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# CHINA ASSETS (HOLDINGS) LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 170)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

### RESULTS

The Board of Directors (the "Board) of China Assets (Holdings) Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2015*

| | Note | **2015** US$ | 2014 US$ |
|---|---|---|---|
| Income | 3 | **810,309** | 862,415 |
| Other gains — net | 4 | **16,585,512** | 10,234,676 |
| Administrative expenses | 5 | **(5,797,750)** | (2,348,353) |
| Operating profit | | **11,598,071** | 8,748,738 |
| Share of profits less losses of associates | | **74,756** | 1,902,131 |
| Provision for impairment loss of an associate | | **(597,243)** | — |
| Profit before income tax | | **11,075,584** | 10,650,869 |
| Income tax credit/(expense) | 6 | **40,370** | (925,152) |
| Profit for the year attributable to equity holders of the Company | | **11,115,954** | 9,725,717 |
| Earnings per share attributable to the equity holders of the Company during the year | 7 | | |
| — Basic | | **0.145** | 0.127 |
| — Diluted | | **0.145** | 0.127 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2015*

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Profit for the year** | **11,115,954** | 9,725,717 |
| **Other comprehensive income/(loss):** | | |
| *Items that have been reclassified or may be subsequently reclassified to profit or loss* | | |
| Share of post-acquisition reserves of associates | **(6,536,011)** | 6,471,442 |
| Release of post-acquisition reserve upon deemed disposal of an associate | **(115,712)** | (14,205) |
| Exchange differences arising on translation of subsidiaries and associates | **(1,042,416)** | (761,795) |
| Release of investment revaluation reserve upon disposal of an available-for-sale financial asset | **(13,309,997)** | (4,773,110) |
| Fair value gains of available-for-sale financial assets | **38,095,055** | 28,476,879 |
| Release of investment revaluation reserve upon impairment of an available-for-sale financial asset | **—** | (804,607) |
| **Other comprehensive income for the year, net of tax** | **17,090,919** | 28,594,604 |
| **Total comprehensive income for the year attributable to equity holders of the Company** | **28,206,873** | 38,320,321 |

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2015*

| | Note | 2015 US$ | 2014 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Interests in associates | | **78,005,948** | 72,341,803 |
| Available-for-sale financial assets | | **102,190,222** | 80,708,893 |
| Total non-current assets | | **180,196,170** | 153,050,696 |
| **Current assets** | | | |
| Loans receivable | 8 | — | 8,041,300 |
| Other receivables, prepayments and deposits | | **367,068** | 206,128 |
| Financial assets at fair value through profit or loss | | **5,055,595** | 7,004,648 |
| Tax recoverable | | — | 70,253 |
| Short-term bank deposits with initial terms of over three months | | — | 4,144,215 |
| Cash and cash equivalents | | **42,784,510** | 26,225,412 |
| Total current assets | | **48,207,173** | 45,691,956 |
| Total assets | | **228,403,343** | 198,742,652 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **76,783,698** | 76,783,698 |
| Reserves | | **148,050,733** | 119,843,860 |
| Total equity | | **224,834,431** | 196,627,558 |
| **LIABILITIES** | | | |
| **Non-current liability** | | | |
| Deferred income tax liabilities | | — | — |
| **Current liabilities** | | | |
| Other payables and accrued expenses | | **764,505** | 705,738 |
| Amounts due to related companies | | **2,787,644** | 407,942 |
| Current income tax liabilities | | **16,763** | 1,001,414 |
| Total current liabilities | | **3,568,912** | 2,115,094 |
| Total liabilities | | **3,568,912** | 2,115,094 |
| Total equity and liabilities | | **228,403,343** | 198,742,652 |

*Notes:*

## 1. General information

The financial information relating to the years ended 31 December 2015 and 2014 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 109(3) of the predecessor Hong Kong Companies Ordinance (Cap. 32). The Company will deliver consolidated the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) in due course.

The Company's auditor has reported on these consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

## 2. Basis of preparation

The consolidated financial statements of China Assets (Holdings) Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs 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.

### (i) Changes in accounting policy and disclosures

Effect of adopting amendments to existing accounting standards

The following amendments to existing accounting standards are mandatory to the Group for the financial year beginning on or after 1 January 2015 but they did not result in any significant impact on the results and financial position of the Group.

| | |
|---|---|
| HKAS 19 (2011) (Amendment) | Defined Benefit Plans: Employee Contributions |
| Annual Improvements Project | Improvements to HKASs and HKFRSs 2010-2012 Cycle |
| Annual Improvements Project | Improvements to HKASs and HKFRSs 2011-2013 Cycle |

New standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| HKAS 1 (Amendment) | Disclosure initiative | 1 January 2016 |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| HKAS 16 and HKAS41 (Amendment) | Agriculture: bearer plants | 1 January 2016 |
| HKAS 27 (2011) (Amendment) | Equity method in separate Financial Statement | 1 January 2016 |
| HKAS 28 and HKFRS 10 (Amendment) | Sales and contribution of assets between an investor and its associate or joint venture | To be determined |
| HKAS 28 (2011), HKFRS 10 and HKFRS 12 (Amendment) | Investment entities: applying the consolidation exception | 1 January 2016 |
| HKFRS 9 | Financial instruments | 1 January 2018 |
| HKFRS 11 (Amendment) | Acquisition of interests in joint operations | 1 January 2016 |
| HKFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| Annual Improvement Project | Improvement to HKASs and HKFRSs 2012-2014 cycle | 1 January 2016 |

The Group has already commenced an assessment of the related impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether the above amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

**(ii) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation, and disclosure of certain information in the consolidated financial statements.

## 3. Income and segment information

The principal activity of the Group is investment holding in Hong Kong and Mainland China. Income recognised during the year is as follows:

| | 2015 | 2014 |
|---|---|---|
| | *US$* | *US$* |
| Income | | |
| Bank interest income | **526,992** | 606,992 |
| Dividend income from listed investments | **283,317** | 255,423 |
| | **810,309** | 862,415 |

The chief operating decision-maker has been identified as the Board of Directors. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board of Directors for performance assessment and resources allocation.

The Board of Directors assesses the performance of the operating segment based on a measure of profit before tax. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRSs financial statements.

The Group has identified one operating segment — investment holding. Accordingly, segment disclosures are not presented.

An analysis of the Group's income by geographic location is as follows:

| | 2015 | 2014 |
|---|---|---|
| | *US$* | *US$* |
| Income | | |
| Hong Kong | **700,418** | 543,810 |
| Mainland China | **109,891** | 318,605 |
| | **810,309** | 862,415 |

An analysis of the Group's non-current assets, other than available-for-sale financial assets by geographic location is as follows:

| | 2015 | 2014 |
|---|---|---|
| | *US$* | *US$* |
| Non-current assets, other than available-for-sale financial assets | | |
| Hong Kong | **62,111,415** | 66,927,209 |
| Mainland China | **15,894,533** | 5,414,594 |
| | **78,005,948** | 72,341,803 |

## 4. Other gains – net

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Net gains on disposals of available-for-sale financial assets | **16,149,408** | 5,993,281 |
| Net gains on disposals of financial assets at fair value through profit or loss | **3,972,902** | 34,069 |
| Net fair value (losses)/gains on financial assets at fair value through profit or loss | **(716,295)** | 316,433 |
| Net gains on disposal of interests in an associate | **—** | 4,541,206 |
| Net loss on deemed disposal of interest in an associate | **(280,545)** | (58,630) |
| Provision for impairment loss of an available-for-sale financial asset | **(690,388)** | (491,425) |
| Reversal of provision for impairment of loans and other receivables | **—** | 350,000 |
| Net exchange losses | **(1,849,570)** | (450,258) |
| | **16,585,512** | 10,234,676 |

### *(a) Breakdown of realised and unrealised gains/(losses)*

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Net gains on disposals of available-for-sale financial assets | **16,149,408** | 5,993,281 |
| Net gains on disposals of financial assets at fair value through profit or loss | **3,972,902** | 34,069 |
| Net fair value (losses)/gains on financial assets at fair value through profit or loss | **(716,295)** | 316,433 |
| Net gains on disposal of interest in an associate | **—** | 4,541,206 |
| Net loss on deemed disposal of interest in an associate | **(280,545)** | (58,630) |
| Provision for impairment loss of an available-for-sale financial asset | **(690,388)** | (491,425) |
| | **18,435,082** | 10,334,934 |

Represented by:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| **Listed investments** | | |
| Net realised gains | **15,868,863** | 5,968,720 |
| Net unrealised (losses)/gains | **(716,295)** | 316,433 |
| | **15,152,568** | 6,285,153 |
| **Unlisted investments** | | |
| Net realised gains | **3,972,902** | 4,541,206 |
| Net unrealised losses | **(690,388)** | (491,425) |
| | **3,282,514** | 4,049,781 |
| | **18,435,082** | 10,334,934 |

## 5. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

| | 2015 | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Investment management fee and performance bonus | **4,132,000** | 1,574,992 |
| Employee benefit expenses (including directors' remuneration) | **207,507** | 186,358 |
| Auditor's remuneration | | |
| — Audit services | **177,909** | 178,065 |
| — Non-audit services | **63,283** | 10,702 |
| Other expenses | **1,217,051** | 398,236 |
| | **5,797,750** | 2,348,353 |

## 6. Income tax (credit)/expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit 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.

| | 2015 | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Current tax: | | |
| — Hong Kong profits tax | **—** | — |
| — People's Republic of China ("PRC") corporate income tax | **—** | 925,152 |
| — Over-provision in respect of prior years | **(40,370)** | — |
| Income tax (credit)/expense | **(40,370)** | 925,152 |

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

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Profit before income tax | **11,075,584** | 10,650,869 |
| *Less:* Share of profits less losses of associates | **(74,756)** | (1,902,131) |
| | **11,000,828** | 8,748,738 |
| Calculated at applicable domestic profits tax rate of respective jurisdiction | **1,772,310** | 1,853,260 |
| Income not subject to tax | **(3,477,001)** | (1,266,268) |
| Expenses not deductible for tax purposes | **1,547,627** | 527,099 |
| Utilisation of previously unrecognised tax losses | **—** | (188,939) |
| Tax losses not recognised | **157,064** | — |
| Over-provision in prior year | **(40,370)** | — |
| Tax (credit)/expense | **(40,370)** | 925,152 |

The weighted average applicable tax rate was 16.1% (2014: 21.20%). The decrease is caused by a change in the relative profitability of the group's subsidiaries in the respective jurisdictions.

## 7. Earnings per share

The calculation of basic and diluted earnings per share is calculated by dividing the Group's profit for the year attributable to equity holders of the Company of US$11,115,954 (2014: US$9,725,717). The basic earnings per share is based on the weighted average number of 76,758,160 (2014: 76,758,160) ordinary shares in issue during the year.

Diluted earnings per share during the year is the same as the basic earnings per share as the potential additional ordinary shares are anti-dilutive.

## 8. Loans receivable

Loans receivable are denominated in the following currencies:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Independent third parties *(Note a)*: | | |
| Renminbi | **6,547,392** | 6,915,518 |
| An associate *(Note b)*: | | |
| Renminbi — unsecured | **—** | 3,216,520 |
| Renminbi — secured | **—** | 4,824,780 |
| Loans receivable — gross | **6,547,392** | 14,956,818 |
| Provision for impairment | **(6,547,392)** | (6,915,518) |
| Loans receivable — net | **—** | 8,041,300 |

The carrying amounts of loans receivable approximate to their fair values as at 31 December 2015. The maximum exposure to credit risk at the reporting date is the carrying amounts of the loans receivable.

*Notes:*

(a) The loans receivable from independent third parties were secured by certain assets of the borrowers as stipulated in the respective loan agreements. As at 31 December 2015 and 2014, the loans receivable from independent third parties were all past due and fully impaired.

(b) As at 31 December 2014, loan receivable from Shanghai International Medical Centre Co. Ltd. ("SIMC") amounted to US$4,824,780 was guaranteed by an independent third party, which is also a shareholder of SIMC.

As at 31 December 2015 and 2014, the ageing analysis of the loans receivable is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Current | — | — |
| Past due within 1 year | — | 4,824,780 |
| Past due over 1 year | **6,547,392** | 10,132,038 |
| | **6,547,392** | 14,956,818 |

As of 31 December 2015, loans receivable of US$6,547,392 (2014: US$6,915,518) were fully impaired. It is assessed that the loans receivable are not expected to be recovered.

Movements in the provision for impairment of loans receivable are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| As at 1 January | **6,915,518** | 7,441,497 |
| Reversal of provision | — | (350,000) |
| Exchange difference | **(368,126)** | (175,979) |
| As at 31 December | **6,547,392** | 6,915,518 |

The reversal of provision for impairment of loans receivable have been included in 'other gains — net' in the consolidated income statement (Note 4).

9. **Capital commitments**

As at 31 December 2015 and 2014, the Group (excluding associated companies) had no capital commitment that was (i) contracted but not provided for; nor (ii) authorised but not contracted.

The Group's share of capital commitments of an associate are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***US$*** | *US$* |
| Contracted but not provided for | **7,601,444** | 9,468,676 |
| Authorised but not contracted | **16,334,582** | 18,082,012 |

## DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2015.

## BUSINESS REVIEW

China was one of the best-performing stock markets in the world in 2015, yet it was a dismal year for Chinese markets. Chinese stocks suffered an unprecedented summer crash that at one point wiped out 43%, or U.S $5 trillion, of their value. This was followed by an abrupt 2% currency devaluation in August that sent shock waves through global markets. China had hoped to use a booming stock market to stimulate consumption and alleviate mounting debt pressures on the two most indebted sectors of the Chinese economy, regional governments and state-owned enterprises. It hoped that both could benefit from the stock market as a fresh channel to raise cash. As a result of the crash of the margin lending-fueled market bubble, the vision faded away and lead to a backtrack on financial liberalization that included bold reforms such as a modern stock-listing system, capital account opening and renminbi convertibility. The episodes demonstrate the stress China is experiencing as it tries to shift its economy from one fed by debt and heavy industry into one driven by consumption.

China's economic growth rate slowed to a 25-year low of 6.9% in 2015. The primary driver of slower growth in China was lower rates of capital investment throughout the country, combined with severe overcapacity in a broad range of upstream industrial sectors. Real estate investment, in particular, grew at a measly 1.0 percent, compared to average growth rates of 21.6% over the past decade. Even in slowdown, China continued to grow at a pace that other major economies envy. Yet the slowdown was felt most acutely in the markets of China's regional trading partners, where slackening demand from the world's second-largest economy had put a chill on exports of commodities and merchandise, dimmed the corporate outlook and sent currencies into a tailspin.

Despite all the above, however, the China stock market doesn't look so bad when measured across the whole year: the Shanghai Composite Index was up 9.4% in 2015; the Shenzhen Small and Medium Enterprise Board was up more than 53%. But the middle of the year was a mess.

U.S. stocks had their worst annual performance since 2008, closing out a rocky 2015 in which the Dow Jones Industrial Average lost 2.2%, while the broader S&P 500 fell 0.7%. The S&P's loss ended three years of double-digit gains for the index, but was far from the nearly 40% dive it took in 2008, a year of financial crisis. In December, the Federal Reserve ended a seven-year experiment with near-zero interest rates by raising its benchmark rate by a quarter percentage point. The move marked a test of the U.S. economy's capacity to rely less on central-bank support to spur continued spending and investment by households and businesses. The WSJ Dollar Index rose 8.6% in 2015, reflecting the divergence in growth expectations and central bank actions between the U.S. and other major economies. That rise, along with the fall in oil, were the major factors impacting the earnings of U.S. companies in the past year.

In Europe, the strengthening of the dollar against the euro was a godsend for some European companies, helping them to increase their global market share and their economies to emerge from the economic doldrums. Figures released by the European Union's statistics agency showed the Eurozone's unemployment rate fell to its lowest level in four years. The growth, however, was remarkably slow even with the powerful tailwinds of a weak euro, rock-bottom interest rates and very low energy prices. There were still underlying weaknesses in the Eurozone economy that had been masked by the easy-money policies of the European Central Bank. Despite the crisis of expulsion of Greece from the currency union being resolved in 2015, heavy debt burdens, both private and public, restrained growth. Growth in the Eurozone's nominal GDP was less than 2% in 2015. Stocks in the Eurozone however mostly performed well, driven by monetary loosening measures and declines in oil prices, lifting the Stoxx Europe 600 by 6.8% for the year.

Many emerging economies that rely on income from exporting raw materials were hard hit in 2015, dragged down by plunging commodity prices fueled by waning demand amid slowing global growth. After plunging from more than $100 a barrel to nearly $50 a barrel in 2014, U.S. oil prices fell 30% in 2015 to $37 as a global glut of crude, driven by robust production from U.S. shale-oil fields and high level output from Saudi Arabia and Russia, continued to weigh on the market. Low oil prices have roiled global financial markets, as large energy producers have reported sharp earnings drops and cutbacks in spending, and oil-exporting nations have suffered from lower government revenues and weaker currencies.

The Group reported a profit of approximately US$11.12 million for the year ended 31 December 2015, compared with a profit of US$9.73 million in 2014. The profit mainly comprised of: (1) a profit (net of taxation) of US$15.55 million arising from disposal of portion of its equity investment in Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang") and (2) a profit US$3.97 million (including reversal of provision) from disposal of its remaining holding in Ragentek Technology Group Limited ("Ragentek"). In the year, the Company paid a management fee and performance bonus of US$4.13 million which was capped by a shareholder resolution at the extraordinary general meeting held in 2012.

The consolidated net asset value increased by US$28.21 million for the year to US$224.83 million as at 31 December 2015. Apart from the net profit for the year, the major increase in net asset value was mainly attributable to the unrealised increase in fair value of Lukang whose share price increased from RMB7.92 to RMB13.35 over the year.

In the first half year, the Company disposed of approximately 8.08 million shares in Lukang, realising a profit (net of taxation) of approximately US$15.55 million. In light of the China market's irrational exuberance in the first half year, as well as the dramatic increase in price and the huge daily turnover in Lukang's shares, the Company announced in June that it sought shareholder approval to dispose of up to all its holdings in Lukang, a sale which may constitute a very substantial disposal by the Company under the Listing Rules. The approval was granted by shareholders at the extraordinary general meeting held in November. In the second half year, however, there was no disposal of Lukang shares due to the moratorium imposed by the China Securities Regulatory Commission.

In September 2015, the Company disposed of its remaining stake in Ragentek (3.37%) for US$5.72 million and realised a profit of approximately US$3.97 million (including reversal of provision made in previously).

As announced in November the Company decided not to renew the Amended Investment Management Agreement on its expiry on 31 December 2015, and would manage its investments in-house. These arrangements would simplify the Company's compliance, administrative and decision-making processes.

**ECONOMIC OUTLOOK**

After a year of disappointment in everything from stocks to emerging markets and junk bonds, investors are entering 2016 with low expectations. It is set to be the most uncertain year for China's economy since the global financial crisis of 2008. China's domestic economy is clearly following a weakening trend, and the International Monetary Fund estimated its 2016 growth rate would fall from 6.9% in 2015 to 6.5%.

With investment and industrial output weakening, China is placing its hopes on consumption, one of the economy's few bright spots. Its services sector continues to grow rapidly – now accounting for 51% of GDP. Official data on China's wages and consumer purchases indicate that China's household spending has fared reasonably well, despite a significant drop off in country-wide investment growth. Both of these developments show that the rebalancing of the economy – away from government-led investment toward more sustainable reliance on consumption and services growth – continues to move forward, if only very gradually.

China's banking system is set for another challenging year ahead. The quality of bank assets has been deteriorating in recent years, as corporate profitability – particularly in the industrial sector – has weakened steadily. With the rising likelihood of defaults on bank loans, it is expected that continued bouts of volatility in China's credit markets will surface and, coupled with a subdued rate of growth for overall credit, will substantially hamper banks' ability to finance real economic growth.

As China's economy slows, capital outflows are set to accelerate and its currency will come under further depreciation pressure throughout the course of 2016. In order to prevent RMB value from falling too fast, the central bank will intervene by buying RMB. This will reduce the supply of RMB in the domestic economy, draining banking liquidity and negating the Central bank's efforts to stimulate the economy through greater credit creation.

Overall, it will be a tough time ahead for the China economy. It will continue to grow at a lower rate, inevitably accompanied by more regular bouts of economic and financial volatility as the economy changes and returns on investment continue to fall along with GDP growth. However, measures like interest rate cuts, several reserve-requirement ratio cuts and an expansionary fiscal policy are expected to be rolled out to keep the 2016 GDP growth target around 6.5%.

The U.S. will continue a gradual normalization of monetary policy after a smooth lift-off from record low rates at the end of 2015. The Eurozone will continue with loosen monetary policy to tackle low inflation and weak growth. However, continued divergence of policies between major central banks creates difficulties for emerging markets as increased exchange rate volatility is fueled. A further appreciation of the dollar could expose vulnerabilities in sectors in emerging economies with high dollar exposures. This may result in another bout of global risk aversion, leading further commodity price declines, widening spreads, and depreciating exchange rates.

Politics will also be a main theme in the Eurozone in 2016. Economic integration is threatened by terrorism spinning out from the Middle East and by the refugee crisis which has encouraged countries such as Germany, Sweden and Denmark to re-impose border controls. A British referendum will be held mid-2016 to decide whether the U.K. stays in the EU. A vote to leave would increase uncertainty about prospects for both the British and Eurozone economies. However, easy-money policies from the European Central Bank, attractive valuations and an expected rise in corporate earnings should boost European shares in 2016.

Overall, the slowdown in economic growth around the world remains a major hurdle for global markets. A deceleration in China and other emerging economies led the International Monetary Fund to repeatedly cut its growth outlook. It expects global growth of 3.4% in 2016.

## LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group was healthy throughout the year. As at 31 December 2015, the Group had cash and cash equivalents of US$42.78 million (2014: US$26.23 million), of which US$35.75 million (2014: US$22.76 million) was held in RMB equivalents in PRC bank deposits in Mainland China. Most of the Group's investments are located in Mainland China. RMB is not a freely convertible currency and the RMB exchange rate was depreciated by about 4.5% against the U.S. dollar during the year, causing a moderate devaluation impact to the net asset of the Group. The Group did not engage in currency hedging nor did it adopt any formal hedging activities for its RMB assets' exposure.

## EMPLOYEES

During the year, the Group was managed by China Assets Investment Management Limited. A company secretary was employed by the Company. In addition to basic salary, other benefits include a mandatory provident funds scheme and a discretionary employee share option scheme.

## PROSPECTS

Having been granted a mandate by shareholders to dispose of up to all its holdings in Lukang, the Company intends to implement disposal when the situation is favorable. However in January 2016, upon uplift of the moratorium on sale of stock by shareholders owning 5% or more of a listed company, the China Securities Regulatory Commission announced new rules to restrict the disposal of shareholdings by substantial shareholders. Under the rules, the Company has been barred from selling more than 1% of Lukang's total outstanding shares, and will be required to inform the exchange of any sales plan 15 trading sessions in advance. These rules have hindered the Company's flexibility to dispose of the holdings. The Company will closely monitor the latest market situation of Lukang and manage the disposal as and when appropriate in the best interests of the Company.

Since January 2016, the Company has managed its investments in-house. An investment department and a professional investment team have been set up. The Company believes this arrangement can simplify its investment decision-making process.

Despite the slowdown, the Company doesn't expect a hard landing in China's economy. It will still maintain its majority of resources for and in China. The Company has been exploring various investment opportunities, and has directed its focus on the IT sector and the health and pharmaceutical industry. As has been reiterated, investment will be proceeded with on a very cautious basis, bearing in mind the evolving economic situations in mainland China and other major economies which could have reverberating effects on existing and potential investments.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules (the "CG Code") was introduced on 1 January 2005. Accordingly, the Company has adopted the code provisions and its subsequent amendments in the CG Code as its own code on corporate governance. The Board is committed to maintain a high standard of corporate governance in the best interests of the shareholders. For the year ended 31 December 2015, the Company has complied with the code provisions set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). It reports a deviation from code provision A.6.7 in that one independent non-executive Director was unable to attend the annual general meeting of the Company held on 22 May 2015 due to overseas commitments.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Appendix 10 of the Listing Rules "Model Code for Securities Transactions by Directors of Listed Issuers" as rules for securities transactions initiated by the Directors of the Company. After specifically inquiring with all Directors of the Company (other than Mr. Jiang Wei whose office as a Director was vacated on 30 January 2015, and whom the Company has been unable to contact), the Company confirms that its Directors' securities transactions (other than those, if any, of Mr. Jiang Wei), fully complied with the standard laid down in the said rules during the year ended 31 December 2015.

## REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's audited consolidated financial results for the year ended 31 December 2015.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2016 to 27 May 2016, both days inclusive, for the purpose of establishing entitlement of shareholders to vote at the meeting. During this period, no transfer of shares will be effected. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company's registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 May 2016.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE HONG KONG LIMITED (THE "STOCK EXCHANGE") AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange at http://www.hkexnews.com.hk and the website of the Company at http://www.chinaassets.com accordingly. The 2015 annual report of the Company and the notice of general meeting will be despatched to the Company's shareholders and to be posted on the above websites in due course.

## LIST OF DIRECTORS

The directors of the Company as at the date of this announcement are Mr. Lo Yuen Yat and Mr. Cheng Sai Wai as executive directors, Mr. Yeung Wai Kin, Mr. Zhao Yu Qiao and Ms. Lao Yuan Yuan as non-executive directors, Mr. Fan Jia Yan, Mr. Wu Ming Yu and Dr. David William Maguire as independent non-executive directors.

By Order of the Board
**Lo Yuen Yat**
*Chairman*

Hong Kong, 24 March 2016