CHINA ASSETS (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 170)

ANNOUNCEMENT OF 2016 INTERIM RESULTS

UNAUDITED INTERIM RESULTS

The Board of Directors of China Assets (Holdings) Limited (the "Company") has pleasure in reporting the following unaudited condensed consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016:

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2016

		Unaudited Six months ended 30 June	
		2016	2015
	Note	***US$***	*US$*
Income	*4*	**287,515**	312,515
Other gains — net	*5*	**93,239**	16,284,783
Administrative expenses	*6*	**(1,244,056)**	(4,242,537)
Operating (loss)/profit		**(863,302)**	12,354,761
Share of (loss)/profit of associates		**(353,710)**	189,142
Provision for impairment of an associate		**—**	(597,243)
(Loss)/profit before income tax		**(1,217,012)**	11,946,660
Income tax (expense)/credit	*7*	**(106,544)**	38,162
(Loss)/profit for the period attributable to equity holders of the Company		**(1,323,556)**	11,984,822
(Loss)/earnings per share attributable to equity holders of the Company			
Basic	*8*	**(0.0172)**	0.1561
Diluted	*8*	**(0.0172)**	0.1561
Dividend	*9*	**—**	—

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016	2015
	US$	*US$*
(Loss)/profit for the period	**(1,323,556)**	11,984,822
Other comprehensive (loss)/income:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Share of post-acquisition reserves of associates	**(125,161)**	(1,875,340)
Release of post-acquisition reserve upon deemed disposal of an associate	**(36,161)**	(10,585)
Exchange differences arising on translation of associates and subsidiaries	**(327,146)**	29,302
Fair value (losses)/gains of available-for-sale financial assets	**(30,094,729)**	65,715,102
Release of investment revaluation reserve upon impairment of an available-for-sale financial asset	**—**	(4,498)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**—**	(13,309,994)
Other comprehensive (loss)/income for the period, net of tax	**(30,583,197)**	50,543,987
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	**(31,906,753)**	62,528,809

Condensed Consolidated Balance Sheet

As at 30 June 2016

	Unaudited 30 June 2016 *US$*	Audited 31 December 2015 *US$*
ASSETS		
Non-current assets		
Interests in associates	**76,812,465**	78,005,948
Available-for-sale financial assets	**72,740,808**	102,190,222
Total non-current assets	**149,553,273**	180,196,170
Current assets		
Loan receivable	—	—
Other receivables, prepayments and deposits	**1,145,999**	367,068
Financial assets at fair value through profit or loss	**5,526,996**	5,055,595
Cash and cash equivalents	**40,777,591**	42,784,510
Total current assets	**47,450,586**	48,207,173
Total assets	**197,003,859**	228,403,343
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**76,783,698**	76,783,698
Reserves	**116,143,980**	148,050,733
Total equity	**192,927,678**	224,834,431
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	**2,157,716**	764,505
Amounts due to related companies	**1,796,701**	2,787,644
Current income tax liabilities	**121,764**	16,763
Total current liabilities	**4,076,181**	3,568,912
Total liabilities	**4,076,181**	3,568,912
Total equity and liabilities	**197,003,859**	228,403,343

Notes:

1. **General information**

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in the investment holding in Hong Kong and the People's Republic of China ("PRC"). The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 26 August 2016. The condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory 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 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).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; 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 and accounting policies**

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group. Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

New and amended standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		Effective for the Group for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 9 (2014)	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined

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.

3. Estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

4. Income and segment information

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

	Unaudited Six months ended 30 June	
	2016	2015
	US$	*US$*
Income		
Bank interest income	**244,495**	284,823
Dividend income from listed investments	**43,020**	27,692
	287,515	312,515

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, "Operating segments", are the same as those used in its HKFRS financial statements.

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

5. Other gains — net

	Unaudited Six months ended 30 June	
	2016	2015
	US$	*US$*
Listed investments		
Unrealised fair value (losses)/gains on financial assets at fair value through profit or loss	**(296,106)**	352,021
Net loss on deemed disposal of interest in an associate	**(118,487)**	(652)
	(414,593)	351,369
Unlisted investments		
Realised gain on disposal of an available-for-sale financial asset	—	16,149,408
Provision for impairment loss of an available-for-sale financial asset	—	(231,254)
Net gain on disposal of interest in an associate	**885,239**	—
Net gain on deemed disposal of interest in an associate	**16,139**	—
	901,378	15,918,154
Fair value gains on investments — net	**486,785**	16,269,523
Net exchange (losses)/gains	**(393,546)**	15,260
	93,239	16,284,783

6. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June	
	2016	2015
	US$	*US$*
Investment management fee	—	839,809
Performance bonus	—	2,499,000
Legal and professional fee	**131,989**	52,990
Staff costs, including directors' remuneration	**736,526**	108,574

7. Income tax expense/(credit)

Hong Kong and overseas profits tax have been provided at the rate of 16.5% (2015: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

The amount of income tax expense charged to the condensed consolidated statement of profit or loss represents:

	Unaudited Six months ended 30 June	
	2016	2015
	US$	*US$*
Current income tax:		
— Hong Kong profits tax	—	—
— Overseas profits tax	**106,544**	2,208
— Over-provision in respect of prior years	—	(40,370)
Income tax expense/(credit)	**106,544**	(38,162)

8. (Loss)/earnings per share

The basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit for the period attributable to equity holders of the Company of US$(1,323,556) (2015: profit of US$11,984,822) by the weighted average number of 76,758,160 (2015: 76,758,160) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30 June 2016 and 2015 are the same as the basic (loss)/earnings per share as the potential additional ordinary shares are anti-dilutive.

9. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

10. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	Unaudited 30 June 2016 ***US$***	Audited 31 December 2015 *US$*
Contracted but not provided for:		
Available-for-sale financial asset	**2,000,000**	—

The Group's share of capital commitments of an associate not included in the above are as follows:

	Unaudited 30 June 2016 ***US$***	Audited 31 December 2015 *US$*
Contracted but not provided for	**12,680,971**	7,601,444
Authorised but not contracted	—	16,334,582

NET ASSET VALUE

The unaudited consolidated net asset value per share of the Group at 30 June 2016 was US$2.51 (31 December 2015: US$2.93).

INVESTMENT REVIEW

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") reported a loss of approximately US$1.32 million for the six months ended 30 June 2016 compared with a profit of US$11.98 million for the same period in 2015.

The result was mainly due to (1) the absence of profits of disposal of investments and (2) sharing of loss of approx. US$0.89 million of its unlisted associated company, Shanghai International Medical Centre Co Ltd.

During the first half year, except for disposal of Shanghai Moxing Environmental Science and Technology Co Ltd in June, the Group did not make any material investments or disposals.

As at 30 June 2016, the consolidated net asset value of the Group was US$192.93 million, representing a US$31.90 million decrease from US$224.83 million as of 31 December 2015. The decrease was mainly due to the decline of share price of Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang") from RMB13.35 to RMB8.94 for the period.

There is no doubt that the British referendum vote held in June 2016 to leave the European Union ("EU") was the most destabilizing event for the first half year. The groundbreaking referendum rattled financial markets and threw the EU into uncharted territory, causing global stock markets to plummet. Brexit negotiations are set to dominate the political dialogue in the Eurozone at least for the immediate future and likely for ensuing years. In the short term, the Eurozone economy is expected to witness heightened volatility in financial markets and lower confidence levels. The impact of financial market vibrations could be particularly pronounced for peripheral nations such as Italy and Spain. However, strong domestic fundamentals, which have supported the Eurozone's recovery so far, should buttress growth in the near term as uncertainty over the terms of Brexit lingers. In the longer term, the impact of a Brexit is less clear and dependent upon how negotiations between the two concerned parties evolve. The United Kingdom ("UK") is the Eurozone's second-largest trading partner and barriers to trade on top of a projected slowdown in UK growth are likely to hurt the region. More ambiguous will be the possible changes to foreign direct investment patterns, migration and fiscal transfers within the bloc. On top of this, there is a risk that Brexit could fuel Euroscepticism and nationalistic sentiment across the region and spark other members to question their membership in the union.

China maintained its growth rate of 6.7% in the first half year, fueled by policy easing, a property rally and huge infrastructure spending. However, abundant credit supplied by risk-averse state banks continued to fuel overcapacity of bloated state industrials, indirectly crowding out private investment. This is despite the senior leadership's repeated calls for innovation, entrepreneurship and structural reform to shift the economy away from credit-fueled infrastructure to high-tech industry and services. As a result, private investment continued to deteriorate, growing by a record low of 2.8% in the first half due to lack of confidence affecting the pace of overall investment. In the first half year, investment by state-owned companies expanded by 23.5% year-on-year and state infrastructure investment jumped 20.9%. A credit-driven recovery in real estate help offset weak private investment.

In view of the continued economic uncertainty, and the disappointment that MSCI declined to include mainland shares in the Emerging Markets Index in its June 2016 review, China's stock market performed poorly in the first half year. The Shanghai Composite fell below the key level of 3,000 points in early January and struggled to sustain a recovery above it for most of the period. It finally closed at 2,930 points at the end of June, a drop of 17% for the first half year. The market price of Lukang, the Company's major listed investment, declined by nearly one-third, adversely affecting the net asset value of the Group.

The U.S. economy was in good shape overall in the first half year. Consumer spending — the main engine of the economy — is likely to remain strong in the second half as retail sales have expanded over recent months. The dollar surged as investors fled the UK and Europe and poured into the relative safety of U.S. assets. The U.S. dollar's strength is likely to persist, especially given worries about the UK Brexit decision fueling further disintegration of the EU. However, a sustained appreciation of the dollar curbs demand for U.S. exports by making products and services more expensive to sell abroad. At the same time, it makes imports cheaper for U.S. consumers, containing inflation and restraining wage growth. It also undercuts global demand as borrowing costs rise for countries and firms that have dollar-denominated debt. The strength of the U.S. dollar is expected to postpone the likelihood of U.S. interest rates being adjusted until the end of the year.

U.S. stock prices fell in the first two months of 2016 as investors worried that slowing economic growth in China could ripple worldwide and even tip the U.S. into recession. As those concerns eased and the Federal Reserve held back on raising interest rates, risk assets rebounded. These sent the Dow Industrials back into positive territory for the period, closing at a near record high of 17,930 points, while stock markets in Europe and Asia didn't fare well. The Stoxx Europe 600 was down 9.8%, and Japan's Nikkei Stock Average fell 18% in first half year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained stable during the period. As at 30 June 2016, it had cash and cash equivalents of US$40.78 million (31 December 2015: US$42.78 million), of which US$37.11 million (31 December 2015: US$35.75 million) was held in RMB equivalents in PRC bank deposits in Mainland China. The Group had no debt.

EMPLOYEES

As at 30 June 2016, the Company employed 10 staff. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other benefits include discretionary bonus, medical schemes, defined benefit contribution provident fund schemes, and an employee share option scheme. Training courses are provided to staff where necessary. The Group's staff costs for the six months ended 30 June 2016 amounted to approximately US$0.67 million (2015: US$0.05 million). For the six months ended 30 June 2015, the Company was managed by China Assets Investment Management Limited and a company secretary was employed.

PROSPECTS

Uncertainty continues to shadow the global economic outlook in the wake of the decision by the United Kingdom to leave the European Union. The combination of a cratering pound, other financial-market volatility, and lengthy uncertainty are expected to hurt exports and business confidence in many European countries. It is expected the Eurozone will grow at a slower pace in the coming years due to political and economic uncertainty.

China's economy, despite a better-than-expected second-quarter GDP figure, faces downside risks in the rest of the year. Growth will be challenged by the loss of momentum in real estate construction and weak prospects for exports and corporate investments. Brexit is expected to negatively affect China's exports and floods in the Yangtze River Economic Belt will drag on the economic activities of the four most-affected provinces, representing around 20% of China's GDP. The PRC is likely to expedite more infrastructure projects and continue to maintain an accommodative monetary environment. While there shouldn't be a hard landing for the economy, increased volatility in commodities could worsen industrial deflation, and rising short-term financial volatility could spur capital outflow. With structural issues still unresolved, any turn-around would be short-lived and a renewed slowdown over the next couple of years is looking increasingly likely.

In the United States, Brexit alone isn't likely to be enough to nudge the U.S. into a contraction but there is concern that deeper unrest in Europe threatens to further dampen business investment and erode consumer confidence. At the same time, a rising dollar will make imports cheaper and uncertainty could help keep interest rates low for longer. Hillary Clinton, the Democratic Party's nominee, will run against the Republicans' choice of real estate mogul and television personality, Donald Trump, in an unusual 2016 presidential election. American voters are divided and many are faced with a tough decision as they must choose between voting for Clinton, associated with supporting the dysfunctional Washington status quo, and voting for an opponent who many believe is the equivalent of taking a dive into the unknown. Trump has stated he wants to reopen existing trade agreements to improve terms for American workers and threatens to impose tariffs on goods from China. This outcome may spur a trade war between the world's two biggest economies, dragging the global economy and financial markets into further uncertainty.

In view of these uncertainties, the Company will remain cautious. Nonetheless, it has been reviewing various investment opportunities related to the medical and pharmaceutical industries. The Company, having been granted a mandate by shareholders to dispose of its investment in Lukang, has recently sold a portion of it and will consider additional sales during the rest of the year provided the market situation and share price are favorable.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the code provisions and recommended best practices as stipulated in Appendix 14 (the "CG Code") of the Listing Rules throughout the period, except for the deviation from code provision A.2.1 of the CG Code.

The Chairman and chief executive officer of the Company is Mr. Lo Yuen Yat. This deviates from code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

AUDIT COMMITTEE

The Company has set up an Audit Committee with written terms of reference since December 1998. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the period. The committee comprises two independent non-executive directors and a non-executive director.

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. Following specific enquiry by the Company, all directors have confirmed that they fully complied with the standard laid down in the said rules at any time during the period ended 30 June 2016.

PUBLICATION OF DETAILED RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE") AND THE COMPANY

This interim result announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.chinaassets.com accordingly.

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, 26 August 2016