body of the Company; or (B) the Facility A Borrower ceases to have power to manage or direct the Company through ownership of share capital, by contract or otherwise (a "**Change of Control**").

If a Change of Control occurs, the Facility A Borrower shall promptly notify Natixis and Natixis may, by not less than three business days' notice to the Borrowers, cancel the entire Facility and declare all outstanding loans of the Facility, together with accrued interest, and all other amounts accrued under the Finance Documents (as defined in the Facility Agreement) immediately due and payable.

On 6 October 2016, CDBIH repaid the above-mentioned US$100,000,000 facility. The Amendment and Restatement Agreement was terminated and the charge had been released by Natixis as at 31 December 2016.

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2016.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the Year.

DONATIONS

Charitable and other donations made by the Group during the Year amounted to Nil (2015: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

As the Group is engaged in investment holding for medium to long-term capital appreciation purposes, and investment in listed and unlisted securities, there are no major customers and suppliers during the Year.

REVIEW OF THE ANNUAL RESULTS BY THE AUDIT COMMITTEE

As at 31 December 2016, all 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 2016 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, at the Latest Practicable Date prior to the issue of this report. the Company has maintained sufficient public float as required under the Listing Rule during the year.

SUBSEQUENT EVENT

No subsequent events of the Group after the end of the reporting period are noted in this report.

AUDITOR

The consolidated financial statements for the years ended 31 December 2014 and 31 December 2015 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants ("**Deloitte**").

During the Year, Deloitte, resigned as the auditor of the Company and PricewaterhouseCoopers ("**PwC**") was appointed to fill the casual vacancy. The consolidated financial statements for the year ended 31 December 2016 have been audited by PwC who will retire and, being eligible, offer itself for re-appointment in the AGM.

By Order of the Board
China Development Bank International Investment Limited

BAI Zhe
Chairman

Hong Kong, 15 March 2017

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr BAI Zhe *(Chairman)*

Mr BAI Zhe, aged 40, has been appointed as an executive Director of the Company since 20 January 2014. He is also the chairman of the Board and the chairman of the nomination committee of the Company. He currently is the deputy chief executive officer of CDBIH. Mr BAI joined the Company in July 2012 as the managing director of the Company. He served as the chief operating officer of CDBIH from 2013 to 2014. Prior to that, Mr BAI served as the deputy division head of Direct Investment Division IV and the division head of International Business Division of CDBC from 2011 to 2014. 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 YUAN Chun *(Chief Executive Officer)*

Mr YUAN Chun, aged 46, has been appointed as an executive Director of the Company since 13 June 2014. He is also the Chief Executive Officer of the Company. Mr YUAN served as the chief investment officer of CDBIH from July 2016. He is also a director of certain subsidiaries of the Company and CDBIH. He joined CDBIH as the managing director of the investment division in April 2013 and served as the chief operating officer of CDBIH from December 2014 to July 2016. Mr YUAN was the vice president of the Company from 13 June 2014 to 15 December 2014. Prior to CDBIH, Mr YUAN held various senior positions in several financial institutions. From 1995 to 1998, Mr YUAN worked in the People's Bank of China. From 2002 to 2008, Mr YUAN worked with Global Markets division at Deutsche Bank and was a director in Capital Markets Department in HSBC. From 2008 to 2013, Mr YUAN was a managing director in ING Bank N.V. Hong Kong Branch and a managing director of Reorient Financial Markets Limited, a wholly-owned subsidiary of Reorient Group Limited (now known as "Yunfeng Financial Group Limited", listed on the Stock Exchange, stock code: 376). Mr YUAN holds an MBA degree from INSEAD. He also holds a bachelor degree in economics from Peking University and an M.A. degree in international finance from the Graduate School of the People's Bank of China. Mr YUAN has extensive experience in corporate investment and finance and investment banking.

Mr ZHANG Jielong *(Deputy Chief Executive Officer)*

Mr ZHANG Jielong, aged 34, has been appointed as an executive Director of the Company since 22 June 2015. He is also the Deputy Chief Executive Officer and head of Direct Investment Division of the Company. Besides, Mr ZHANG is a director of certain subsidiaries and certain associates (as defined in the Listing Rules) of the Company. Currently, Mr ZHANG also serves as a managing director and head of Direct Investment Division II of CDBIH. From May 2014 to June 2016, he served as an executive director of Direct Investment Division II of CDBIH. Mr ZHANG joined the Company in August 2012. From July 2011 to August 2012, Mr ZHANG served as an advisor of CDBC. Prior to joining the group of CDB, Mr ZHANG worked at the private equity arm of Mizuho Securities' Hong Kong office as a vice president from 2007 to 2011. Mr ZHANG started his professional career at PricewaterhouseCoopers Beijing office in 2004 and worked as a senior auditor from 2004 to 2007. Mr ZHANG obtained a double bachelor degree of arts and economics from Beijing Foreign Studies University in 2004, a master degree of business administration from The Chinese University of Hong Kong in 2011 and a postgraduate diploma in finance from Tsinghua University in 2011. Mr ZHANG is a member of Hong Kong Securities and Investment Institute. Mr ZHANG has extensive experience in private equity investment and fund management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr WANG XiangFei

Mr WANG Xiangfei, aged 65, 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 has been appointed as a member of remuneration committee of the Company with effect from 16 March 2017. Mr WANG is the vice chief financial officer of Sonangol Sinopec International Limited and the financial advisor of China Sonangol International Holding Limited. He is also an executive director of Nan Nan Resources Enterprise Limited (listed on the Stock Exchange, stock code:1229). Besides, Mr WANG is an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (listed on Shanghai Stock Exchange and the Stock Exchange, A shares stock code: 600874; H shares stock code: 1065) ("**Tianjin Capital**"). He was also an independent non-executive director of Tianjin Capital for the period from April 2002 to April 2008. 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 external supervisor of Shenzhen Rural Commercial Bank and an independent non-executive director of China CITIC Bank Corporation Limited (listed on Shanghai Stock Exchange and the Stock Exchange, A shares stock code: 601998; H shares stock code: 998), Shandong Chenming Paper Holdings Limited (listed on Shanghai Stock Exchange, Shenzhen Stock Exchange and the Stock Exchange, A shares stock code: 000488; B shares stock code: 200488; H shares stock code: 1812) and SEEC Media Group Limited (listed on the Stock Exchange, stock code: 205) for three years.

Mr SIN Yui Man

Mr SIN Yui Man, aged 59, has been appointed as an independent non-executive Director of the Company since 1 September 2014. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. Mr SIN has over 30 years of experience in treasury and corporate banking. Prior to joining the Company, Mr SIN served in Ping An Bank Co., Ltd., (listed on the Shenzhen Stock Exchange, stock code: 000001), Hong Kong Representative Office as the Chief Representative; Agricultural Bank of China Limited (listed on the Stock Exchange, stock code: 1288) as Alternate Chief Executive in its Hong Kong Branch; as well as in senior management positions at Standard Chartered Bank and Société Générale S.A. (SocGen) in Hong Kong. In 2011, Mr SIN was elected as a member of the Chief Executive Election Committee in Hong Kong. He is currently serving as a member in the Committee on Shopping-Related Practices of the Travel Industry Council of Hong Kong, as well as the Secretary General of the Friends of Dunhuang Hong Kong. Mr SIN is a graduate of the Social Science Faculty of the University of Hong Kong, and possesses a post-graduate degree in Master of Business Administration from INSEAD.

Mr FAN Ren Da, Anthony

Mr FAN Ren Da, Anthony, aged 56, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also a member of the audit committee, 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 Ltd. (listed on the Stock Exchange, stock code: 220), Hong Kong Resources Holdings Company Limited (listed on the Stock Exchange, stock code: 2882), LT Commercial Real Estate Limited (formerly known as LT Holdings Limited) (listed on the Stock Exchange, stock code: 112), Neo-Neon Holdings Limited (listed on the Stock Exchange, stock code: 1868) and CGN New Energy Holdings Co., Ltd. (formerly known as CGN Meiya Power Holdings Co., Ltd.) (listed on the Stock Exchange, stock code: 1811).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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.

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 the date of this report, the Board comprised six Directors, including three executive Directors, namely Mr BAI Zhe, Mr YUAN Chun and Mr ZHANG Jielong and three independent non-executive Directors, namely Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony. Mr LIU Xiao Guang had been an executive Director during the Year and passed away on 16 January 2017. 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, possesses appropriate professional accounting qualifications and financial management expertise. 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 various backgrounds and qualifications through regular attendance and active participation. The independent non-executive Directors had attended the general meetings of the Company and developed a balanced understanding of the views of Shareholders. The biographical details of the current Directors are set out on pages 25 to 27 of this report.

Diversity policy

The Company has 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 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.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates may bring to the Board. The Board's composition (including gender, ethnicity, age and length of service) will be disclosed in the Corporate Governance Report annually.

Responsibilities of Directors

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 have met all the independence requirements set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these independent non-executive Directors to be independent.

Every newly appointed director of the Company should receive a comprehensive, formal and tailored induction covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed Company on appointment. Subsequently, all Directors should have access to the professional development opportunities necessary to ensure that they have a proper understanding of the Company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Besides, the Company had arranged a professional training to the Directors to develop and refresh their knowledge and skills relevant to the directors' duties during the Year. Mr BAI Zhe, Mr YUAN Chun, Mr ZHANG Jielong, Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony participated in a training provided by the external legal professional, Freshfields Bruckhaus Deringer, on 13 December 2016.

During the Year, the Company had arranged the directors and officers liability insurance cover in respect of legal action against the Directors.

Board composition

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 had determined regularly the disclosure in relation to each Director for any change, the number and nature of offices held in public companies or organizations and other significant commitments.

The Board

The Board meets regularly throughout the Year to review the overall strategy and to monitor the operation of the Group. The Company holds four regular Board meetings for a year at approximately quarterly intervals. Notice of at least 14 days for each of the regular meetings is 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 and final versions of minutes of all Board meetings are circulated to Directors for comment and records respectively within a reasonable time after the Board meeting is held. 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.

During the Year, seven full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director during his tenure is set out below:

Name of Director	Number of entitled board meetings attended	Attendance rate
Executive Directors		
Mr BAI Zhe	7/7	100%
Mr LIU Xiao Guang Note	4/7	57.14%
Mr YUAN Chun	7/7	100%
Mr ZHANG Jielong	7/7	100%
Independent Non-executive Directors		
Mr WANG Xiangfei	7/7	100%
Mr SIN Yui Man	7/7	100%
Mr FAN Ren Da, Anthony	6/7	85.71%

Note: Mr LIU Xiao Guang passed away on 16 January 2017.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the Year, Mr BAI Zhe and Mr YUAN Chun 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 BAI Zhe, is an executive Director who is responsible for the leadership and effective running of the Board. The chief executive officer, Mr YUAN Chun, 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.

During the Year, the chairman of the Board, Mr BAI Zhe, had ensured that all Directors are properly briefed on issues arising at Board meeting. He was responsible for ensuring that all Directors receive, in a timely manner, adequate information regarding the operation and governance of the Company which must be accurate, clear, complete and reliable.

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 the Shareholders' 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 relevant annual general meeting.

NON-EXECUTIVE DIRECTORS

The non-executive Director (if any) 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 Shareholders' annual general meetings in accordance with the provisions of the Articles.

AUDIT COMMITTEE

As at 31 December 2016, the Audit Committee comprised three members, namely, Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony. During the Year, all members of the Audit Committee were 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 internal control systems, 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 2015 is available on the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed 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.

Audit Committee had considered the matters in connection with the resignation and appointment of the independent auditors and agreed with the conclusions in arriving at the resignation and appointment of the independent auditors.

During the Year, three Audit Committee meetings were held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Audit Committee meetings attended	Attendance rate
Mr WANG Xiangfei	3/3	100%
Mr SIN Yui Man	3/3	100%
Mr FAN Ren Da, Anthony	3/3	100%

REMUNERATION COMMITTEE

As at 31 December 2016, the Remuneration Committee of the Company (the "**Remuneration Committee**") comprised three members, namely Mr LIU Xiao Guang (Note), Mr SIN Yui Man and Mr FAN Ren Da, Anthony. During the Year, the majority members of the Remuneration Committee were independent non-executive Directors. The chairman of the Remuneration Committee is Mr SIN Yui Man, 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 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 Group's overall remuneration policy, the remuneration packages of individual executive Directors and senior management.

During the Year, two Remuneration Committee meetings were held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Remuneration Committee meetings attended	Attendance rate
Mr LIU Xiao Guang [Note]	1/2	50%
Mr SIN Yui Man	2/2	100%
Mr FAN Ren Da, Anthony	2/2	100%

Note: Mr LIU Xiao Guang passed away on 16 January 2017.

NOMINATION COMMITTEE

As at 31 December 2016, the nomination committee of the Company (the "**Nomination Committee**") comprised three members, namely Mr BAI Zhe, Mr WANG Xiangfei and Mr FAN Ren Da, Anthony. During the Year, the majority members of the Nomination Committee were independent non-executive Directors. The chairman of the Board, Mr BAI Zhe is also the chairman of the Nomination Committee. 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 Nomination Committee also performs the duties to (a) identify individuals suitably qualified to become Board members and to select or to make recommendations to the Board on the selection of individuals nominated for directorship; (b) to assess the independence of independent non-executive directors; (c) to make recommendations to the Board concerning the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive officer; and (d) to perform any other duties prescribed by law, regulation and rules, as amended from time to time, which set forth obligations for the Company to comply with. 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. During the Year, the Nomination Committee had reviewed the progress of implementation of Diversity Policy and the structure, size and composition of the Board including the Directors' skills, knowledge and experience and had made recommendations to the Board on the appointment of the individuals as the Director and chief executive of the Company.

During the Year, one Nomination Committee meeting was held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Nomination Committee meeting attended	Attendance rate
Mr BAI Zhe	1/1	100%
Mr WANG Xiangfei	1/1	100%
Mr FAN Ren Da, Anthony	1/1	100%

AUDITOR'S REMUNERATION

Deloitte was appointed by the Shareholders as the Company's auditor at the annual general meeting held on 16 June 2016 (the "**AGM 2016**"). The audit services engagement for 2016 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	420,000
Other non-audit services	95,400

During the Year, Deloitte, resigned as auditor of the Company and PwC was appointed to fill the casual vacancy. The consolidated financial statements for the Year have been audited by PwC.

During the Year, the remuneration paid to PwC for the audit and non-audit services rendered to the Group were as follows:

	HK$
Annual audit services	950,000
Other non-audit services	782,000

Notes:

1. Deloitte had reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016.

2. PwC had provided the audit services to the Company for the Year.

3. PwC had provided tax compliance services, consultancy services for Environmental, Social and Governance Reporting, Corporate Governance Reporting and other services in relation to the review on results announcement and continuing connected transaction for the Year.

COMPANY SECRETARY

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. Ms CHAN Mei Ngor was the company secretary of the Company and directly reported to Mr BAI Zhe, the chairman of the Board, for the period from 1 January 2016 to 20 June 2016. Mr YU Chi Kit was appointed as the company secretary of the Company with effect from 20 June 2016. Mr YU directly reports to Mr BAI Zhe, the chairman of the Board.

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 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. Ms CHAN Mei Ngor was the company secretary of the Company for the period from 1 January 2016 to 20 June 2016, Ms CHAN confirmed that she had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules during the Year. Mr Yu Chi Kit, 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 financial state 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 endeavors 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 meetings, 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 separate major issue, including the election of individual Directors.

Calling an extraordinary general meeting

Pursuant to the Article 58 of the Articles, 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 requisitions(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

The requisition must (i) state the objects of the meeting: (ii) state the name(s) of the requisition(s): (iii) the contact details of the requisition(s): (iv) the number of ordinary shares of the Company held by the requisition(s): (v) be signed by the requisition(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 of the Articles 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 dispatch 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 dispatch 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 a 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

On 16 June 2016, the Company had convened the AGM 2016 at 10th Floor, Winland International Financial Center, No. 7 Financial Street, Xicheng District, Beijing, People's Republic of China. At the AGM 2016, the Shareholders 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 2015;

(ii) re-elect the retiring Directors and authorise the Board to fix the remuneration of the Directors;

(iii) appoint Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, as the auditor of the Company and to authorise 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 general meeting of the Company during his tenure is set out below:

Name of Director	Number of entitled general meeting attended	Attendance rate
Executive Directors		
Mr BAI Zhe	1/1	100%
Mr LIU Xiao Guang [Note]	0/1	0%
Mr YUAN Chun	1/1	100%
Mr ZHANG Jielong	1/1	100%
Independent Non-executive Directors		
Mr WANG Xiangfei	0/1	0%
Mr SIN Yui Man	1/1	100%
Mr FAN Ren Da, Anthony	1/1	100%

Note: Mr LIU Xiao Guang passed away on 16 January 2017.

The forthcoming annual general meeting of the Company will be held on Friday, 2 June 2017 at 11:00 a.m. at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The review on the risk management and internal control systems of the Company is set out in the section headed "Risk Management and Internal Controls" on pages 37 to 40 of this report.

Risk Management and Internal Controls

RESPONSIBILITY

The Board has the overall responsibility to ensure that sound and effective internal controls and risk management are maintained, while management is responsible to design and implement an internal controls system to manage risks. A sound and effective system of internal controls is designed to identify and manage the risk of failure to achieve business objectives.

OUR RISK MANAGEMENT FRAMEWORK

The Board is responsible for the Group's internal controls and risk management system and for reviewing its effectiveness on an annual basis. The Audit Committee supports the Board in monitoring our risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems. The Audit Committee, acting on behalf of the Board, oversees the following process:

(i) regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks; the strengths and weaknesses of the overall internal controls system and action plans to address the weaknesses or to improve the assessment process;

(ii) regular reviews of the business process and operations reported by the Internal Audit Report, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and

(iii) regular reports by the external auditors of any monitoring issues identified in the course of their work and the discussion with the external auditors about their respective review scope and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's system of internal controls. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of the system.

For the Year, the Board through the Audit Committee has conducted a review of the effectiveness of the risk management system of the Company by conducting a formal risk assessment process to identify and priorities the key risks (classified by strategic risks/operational risks/financial reporting risks and compliance risks). Action plan for each key risk has also been confirmed. No significant areas of concern that may affect the risk management functions of the Company have been identified.

The Board considers that such system is effective and sufficient.

OUR INTERNAL CONTROL MODEL

Our internal controls model is reference to the Committee of Sponsoring Organizations of the U.S. Treadway Commission ("**COSO**") for internal controls and it has five key components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. The key elements of our internal controls model are as follows:

- **Control Environment** – The control environment is the set of standards, processes, and structures that provides the basis for carrying our internal control across the Company. The Board and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the Company.

- **Risk Assessment** – Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the Company are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed.

- **Control Activities** – Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the Company, at various stages within business processes, and over the technology environment. The control activities may be preventive or detective in nature and may encompass a range of mutual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

Investment monitoring is also significant given the capital-intensive nature of our business. Depending on strategic importance, cost/benefit and the size of the projects, detailed analysis of expected risks and returns is submitted to management for consideration and approval. The criteria for assessment of financial feasibility are generally based on net present value, payback period and internal rate of return from projected cash flow.

- **Information and Communication** – Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the Company, flowing up, down and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

- **Monitoring** – the Board and Audit Committee oversee the process, assisted by our Internal Audit Department. Management has enhanced its update reports to Audit Committee on movements on major risks and appropriate mitigating measures. There are three Audit Committee meetings annually, with one meeting mainly about internal controls and risk management systems.

For the Year, the management of the Group has engaged an external internal control consultant to conduct an internal audit review over the Company's key business process. The internal audit report, with no material weakness were found, were submitted to the Audit Committee for review. No significant areas of concern that may affect the internal control system of the Company have been identified.

During the review, the Board also considered the resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget were adequate.

INTERNAL AUDIT FUNCTION

Under the Code Provision C2.6 of the CG Code with effect from 1 January 2016, the Company should have an internal audit function. The Audit Committee is aware that the Company should have an internal audit function to process the effectiveness of the risk management and internal control system. During the Year, 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 Company will consider sharing the CDB groups resources to carry out the internal audit function of the Company.

INSIDE INFORMATION

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

COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

As part of the process of reviewing the financial statements, the Committee reviews the Group's compliance with applicable legal and regulatory requirements including the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance; the only notable exception is that the Group does not publish quarterly financial results.

COMPLIANCE MANUAL

The compliance manual of the Company 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 and reviews the policy for the corporate governance of the Company and is responsible for the compliance for such policy.

Environmental, Social and Governance Report

ABOUT THIS REPORT

We are pleased to present you the Environmental, Social and Governance ("**ESG**") Report for the Company which depicts our performance on the sustainability of the Group. The Group mainly engaged in investment on a global level.

While achieving our goals and business objectives, the Company works to minimise and manage environmental and social impacts arising from its daily operations and contribute to the long-term wellbeing of the communities in which it operates.

We engage our stakeholders on an ongoing basis to collect their views and expectations on our ESG performance and reporting.

This report summarises the highlights of our ESG performance for the Year, which covers environmental protection, employment and labour practices, operating practices and community investment.

ENVIRONMENTAL PROTECTION

The Group is committed to operating its business in an environmentally responsible way.

During the reporting period, we actively participated in the Mooncake Boxes Recycling Campaign 2016 organised by the building management of the International Finance Centre (IFC) and collected a large number of empty mooncake boxes and used flower baskets for recycling. In addition, the Group has collaborated with other corporations, such as Lenovo, to recycle used computer devices. We are committed to reducing electronic waste by leveraging existing IT service solutions, such as corporate lease terms, to minimise the need for acquiring new hardware. We also encourage our employees to purchase used corporate devices, such as laptops, monitors and desktop personal computers, at a discounted price to minimise electronic waste.

A major source of our greenhouse gas (GHG) emissions results from electricity use at our premises. The Group places great emphasis on energy conservation through implementing its energy efficiency policies.

Our employees are encouraged to minimise wastage of energy, water and other resources. For example, we support the use of energy-saving lamps over traditional, less energy-efficient ones. Our employees are expected to switch off lights or any electricity consuming devices when they are not being used. We remind our employees of the importance of water conservation by putting "Save Water" signage at our premises. In addition, we have taken steps to reduce the use of paper by adopting technologies to enable a digital approval process.

To manage the impacts to the environment and natural resources, we prioritize purchasing printing paper from suppliers who confirm that their products are produced from sustainable sources.

EMPLOYMENT AND LABOUR PRACTICES

Employment

People are the foundation of our business success and we treat employees as our greatest asset. To attract and retain our high-calibre labor force, the Group has implemented policies and procedures to achieve an effective human capital management system, covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

We promote a culture of diversity and respect and strive to provide a fair and inclusive work environment free of all kinds of discrimination for employees to achieve their goals and pursue their career objectives.

The Group places emphasis on maintaining a team of high-caliber talent and provides competitive remuneration and welfare packages. The Group has endeavored to review and improve its remuneration system on a regular basis to remain competitive. With an aim to facilitate the retention of talent, the Group offers, in addition to salaries and bonuses, various benefits including an education allowance, a housing allowance, the Mandatory Provident Fund, meal allowances, compensation for mobile communication and personal accident insurance.

To enhance our staff's sense of belonging and morale, the Group holds several team building activities or festival celebrations on a regular basis, such as a Christmas party, movie night, hiking, badminton competitions and New Year lion dance performances.

Health and Safety

We believe that both physical and mental health is important to maintain a high standard of work. Our employees are provided with medical checks. By offering opportunities for a flexible work arrangement, we encourage our employees to maintain a healthy work-life balance.

The Group is committed to providing an effective, healthy and safe workplace for all employees. During 2016, we participated in fire drills and fire safety seminars jointly held by the building management of IFC and the Fire Services Department to enhance employee safety awareness and remain prepared for fire emergencies.

Development and Training

The Group believes that employee development plays an essential role in laying a solid foundation for business growth and helps maintain our competitiveness. We encourage our employees to continue their education and add value to their work by joining seminars and workshops regularly. We provide a wide range of internal and external training sessions covering technical and functional skills, such as valuation, investment analysis, internal control and human capital management. Seminars introducing the latest investment environment and trends are also provided to broaden the horizon of our employees in the field of business investment.

Labor Standards

The Group strictly prohibits the use of child and forced labor in our operations and expects its suppliers to adhere to the same standard. Due diligence assessments are conducted to identify potential violations of labor practices in our investment opportunities.

OPERATING PRACTICES

Supply Chain Management

The Group interacts with a number of business partners such as law firms, investment banks, tax advisors and consulting companies. We have established and implemented supplier management policies and procedures to manage the risks associated with our supply chain, including those associated with environmental, social and governance practices.

Product Responsibility

The Group serves as an overseas investment platform used by CDBC, a wholly-owned subsidiary of CDB. The Group explores first-rate investment opportunities, cooperates closely with world-class partners, supports Chinese enterprises with equity capital, and assists them to access CDB's credit facilities.

Comprehensive policies and procedures have been implemented to facilitate a responsible and efficient investment process. We perform rigorous assessments and monitoring during pre-acquisition, hold and exit phases with an aim to identify, assess and mitigate relevant investment risks and achieve the targeted returns. Investment opportunities are subject to stringent screening in line with our procedures by the investment committee, comprised of experienced professionals, to ensure our investment decisions are prudent, consistent and impartial.

We strictly protect the confidentiality of non-public material information. Our employees are required to sign an agreement and commit to our confidentiality requirements. Non-disclosure agreements are signed with the counterparty where applicable to prevent leakage and loss of confidential information.

Anti-corruption

The Group attaches great importance to business integrity and upholds high standards of business ethics in everything we do. We strictly prohibit corruption, bribery, fraud and money laundering and have specified this requirement to all employees in the compliance manual of the Company ("**Compliance Manual**").

All new employees are required to sign a declaration form which specifies that they understand and agree with the Compliance Manual. Existing employees are required to make declaration regarding misconduct, anti-corruption or conflict of interest, if any, on an annual basis.

Community Investment

We are dedicated to serving our community and creating positive impacts. During 2016, we engaged a local charity organization and planned to kick off voluntary activities such as supporting the elderly and people in need and raising charity funds for upcoming years.

Regulatory Compliance

During the year, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as environmental protection, employment labour practices and operating practices.

Independent Auditor's Report

羅兵咸永道

To the shareholders of
CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Development Bank International Investment Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 48 to 93, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the **Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the valuation of the Group's financial assets measured at fair value.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Valuation of the Group's financial assets at fair value through profit or loss classified as level 3 Refer to note 2.8, 3.4 and 15 of the consolidated financial statements. The balance of the Group's financial assets at fair value through profit or loss ("**FVTPL**") as at 31 December 2016 amounted to approximately HK$1,139 million which were categorised as level 3 in the fair value hierarchy. The audit focused on the valuation of the financial assets at FVTPL classified as level 3 in the fair value hierarchy due to the significance of the balance and the high degree of subjectivity and management judgement. Due to the fact that availability of information is limited for these financial assets at FVTPL, management judgement is involved in determining the assumptions to the unobservable inputs, including credit spread rate and volatility, and application of the valuation technique (i.e. option pricing model). Management also engaged external valuer during this process.	With the involvement of our internal valuation team, we had performed the following procedures: • We evaluated the competence, independence, capabilities and objectivity of the Group's external valuer; • We assessed the appropriateness for the selection of option pricing model as the valuation technique used by management based on the market practice and our knowledge on the nature of the financial assets; • We evaluated the judgement made by management in determining the key assumptions, including credit spread rate and volatility, by comparing the supporting documentation to external market analysis, the market practice and our industry knowledge. We also performed an independent sensitivity analysis to evaluate those assumptions applied to the option pricing model for calculating the fair value of the financial assets; and • We checked the mathematical accuracy of the option pricing model prepared by management via re-performance. Based on the procedures we performed, we found the valuation technique to be appropriate and the key assumptions used by management in the valuation of the financial assets are supported by the evidence that we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cecilia, Lai Ting Yau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$	2015 HK$
Investment income	6	**–**	34,597,808
Change in fair value of financial assets at fair value through profit or loss	3.4	**96,618,736**	98,366,951
General and administrative expenses	8	**(15,346,143)**	(19,229,243)
Operating profit		**81,272,593**	113,735,516
Finance income		**193,961**	250,913
Share of profit in associates		**3,605,976**	4,311,703
Profit before income tax		**85,072,530**	118,298,132
Income tax credit/(expense)	7	**4,719,978**	(5,037,084)
Profit for the year attributable to owners of the Company		**89,792,508**	113,261,048
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(4,452,800)**	(4,383,767)
Other comprehensive loss for the year		**(4,452,800)**	(4,383,767)
Total comprehensive income for the year attributable to owners of the Company		**85,339,708**	108,877,281
Earnings per share			
– Basic (HK cents)	12	**3.09**	3.90
– Diluted (HK cents)	12	**3.09**	3.90

The notes on page 52 to 93 are an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 HK$	2015 HK$
Assets			
Non-current assets			
Property, plant and equipment	13	**–**	–
Interests in associates	14	**67,112,795**	70,777,676
Financial assets at fair value through profit or loss	15	**1,139,242,814**	218,000,293
Prepayment	16	**–**	195,000,000
		1,206,355,609	483,777,969
Current assets			
Financial assets at fair value through profit or loss	15	**–**	163,785
Other receivables, prepayments and deposits		**343,809**	490,971
Cash and cash equivalents	17	**108,751,139**	748,578,554
		109,094,948	749,233,310
Total assets		**1,315,450,557**	1,233,011,279
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	20	**29,022,154**	29,022,154
Reserves		**1,277,838,295**	1,192,498,587
Total equity		**1,306,860,449**	1,221,520,741
Liabilities			
Non-current liability			
Deferred tax liabilities	19	**2,325,834**	2,972,962
Current liabilities			
Other payables and accruals	18	**6,264,274**	4,097,594
Tax payable		**–**	4,419,982
		6,264,274	8,517,576
Total liabilities		**8,590,108**	11,490,538
Total equity and liabilities		**1,315,450,557**	1,233,011,279
Net asset value per share	25	**0.45**	0.42

The consolidated financial statements on pages 48 to 93 were approved and authorised for issue by the director on 15 March 2017 and are signed on its behalf by:

Bai Zhe
DIRECTOR

Yuan Chun
DIRECTOR

The notes on page 52 to 93 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital HK$	Share premium HK$	Special reserve HK$ (Note)	Exchange reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2015	29,022,154	1,043,800,995	382,880,958	15,486,918	270,200	(358,817,765)	1,112,643,460
Comprehensive income							
Profit for the year	–	–	–	–	–	113,261,048	113,261,048
Other comprehensive income							
Currency translation differences	–	–	–	(4,383,767)	–	–	(4,383,767)
Total comprehensive (loss)/income for the year, net of tax	–	–	–	(4,383,767)	–	113,261,048	108,877,281
At 31 December 2015	29,022,154	1,043,800,995	382,880,958	11,103,151	270,200	(245,556,717)	1,221,520,741
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**89,792,508**	**89,792,508**
Other comprehensive income							
Currency translation differences	**–**	**–**	**–**	**(4,452,800)**	**–**	**–**	**(4,452,800)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**(4,452,800)**	**–**	**89,792,508**	**85,339,708**
At 31 December 2016	**29,022,154**	**1,043,800,995**	**382,880,958**	**6,650,351**	**270,200**	**(155,764,209)**	**1,306,860,449**

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.

The notes on page 52 to 93 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	**2016** **HK$**	2015 HK$
Cash flows from operating activities			
Profit before income tax		**85,072,530**	118,298,132
Adjustments for:			
Finance income		**(193,961)**	(250,913)
Share of profit in associates		**(3,605,976)**	(4,311,703)
Change in fair value of financial assets at fair value through profit or loss		**(96,618,736)**	(98,366,951)
Changes in working capital			
Changes in other receivables, prepayments and deposits		**147,162**	(195,284,461)
Changes in other payables and accruals		**2,166,680**	1,256,631
Cash used in operations		**(13,032,301)**	(178,659,265)
Income taxes paid		**(347,132)**	(156,623)
Net cash used in operating activities		**(13,379,433)**	(178,815,888)
Cash flows from investing activities			
Interest received		**193,961**	250,913
Dividend received from an associate	14	**2,818,057**	1,566,234
Repayment of principal of financial assets at fair value through profit or loss		**–**	510,675,836
Purchase of financial assets at fair value through profit or loss		**(629,460,000)**	–
Net cash (used in)/generated from investing activities		**(626,447,982)**	512,492,983
Net (decrease)/increase in cash and cash equivalents		**(639,827,415)**	333,677,095
Cash and cash equivalents at the beginning of the year	17	**748,578,554**	414,901,459
Cash and cash equivalents at the end of the year	17	**108,751,139**	748,578,554

The notes on page 52 to 93 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

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 address 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, 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 24.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Amendments to HKAS 1	Disclosure initiative
Annual improvements projects	Annual improvement 2012-2014 cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and amendments to standards that have been issued but are not yet effective

The following new standards and amendments to standards have been issued but are not effective for the period and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKAS 12	Income taxes	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
Annual improvements projects	Annual improvements 2014-2016 cycle	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(b) New standards and amendments to standards that have been issued but are not yet effective (continued)

The Group has already commenced an assessment of the impact of these new HKFRSs and set out below are those that are expected to have material impact on the Group's accounting policies:

HKFRS 9 "Financial instruments"

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss.

There are equity investments currently measured at fair value through profit or loss ("**FVTPL**") for the Group (Note 15). They would likely continue to be measured on the same basis under HKFRS 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(b) New standards and amendments to standards that have been issued but are not yet effective (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. While the Group doesn't have material financial assets classified at amortised cost, debt instruments measured at financial value through other comprehensive income ("**FVOCI**"), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments or certain financial guarantee contracts. It is considered to have immaterial impact by the new model.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions-that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates accounted for using the equity method of accounting

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in associates is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the interests in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit in associates' in the consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates (continued)

Investments in associates measured at fair value through profit or loss

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, upon initial recognition the entity may elect to measure the investment as designated at fair value through profit or loss or are classified as held for trading and accounted for in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. Such investments shall be measured at fair value in accordance with HKAS 39, with changes in fair value recognised in profit or loss in the period of the change (Note 2.8).

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive directors.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within 'finance income or expenses'. All other foreign exchange gains and losses are presented in consolidated statement of profit or loss and other comprehensive income within 'general and administrative expense'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Leasehold improvements	3 years
–	Furniture and fixtures	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'general and administrative expense' in the consolidated statement of profit or loss and other comprehensive income.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading; and those designated at fair value through profit or loss at inception.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.1 Classification (continued)

(a) Financial assets at fair value through profit or loss (continued)

(i) Financial assets held for trading

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Group does not hold any derivatives as hedges in a hedging relationship.

(ii) Financial assets designated at fair value through profit or loss at inception

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented risk management and investment strategy.

The Group's policy requires the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "other receivable, prepayments and deposits" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 2.10 and 2.11).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss and other comprehensive income within 'change in fair value of financial assets at fair value through profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income as investment income when the Group's right to receive payments is established.

2.9 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss other comprehensive income.

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 was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

2.10 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.9 for a description of the Group's impairment policies.

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks.

2.12 Share capital

Ordinary shares are classified as equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Employee benefits

(i) Pension obligations

The Group operates a defined contribution plan in Hong Kong and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Interest income

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 recognised on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(b) Dividend income

Dividend income from financial assets 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).

2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

2.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

2.19 Finance income

Finance income from fixed deposits at banks is recognised on a time-proportion basis using the effective interest method.

3 FINANCIAL RISK MANAGEMENT

3.1 Categories of financial instruments

	2016 HK$	2015 HK$
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets held for trading	–	163,785
Financial assets designated at fair value through profit or loss	**1,139,242,814**	218,000,293
	1,139,242,814	218,164,078
Loans and receivables		
Cash and cash equivalents	**108,751,139**	748,578,554
Other receivables	**343,809**	490,971
	109,094,948	749,069,525

3.2 Financial risk factors

The Group's financial instruments include financial assets at fair value through profit or loss and cash and cash equivalents. 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. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

Foreign currency risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the operating costs denominated and settled in HK$. The Group's exposure to foreign currency risk primarily arises from investments denominated in US$ 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 US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in US$ is presented as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates at the reporting dates.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Financial risk factors (continued)

(i) Market risk (continued)

Other price risk

The Group is exposed to price risk through its investments in financial assets at fair value through profit or loss. In order to mitigate such risk, the Group would diversify its investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. At 31 December 2016, if the price of the Group's financial assets at fair value through profit or loss had been 10% higher/lower with all other variables held constant, the profit for the year would have increased/decreased by approximately HK$113.92 million (2015: approximately HK$21.80 million).

(ii) Credit risk

As at 31 December 2016, 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's credit risk is primarily attributable to its deposits with banks. The credit risk on deposits with banks is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

(iii) 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 management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has no financial liability as at 31 December 2016 (2015: nil).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner to procure adequate financial resources from the owner. The Group's overall strategy remains unchanged from prior year.

The Group will maintain or adjust the capital structure through the new share issues and share buy-backs as well as the issue of new debt.

As at 31 December 2016, the Group does not have debt. Accordingly, the analysis on the Group's gearing ratio is not presented in the notes to the consolidated financial statements.

3.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

	Financial assets	Fair value as at 31 December 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
i)	Unlisted ordinary shares of Jade Sino	HK$254,764,255	HK$218,000,293	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 12.12%.	The higher the credit spread rate, the lower the fair value.	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK$7,189,262 and increase by HK$4,338,191 respectively.
						Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 55.73%.	The higher the volatility, the higher the fair value.	If the volatility is 10% higher/lower, while all other variables were held constant/the fair value would increase by HK$4,520,834 and decrease by HK$4,434,715 respectively.
ii)	Unlisted convertible preferred shares with put option of Best Logistics	HK$263,874,000	N/A	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 8.09%.	The higher the credit spread rate, the lower the fair value.	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK$11,466,000 and increase by HK$12,246,000 respectively.
						Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 50.81%.	The higher the volatility, the higher the fair value.	If the volatility is 10% higher/lower, while all other variables were held constant/the fair value would increase by HK$9,594,000 and decrease by HK$4,602,000 respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

	Financial assets	Fair value as at 31 December 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
iii)	Unlisted ordinary shares of Jolly Investment Limited	HK$224,640,000	N/A	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the Issuer and the market rate with similar credit ratio, of 11.28%.	The higher the credit spread rate, the lower the fair value.	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK$14,820,000 and increase by HK$16,380,000 respectively.
						Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 49.62%.	The higher the volatility, the higher the fair value.	If the volatility is 10% higher/ lower, while all other variables were held constant/the fair value would increase by HK$27,300,000 and decrease by HK$17,940,000 respectively.
iv)	Unlisted convertible preferred shares with put option of Spruce	HK$200,951,790	N/A	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 7.05%.	The higher the credit spread rate, the lower the fair value.	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK$10,917,639 and increase by HK$12,309,869 respectively.
						Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 43.48%.	The higher the volatility, the higher the fair value.	If the volatility is 10% higher/ lower, while all other variables were held constant/the fair value would increase by HK$5,207,846 and decrease by HK$5,917,207 respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

	Financial assets	Fair value as at 31 December 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
v)	Unlisted convertible preferred shares with put option of G7 Networks Limited	HK$195,012,769	N/A	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 10.43%.	The higher the credit spread rate, the lower the fair value.	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK$11,237,765 and increase by HK$12,592,107 respectively.
						Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 52.12%.	The higher the volatility, the higher the fair value.	If the volatility is 10% higher/ lower, while all other variables were held constant/the fair value would increase by HK$352,676 and decrease by HK$22,164 respectively.

There were no transfers between Level 1, 2 and 3 during the year.

The fair values of the financial assets are determined in accordance with option-pricing model which is a generally accepted pricing models.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

Fair value hierarchy

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
2016				
Financial assets				
Financial assets at fair value through profit or loss	**–**	**–**	**1,139,242,814**	**1,139,242,814**
2015				
Financial assets				
Financial assets at fair value through profit or loss	–	–	218,164,078	218,164,078

The fair values of the financial assets included in the level 3 category above have been determined in accordance with option-pricing model, with the most significant inputs being the credit spread rate that reflects the credit risk of counterparties and the volatility.

The following table presents the changes in level 3 instruments for the year ended 31 December 2016 and 2015.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss HK$
At 1 January 2015	630,472,963
Total gains recognised in profit or loss	
– change in fair value of financial assets held for trading	400,496
– change in fair value of financial assets designated at fair value through profit or loss	97,966,455
	98,366,951
	728,839,914
Repayment of principal	(510,675,836)
At 31 December 2015	218,164,078
At 1 January 2016	218,164,078
Total (losses)/gains recognised in profit or loss	
– change in fair value of financial assets held for trading	(163,785)
– change in fair value of financial assets designated at fair value through profit of loss	96,782,521
	96,618,736
	314,782,814
Purchase	
– settled by cash during the year	629,460,000
– prepaid in prior year	195,000,000
	824,460,000
At 31 December 2016	1,139,242,814

Of the total gains for the year included in profit or loss, HK$96,618,736 (2015: HK$98,366,951) 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 at fair value through profit or loss'. Included in 'change in fair value of financial assets at fair value through profit or loss' amounted to HK$75,219,530 represented the net realised gain on disposals of financial assets at fair value through profit or loss during the year ended 31 December 2015. There was no disposal of financial assets at fair value through profit or loss during the year ended 31 December 2016.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of financial instruments and interests in associates measured at FVTPL

The Group selects appropriate valuation techniques for financial instruments and interest in associates measured at FVTPL for financial reporting purposes. The director 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 assets, 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 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 3.4 provides detailed information about the valuation techniques and inputs used in the determination of the fair value of various assets.

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 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, the Group has identified only one operating segment – investment holding, and no separate segment information is disclosed.

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 and property, plant and equipment) are located in the PRC, which is based on the operations of the associates.

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

	2016 **HK$**	2015 HK$
Interest income from financial assets designated at fair value through profit or loss	–	34,597,808
	–	34,597,808

7 INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong for the year (2015: Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2016 **HK$**	2015 HK$
Current tax		
Hong Kong profits tax	**–**	4,419,982
Withholding tax	**347,132**	156,623
Overprovision in prior year	**(4,419,982)**	–
	(4,072,850)	4,576,605
Deferred taxation on withholding tax on undistributed earnings of associates		
Current year (note 19)	**(647,128)**	460,479
	(4,719,978)	5,037,084

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016 **HK$**	2015 HK$
Profit before income tax	**85,072,530**	118,298,132
Calculated at a taxation rate of 16.5% (2015: 16.5%)	**14,036,967**	19,519,192
Expenses not deductible for tax purposes	**634,517**	533,683
Income not subject to tax	**(18,836,498)**	(21,315,413)
Associates' results reported net of tax	**(594,986)**	(711,431)
Tax losses for which no deferred income tax asset was recognised	**4,761,634**	163
Utilisation of previously unrecognised tax losses	**–**	(8,368,998)
Tax effect of temporary differences	**(1,634)**	14,762,786
Tax effect of undistributed earnings of associates	**(647,128)**	460,479
Withholding tax on dividend income received from associates	**347,132**	156,623
Over provision in prior year	**(4,419,982)**	–
Income tax (credit)/expense	**(4,719,978)**	5,037,084

8 EXPENSE BY NATURE

	2016 HK$	2015 HK$
Employee benefits expenses		
– Directors' fee (note 9)	**400,000**	400,000
– Other staff costs (note)		
Basic salaries and other benefits	**4,371,090**	7,701,958
Retirement benefits contribution	**188,700**	284,952
Auditor's remuneration		
– Audit services	**950,000**	1,028,000
– Non-audit services	**1,297,400**	747,950
Investment management fees	**350,000**	350,000
Legal and professional fees	**4,653,731**	4,838,379
Others	**3,135,222**	3,878,004
Total of general and administrative expenses	**15,346,143**	19,229,243

Note:

During the year ended 31 December 2016, the Group paid HK$1,413,435 (2015: HK$1,073,701) services fee to a personnel services company which provides staff to the Group. Such amounts are excluded from the total staff costs as mentioned above.

9 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

Directors' and chief executive's emoluments

The remuneration of every director and chief executive for the year ended 31 December 2016 and 2015 is set out below:

	Directors' fee HK$	Basic salaries and other benefits HK$	Retirement benefits contributions HK$	Total HK$
For the year ended 31 December 2016				
Mr BAI Zhe	–	–	–	–
Mr LIU Xiao Guang	100,000	–	–	100,000
Mr YUAN Chun (Chief Executive Officer)	–	–	–	–
Mr WANG Xiangfei	100,000	–	–	100,000
Mr FAN Ren Da, Anthony	100,000	–	–	100,000
Mr SIN Yui Man	100,000	–	–	100,000
Mr ZHANG Jielong (Deputy Chief Executive Officer)	–	–	–	–
	400,000	–	–	400,000

	Directors' fee HK$	Basic salaries and other benefits HK$	Retirement benefits contributions HK$	Total HK$
For the year ended 31 December 2015				
Mr BAI Zhe	–	–	–	–
Mr LIU Xiao Guang	100,000	–	–	100,000
Mr YUAN Chun (Chief Executive Officer)	–	–	–	–
Mr WANG Xiangfei	100,000	–	–	100,000
Mr FAN Ren Da, Anthony	100,000	–	–	100,000
Mr SIN Yui Man	100,000	–	–	100,000
Mr ZHANG Jielong (Deputy Chief Executive Officer)	–	–	–	–
	400,000	–	–	400,000

9 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (continued)

Directors' and chief executive's emoluments (continued)

Note:

Other than the directors' emoluments disclosed above, Mr BAI Zhe, Mr YUAN Chun and Mr ZHANG Jielong received emoluments from its immediate parent company, amounting to HK$1,475,881, HK$2,027,000 and HK$1,939,038 respectively (2015: HK$1,513,262, HK$2,093,351 and HK$1,772,777), part of which is in respect of their services to the immediate parent company and its subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's immediate parent company.

(a) Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the year (2015: Nil).

(b) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

(c) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2016, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2015: Nil).

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016 (2015: Nil).

10 EMPLOYEE BENEFITS EXPENSES

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any (2015: Nil) directors whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the five (2015: five) individuals during the year are as follows:

	2016 **HK$**	2015 HK$
Basic salaries and other benefits	**2,791,625**	5,218,677
Retirement benefits contributions	**78,312**	194,591
	2,869,937	5,413,268

Their emoluments were within the following bands:

	No. of individuals	
	2016	2015
Nil to HK$1,000,000	**5**	2
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	1
	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 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

12 EARNINGS PER SHARE

	2016 **HK$**	2015 HK$
Profit for the year attributable to owners of the Company	**89,792,508**	113,261,048

	2016 **No. of shares**	2015 No. of shares
Weighted average number of shares in issue	**2,902,215,360**	2,902,215,360
Basic earnings per share (in HK cents)	**3.09**	3.90
Diluted earnings per share (in HK cents)	**3.09**	3.90

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per ordinary share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic earnings per ordinary share above, as the Company did not have any dilutive potential ordinary shares arising from share options for the two years ended 31 December 2016 and 31 December 2015.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	**Furniture and fixtures** HK$	**Total** HK$
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016			
Cost	401,733	357,522	759,255
Accumulated depreciation	(401,733)	(357,522)	(759,255)
Net book amount	–	–	–

As at 31 December 2016, the Group had gross carrying amount of fully depreciated property, plant and equipment of HK$759,255 (2015: HK$759,255) that is still in use.

14 INTERESTS IN ASSOCIATES

	2016 HK$	2015 HK$
At 1 January	**70,777,676**	72,415,974
Share of profit	**3,605,976**	4,311,703
Dividends from associates	**(2,818,057)**	(1,566,234)
Currency translation difference	**(4,452,800)**	(4,383,767)
At 31 December	**67,112,795**	70,777,676

The Group's principle associates accounted for using the equity method are as follows:

Name of associate	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			31 December 2016	31 December 2015	**31 December 2016**	31 December 2015	
Beijing Far East Instrument Company Limited	Peoples' Republic of China	Peoples' Republic of China	**25%**	25%	**25%**	25%	Manufacture of electronic and electrical instruments
China Property Development (Holdings) Limited	The Cayman Islands	Peoples' Republic of China	**33.42%**	33.42%	**20.49%**	20.49%	Investment holding

Summarised financial information for associates

Set out below is the summarised financial information for Beijing Far East Instrument Company Limited and China Property Development (Holdings) Limited which are accounted for using the equity method.

Beijing Far East Instrument Company Limited ("**BJFE**") and China Property Development (Holdings) Limited ("**CPDH**")

14 INTERESTS IN ASSOCIATES (continued)

Summarised statement of financial position

	BJFE		CPDH		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Current						
Total current assets	**540,418,086**	645,151,736	**21,737,586**	23,385,749	**562,155,672**	668,537,485
Total current liabilities	**(331,958,256)**	(413,619,061)	**(20,653,090)**	(22,711,424)	**(352,611,346)**	(436,330,485)
Non-current						
Total non-current assets	**129,739,313**	89,174,456	**–**	–	**129,739,313**	89,174,456
Total non-current liabilities	**(71,197,714)**	(38,497,865)	**–**	–	**(71,197,714)**	(38,497,865)
Net assets	**267,001,429**	282,209,266	**1,084,496**	674,325	**268,085,925**	282,883,591

Summarised statement of profit or loss and other comprehensive income

	BJFE		CPDH		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Revenue	**751,652,808**	928,123,520	**–**	–	**751,652,808**	928,123,520
Profit/(loss) before income tax	**14,477,893**	21,571,069	**410,171**	(877,031)	**14,888,064**	20,694,038
Profit/(loss) for the year	**13,875,587**	19,805,621	**410,171**	(877,031)	**14,285,758**	18,928,590
Total comprehensive income/(loss)	**13,875,587**	19,805,621	**410,171**	(877,031)	**14,285,758**	18,928,590
Dividends received from associate	**2,818,057**	1,566,234	**–**	–	**2,818,057**	1,566,234

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates.

14 INTERESTS IN ASSOCIATES (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

	BJFE		CPDH		Total	
Summarised financial information	**2016 HK$**	2015 HK$	**2016 HK$**	2015 HK$	**2016 HK$**	2015 HK$
Opening net assets as at 1 January	**282,209,266**	287,590,044	**674,325**	1,551,358	**282,883,591**	289,141,402
Profit/(loss) for the year	**13,875,587**	19,805,621	**410,171**	(877,031)	**14,285,758**	18,928,590
Dividend distributed	**(11,272,227)**	(6,264,936)	**–**	–	**(11,272,227)**	(6,264,936)
Currency translation differences	**(17,811,197)**	(18,921,463)	**–**	(2)	**(17,811,197)**	(18,921,465)
Closing net assets as at 31 December	**267,001,429**	282,209,266	**1,084,496**	674,325	**268,085,925**	282,883,591
Interest in associates (25%; 33.42%)	**25%**	25%	**33.42%**	33.42%		
Carrying value as at 31 December	**66,750,357**	70,552,317	**362,438**	225,359	**67,112,795**	70,777,676

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$	2015 HK$
Financial assets held for trading	**–**	163,785
Financial assets designated at fair value through profit or loss (i), (iii), (iv), (v)	**914,602,814**	218,000,293
Interests in an associate measured at FVTPL (ii)	**224,640,000**	–
	1,139,242,814	218,164,078
Analysed to reporting purpose as		
Non-current assets	**1,139,242,814**	218,000,293
Current assets	**–**	163,785
	1,139,242,814	218,164,078

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 the Group's documented risk management and investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

Changes in fair values of financial assets at fair value through profit or loss are recorded in the consolidated statement of comprehensive income.

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

The information of the fair values of financial assets at fair value through profit or loss is disclosed in note 3.4.

(i) On 29 September 2014, the Group had entered into a share subscription agreement with Jade Sino Ventures Limited ("**Jade Sino**"). Pursuant to the agreement, the Group subscribed 11,904 ordinary shares of Jade Sino for an aggregate amount of US$24,998,400 (equivalent to HK$194,987,520), representing approximately 23.81% of the enlarged issued share capital of Jade Sino.

Jade Sino is an investment holding company incorporated in the British Virgin Islands with limited liabilities. It directly holds 20% of the equity interests of Jiangxi JinkoSolar Power Engineering Co., Ltd.* ("**Jiangxi JinkoSolar**"), a company incorporated in the PRC with limited liabilities. Jiangxi JinkoSolar and its subsidiaries are principally engaged in developing, building and operating photovoltaic power stations in the PRC.

The convertible preferred shares may, at the option of Jade Sino, be converted into fully paid ordinary shares of JinkoSolar Power. In addition, the preferred shares are redeemable at the option of Jade Sino if a qualified IPO has not occurred on or prior to 25 January 2017, with an annual return of 13% on the principal.

As at 31 December 2016, the fair value of the ordinary shares of Jade Sino held by the Group was HK$254,764,255 (2015: HK$218,000,293).

(ii) On 15 December 2015, the Group had entered into a share subscription agreement with Jolly Investment Limited ("**Jolly**"). Pursuant to the agreement, the Group subscribed 7,245 ordinary shares of Jolly for an aggregate amount of US$25,000,000 (equivalent to HK$195,000,000), representing 23.04% of the enlarged issued share capital of Jolly.

Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. It indirectly holds 21.74% of the equity interests of Guangzhou P.G. Investment Co., Ltd. (廣州寶供投資有限公司) ("**PG Investment**"), a company incorporated in the PRC. PG Investment is a logistics warehouse infrastructure operator in the PRC.

The ordinary shares of PG Investment are redeemable at the option of Jolly if a qualified IPO has not occurred on or prior to 15 December 2020, with an annual return of 12% on the principal.

As at 31 December 2016, the fair value of the ordinary shares of Jolly held by the Group was HK$224,640,000 (2015: Nil).

(iii) On 18 January 2016, the Group entered into a shares subscription agreement with Best Logistics Technologies Limited ("**Best Logistics**"). Pursuant to the agreement, the Group subscribed 3,317,010 convertible preferred shares of Best Logistics for an aggregate amount of US$30,000,000 (equivalent to HK$234,000,000), representing 0.96% of the enlarged issued share capital of Best Logistics.

* *For identification purpose only*

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

The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of Best Logistics. In addition, the convertible preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 31 December 2018, with an annual return of 12% on the principal.

Best Logistics was incorporated in the Cayman Islands with limited liabilities which is principally engaged in express delivery, freight delivery and supply chain service.

As at 31 December 2016, the fair value of the preferred shares with the put option of Best Logistics held by the Group was HK$263,874,000 (2015: Nil).

(iv) On 24 November 2016, the Group entered into a shares subscription agreement with Spruce. Pursuant to the agreement, the Group subscribed 34,441,169 convertible preferred shares of Spruce for an aggregate amount of US$25,700,000 (equivalent to HK$200,460,000), representing 1.51% of the enlarged issued share capital of Spruce.

The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of Spruce. In addition, the convertible preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 22 March 2021, with 120% on applicable Preferred Share Purchase Price.

Spruce is an investment holding company incorporated in the Cayman Islands with limited liabilities. It provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC.

As at 31 December 2016, the fair value of the preferred shares with the put option of Spruce held by the Group was HK$200,951,790 (2015: Nil).

(v) On 29 December 2016, Excellent Fleet Limited, a wholly owned subsidiary of the Company, entered into a share subscription agreement with G7 Networks Limited ("**G7 Networks**"). Pursuant to the agreement, the Group subscribed 1,986,008 convertible preference shares of G7 Networks for an aggregate amount of US$25,000,000 (equivalent to HK$195,000,000), representing 8.33% of the enlarged issued share capital of G7 Networks.

The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of G7 Networks. In addition, the preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 8 June 2020, with an annual return of 12% on the principal.

G7 Networks was incorporated in the Cayman Islands with limited liabilities and engages in fleet logistic management services.

As at 31 December 2016, the fair value of the preferred shares with the put option of G7 Networks held by the Group was HK$195,012,769 (2015: Nil).

16 PREPAYMENT

As at 31 December 2015, the balance represented the prepayment paid to Jolly to acquire certain ordinary shares of Jolly. The transaction was completed on 28 April 2016.

17 CASH AND CASH EQUIVALENTS

	2016 **HK$**	2015 HK$
Cash at banks and on hand	**106,282,216**	677,486,482
Short-term bank deposits	**2,468,923**	71,092,072
Cash and cash equivalents	**108,751,139**	748,578,554

Short-term bank deposits carry interest at prevailing rate at 0.90% (2015: range from 0.70% to 1.20%) per annum.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2016 **HK$**	2015 HK$
United States Dollars	**56,773,197**	543,319,868
Hong Kong Dollars	**49,545,486**	203,829,043
Renminbi	**2,432,456**	1,429,643
	108,751,139	748,578,554

18 OTHER PAYABLES AND ACCRUALS

	2016 **HK$**	2015 HK$
Accrued operating expenses	**6,264,274**	4,097,594

19 DEFERRED TAXATION LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the year:

	Undistributed profits of an associate HK$
At 1 January 2015	2,512,483
Charged to the consolidated statement of profit or loss (note 7)	460,479
At 31 December 2015	2,972,962
Credited to the consolidated statement of profit or loss (note 7)	(647,128)
At 31 December 2016	**2,325,834**

At the end of the year, the Group had unused tax losses of HK$73,952,311 (2015: HK$62,560,203) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams in prior year. The tax losses have no expiry date.

20 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK$
Authorised		
At 1 January 2015, 31 December 2015 and 2016	2,902,215,360	29,022,154
Issued and fully paid		
At 1 January 2015, 31 December 2015 and 2016	2,902,215,360	29,022,154

21 RELATED PARTY TRANSACTIONS

The Company's immediate parent company is China Development Bank International Holdings Limited, a private limited company established in Hong Kong and its ultimate parent company is CDB, a wholly state-owned policy bank established on 17 March 1994 in the PRC. CDB is a joint stock commercial bank established jointly by the MOF and 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.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

(a) On 11 November 2016, the Company entered into a loan facility agreement with its immediate parent company which its immediate parent company will provide term loans to the Company with amount up to US$100,000,000. The term loans are unsecured, interest bearing at LIBOR + 1.65% per annum, and repayable at twelve months after the date of withdrawal. As at 31 December 2016, the Company has not utilised any of the loan facility.

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2016 HK$	2015 HK$
Short term benefits	**1,544,984**	5,618,677
Post-employment benefits	**27,000**	194,591
	1,571,984	5,813,268

Note: Certain directors' compensation was borne by the immediate parent company of the Group.

(c) The Group shared the office premises with its immediate parent company and the rental expense was borne by its immediate parent company.

22 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 2016 (2015: Nil). There are no outstanding options as at 31 December 2016 (2015: Nil).

23 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

		2016 HK$	2015 HK$
Assets			
Non-current assets			
Property, plant and equipment		–	–
Investments in subsidiaries		10	10
Financial assets at fair value through profit or loss		944,230,045	218,000,293
Amounts due from subsidiaries		214,709,697	19,709,705
Prepayment		–	195,000,000
		1,158,939,752	432,710,008
Current assets			
Financial assets at fair value through profit or loss		–	163,785
Other receivables, prepayments and deposits		343,809	372,592
Cash and cash equivalents		108,751,139	748,578,554
		109,094,948	749,114,931
Total assets		1,268,034,700	1,181,824,939
Equity and liabilities			
Liabilities			
Current liabilities			
Other payables and accruals		6,264,274	4,097,594
Tax payable		–	4,419,982
Amounts due to subsidiaries		92,587,153	107,464,138
		98,851,427	115,981,714
Equity			
Capital and reserves			
Share capital		29,022,154	29,022,154
Reserves	Note (a)	1,140,161,119	1,036,821,071
Total equity		1,169,183,273	1,065,843,225
Total equity and liabilities		1,268,034,700	1,181,824,939

23 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium HK$	Capital redemption reserve HK$	(Accumulated losses)/ retained profits HK$	Total HK$
At 1 January 2015	1,043,800,995	270,200	(134,469,466)	909,601,729
Profit for the year	–	–	127,219,342	127,219,342
At 31 December 2015 and 1 January 2016	1,043,800,995	270,200	(7,250,124)	1,036,821,071
Profit for the year	–	–	103,340,048	103,340,048
At 31 December 2016	**1,043,800,995**	**270,200**	**96,089,924**	**1,140,161,119**

24 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities	Paid up issued ordinary share capital	Proportion of ordinary share capital directly held by the parent (%) 2016
Pacific Equity Venture Inc.	British Virgin Islands, limited liability company	Investment holding	1 share of HK$1	100%
Kencheers Investments Ltd.	British Virgin Islands, limited liability company	Investment holding	1 share of HK$1	100%
Excellent Fleet Limited	British Virgin Islands, limited liability company	Investment holding	1 share of US$1	100%

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

25 NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK$1,306,860,449 (2015: HK$1,221,520,741) and 2,902,215,360 ordinary shares in issue as at 31 December 2016 (2015: 2,902,215,360 ordinary shares).

26 EVENT AFTER THE BALANCE SHEET DATE

No significant events are noted after the end of the reporting period are noted.

Five Year Financial Summary

For the five year ended 31 December 2016

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

Results

	2016 HK$	2015 HK$	2014 HK$	2013 HK$	2012 HK$
Investment income	**–**	34,597,808	52,727,655	27,676,408	1,018,899
Profit/(loss) before taxation	**85,072,530**	118,298,132	48,950,161	20,458,829	(8,264,546)
Assets and liabilities					
Non-current assets					
Property, plant and equipment	**–**	–	–	5,783	28,088
Interests in associates	**67,112,795**	70,777,676	72,415,974	71,343,476	65,052,387
Available-for-sale financial assets	**–**	–	–	–	37,133,167
Financial assets at fair value through profit or loss	**1,139,242,814**	218,000,293	196,342,657	503,302,461	205,395,356
Prepayment	**–**	195,000,000	–	–	–
	1,206,355,609	483,777,969	268,758,631	574,651,720	307,608,998
Current assets					
Financial assets at fair value through profit or loss	**–**	163,785	434,130,306	32,065,404	36,970,473
Other receivables, prepayments and deposits	**343,809**	490,971	206,510	23,262,904	634,874
Cash and cash equivalents	**108,751,139**	748,578,554	414,901,459	442,728,651	716,941,605
	109,094,948	749,233,310	849,238,275	498,056,959	754,546,952
Current liabilities					
Other payables and accruals	**(6,264,274)**	(4,097,594)	(2,840,963)	(6,284,812)	(11,193,752)
Tax payable	**–**	(4,419,982)	–	–	–
Net current assets	**102,830,674**	740,715,734	846,397,312	491,772,147	743,353,200
Total assets less current liability	**1,309,186,283**	1,224,493,703	1,115,155,943	1,066,423,867	1,050,962,198
Non-current liability					
Deferred tax liabilities	**(2,325,834)**	(2,972,962)	(2,512,483)	(2,121,295)	(1,504,495)
Net assets	**1,306,860,449**	1,221,520,741	1,112,643,460	1,064,320,572	1,049,457,703
Capital and reserves					
Share capital	**29,022,154**	29,022,154	29,022,154	29,022,154	29,022,154
Reserves	**1,277,838,295**	1,192,498,587	1,083,621,306	1,035,298,418	1,020,435,549
Total equity	**1,306,860,449**	1,221,520,741	1,112,643,460	1,064,320,572	1,049,457,703