CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)

INTERIM REPORT

2016

Corporate Information

Board of Directors

Executive Directors

Mr. Lo Yuen Yat *(Chairman)*
Mr. Cheng Sai Wai

Non-executive Directors

Mr. Yeung Wai Kin
Mr. Zhao Yu Qiao
Ms. Lao Yuan Yuan

Independent Non-executive Directors

Mr. Fan Jia Yan
Mr. Wu Ming Yu
Dr. David William Maguire

Company Secretary

Mr. Cheng Sai Wai

Audit Committee

Mr. Fan Jia Yan
Mr. Wu Ming Yu
Mr. Yeung Wai Kin

Remuneration Committee

Mr. Fan Jia Yan
Mr. Lo Yuen Yat
Dr. David William Maguire

Nomination Committee

Mr. Lo Yuen Yat
Mr. Fan Jia Yan
Mr. Wu Ming Yu

Solicitors

David Norman & Co.
Jennifer Cheung & Co.
ReedSmith Richards Butler

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Bankers

China CITIC Bank International Limited
Shanghai Pudong Development Bank Co. Ltd.
Agricultural Bank of China

Custodian

Citibank, N.A., Hong Kong Branch

Registrars

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

19th Floor, Wing On House
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Stock Code

170

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	*6*	**287,515**	312,515
Other gains — net	*7*	**93,239**	16,284,783
Administrative expenses	*8*	**(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	*9*	**(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	*10*	**(0.0172)**	0.1561
Diluted	*10*	**(0.0172)**	0.1561
Dividend	*11*	**—**	—

The notes on pages 8 to 19 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June 2016 US$	2015 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

The notes on pages 8 to 19 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	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	*12*	**—**	—
Other receivables, prepayments and deposits	*13*	**1,145,999**	367,068
Financial assets at fair value through profit or loss		**5,526,996**	5,055,595
Cash and cash equivalents	*14*	**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	*15*	**76,783,698**	76,783,698
Reserves		**116,143,980**	148,050,733
Total equity		**192,927,678**	224,834,431

The notes on pages 8 to 19 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Balance Sheet *(Continued)*

As at 30 June 2016

	Unaudited 30 June 2016 *US$*	Audited 31 December 2015 *US$*
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

The notes on pages 8 to 19 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	***US$***	*US$*
Cash flows from operating activities			
Cash used in operations		**(1,486,162)**	(1,521,638)
Hong Kong Profits tax refunded		**—**	110,623
Overseas profits tax paid		**—**	(987,048)
Net cash used in operating activities		**(1,486,162)**	(2,398,063)
Cash flows from investing activities			
Loan advanced to an associate		**—**	(3,221,131)
Interest received	*6*	**244,495**	284,823
Dividend received from listed investments	*6*	**43,020**	27,692
Dividend received from an associate		**319,230**	—
Placement of time deposits with initial terms of over three months		**—**	(69,230)
Purchase of financial assets at fair value through profit or loss		**(767,507)**	—
Purchase of an available-for-sale financial asset		**(645,315)**	—
Net proceed from disposal of an associate		**348,397**	—
Net proceed from disposal of an available-for-sale financial asset		**—**	18,762,751
Net cash (used in)/generated from investing activities		**(457,680)**	15,784,905
Net (decrease)/increase in cash and cash equivalents		**(1,943,842)**	13,386,842
Cash and cash equivalents at beginning of the period		**42,784,510**	26,225,412
Exchange (losses)/gains		**(63,077)**	11,391
Cash and cash equivalents at end of the period	*14*	**40,777,591**	39,623,645

The notes on pages 8 to 19 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Share capital US$	Capital reserve US$	Exchange translation reserve US$	Unaudited Share-based compensation reserve US$	Investment revaluation reserve US$	Retained earnings US$	Total US$
Balance as at 1 January 2016	76,783,698	8,977,992	1,742,702	1,506,549	77,197,368	58,626,122	224,834,431
Comprehensive loss							
Loss for the period attributable to equity holders of the Company	–	–	–	–	–	(1,323,556)	(1,323,556)
Other comprehensive loss							
Share of post-acquisition reserves of associates	–	(125,161)	–	–	–	–	(125,161)
Release of post-acquisition reserve upon deemed disposal of an associate	–	(36,161)	–	–	–	–	(36,161)
Exchange differences arising on translation of associates and subsidiaries	–	–	(327,146)	–	–	–	(327,146)
Fair value losses of available-for-sale financial assets	–	–	–	–	(30,094,729)	–	(30,094,729)
Total other comprehensive loss for the period, net of tax	–	(161,322)	(327,146)	–	(30,094,729)	–	(30,583,197)
Total comprehensive loss for the period ended 30 June 2016	–	(161,322)	(327,146)	–	(30,094,729)	(1,323,556)	(31,906,753)
Balance as at 30 June 2016	76,783,698	8,816,670	1,415,556	1,506,549	47,102,639	57,302,566	192,927,678

The notes on pages 8 to 19 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2015

	Share capital US$	Capital reserve US$	Exchange translation reserve US$	Unaudited Share-based compensation reserve US$	Investment revaluation reserve US$	Retained earnings US$	Total US$
Balance as at 1 January 2015	76,783,698	15,629,715	2,785,118	1,506,549	52,412,310	47,510,168	196,627,558
Comprehensive income							
Profit for the period attributable to equity holders of the Company	–	–	–	–	–	11,984,822	11,984,822
Other comprehensive (loss)/ income							
Share of post-acquisition reserves of associates	–	(1,875,340)	–	–	–	–	(1,875,340)
Release of post-acquisition reserve upon deemed disposal of an associate	–	(10,585)	–	–	–	–	(10,585)
Exchange differences arising on translation of associates and subsidiaries	–	–	29,302	–	–	–	29,302
Fair value gains of available-for-sale financial assets	–	–	–	–	65,715,102	–	65,715,102
Release of investment revaluation reserve upon impairment of an available-for-sale financial asset	–	–	–	–	(4,498)	–	(4,498)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	–	–	–	–	(13,309,994)	–	(13,309,994)
Total other comprehensive (loss)/income for the period, net of tax	–	(1,885,925)	29,302	–	52,400,610	–	50,543,987
Total comprehensive (loss)/ income for the period ended 30 June 2015	–	(1,885,925)	29,302	–	52,400,610	11,984,822	62,528,809
Balance as at 30 June 2015	76,783,698	13,743,790	2,814,420	1,506,549	104,812,920	59,494,990	259,156,367

The notes on pages 8 to 19 form an integral part of this condensed consolidated financial information.

Notes to the Condensed Consolidated Financial Statements

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

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").

3. Accounting policies

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.

4. 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.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

5.2 Fair value estimation

Compared to 31 December 2015 there was no material change in the contractual undiscounted cash outflows for financial liabilities. The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined 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); and

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

The following table presents the Group's assets that are measured at fair value at 30 June 2016.

	Unaudited			
	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	Total *US$*
Financial assets at fair value through profit or loss				
— listed equity securities	5,526,996	—	—	5,526,996
Available-for-sale financial assets				
— listed equity securities	65,227,777	—	—	65,227,777
— unlisted investment funds	—	3,301,855	4,211,176	7,513,031
	70,754,773	3,301,855	4,211,176	78,267,804

5. Financial risk management *(Continued)*

5.2 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2015.

	Audited			
	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	Total *US$*
Financial assets at fair value through profit or loss				
— listed equity securities	5,055,595	—	—	5,055,595
Available-for-sale financial assets				
— listed equity securities	96,247,815	—	—	96,247,815
— unlisted investment funds	—	3,496,750	2,445,657	5,942,407
	101,303,410	3,496,750	2,445,657	107,245,817

For the period ended 30 June 2016, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the period ended 30 June 2016 there were no reclassifications of financial assets.

5. Financial risk management *(Continued)*

5.3 Fair value measurement using significant unobservable inputs (Level 3)

30 June 2016	Financial assets at fair value through profit or loss US$	Available-for-sale financial assets US$
Opening balance at 1 January 2016	—	**2,445,657**
Change in fair value recognised in other comprehensive income	—	**1,765,519**
Closing balance at 30 June 2016	—	**4,211,176**

30 June 2015	Financial assets at fair value through profit or loss US$	Available-for-sale financial assets US$
Opening balance at 1 January 2015	1,749,762	3,136,045
Provision for impairment loss recognised in the condensed consolidated statement of profit or loss	—	(231,254)
Closing balance at 30 June 2015	1,749,762	2,904,791

6. 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.

7. Other gains — net

	Unaudited Six months ended 30 June 2016 US$	2015 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

8. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June 2016 US$	2015 US$
Investment management fee *(Note 17(a))*	**—**	839,809
Performance bonus *(Note 17(a))*	**—**	2,499,000
Legal and professional fee	**131,989**	52,990
Staff costs, including directors' remuneration	**736,526**	108,574

9. 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)

10. (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.

11. Interim dividend

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

12. Loan receivable

Loan receivable is denominated in the following currency:

	Unaudited 30 June 2016 US$	Audited 31 December 2015 US$
Independent third party:		
Renminbi	**6,460,628**	6,547,392
Provision for impairment	**(6,460,628)**	(6,547,392)
Loan receivable – net	**—**	—

The carrying amounts of loan receivable approximate to their fair values as at 30 June 2016. The maximum exposure to credit risk at the reporting date is the fair value (i.e. its carrying amount) of the loan receivable.

As at 30 June 2016 and 31 December 2015, the ageing analysis of the loan receivable is as follows:

	Unaudited 30 June 2016 US$	Audited 31 December 2015 US$
Past due over 1 year	**6,460,628**	6,547,392
	6,460,628	6,547,392

As of 30 June 2016, loan receivable of US$6,460,628 (2015: US$6,547,392) is fully impaired. It is assessed that the loan receivable is not expected to be recovered.

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

	Unaudited 30 June 2016 US$	Audited 31 December 2015 US$
At beginning of the period	**6,547,392**	6,915,518
Exchange difference	**(86,764)**	(368,126)
At end of the period	**6,460,628**	6,547,392

13. Other receivables, prepayments and deposits

	Unaudited 30 June 2016 *US$*	Audited 31 December 2015 *US$*
Other receivables	**5,504,144**	4,996,358
Prepayments and deposits	**66,825**	25,314
	5,570,969	5,021,672
Provision for impairment	**(4,424,970)**	(4,654,604)
	1,145,999	367,068

Movements in the provision for impairment of other receivables are as follows:

	Unaudited 30 June 2016 *US$*	Audited 31 December 2015 *US$*
At beginning of the period	**4,654,604**	4,792,243
Exchange difference	**(229,634)**	(137,639)
At end of the period	**4,424,970**	4,654,604

14. Cash and cash equivalents

Included in the cash and cash equivalents of the Group are Renminbi deposits and cash in the Mainland China of US$37,109,023 (31 December 2015: US$35,753,331). The conversion of the RMB denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

15. Share Capital

	Unaudited 30 June 2016		Audited 31 December 2015	
	Number of ordinary shares	Ordinary shares *US$*	Number of ordinary shares	Ordinary shares *US$*
Ordinary shares, issued and fully paid:				
Opening balance 1 January and at 30 June	**76,758,160**	**76,783,698**	76,758,160	76,783,698

16. 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

17. Related party transactions

China Assets Investment Management Limited ("CAIML") was the investment manager for all investments for the year ended 31 December 2015. The management agreement with CAIML was expired on 31 December 2015 and no subsequent renewal thereafter. Mr. Lo Yuen Yat, the Chairman and executive director of the Company, is a director of CAIML. Mr. Yeung Wai Kin, a non-executive director of the Company, is a shareholder of CAIML. Mr. Zhao Yu Qiao, a non-executive director of the Company, is an indirect shareholder of CAIML.

Significant related party transactions, which were carried out in the normal course of business are as follows:

(a) During the period, the Company paid management fees totaling US$nil (2015: US$839,809) and performance bonuses totaling US$nil (2015: US$2,499,000) to CAIML.

(b) As at 30 June 2016, management fee and performance bonus payable to CAIML amounted to US$28,178 and US$1,386,532 respectively (31 December 2015: US$28,178; US$2,386,532). These balances are denominated in United States dollar, unsecured, interest-free and will be settled in the third and fourth quarters of 2016.

(c) The amounts due to related companies, which are an associate and CAIML, are denominated in United States dollars, unsecured, interest-free and repayable on demand.

(d) Key management compensation

	Unaudited Six months ended 30 June	
	2016	2015
	US$	*US$*
Salaries and other short-term employee benefits	**327,222**	107,414
Pension costs — defined contribution plan	**11,149**	1,160
	338,371	108,574

Key management includes directors and an executive who have important roles in making operational and financial decisions.

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).

Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or its Associated Corporations

As at 30 June 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Shares in the Company

	Number of shares held			
Name of director	**Personal interests**	**Corporate interests**	**Total**	**% of the issued share capital**
Lo Yuen Yat	225,000	41,290,285 *(note 1)*	41,515,285	54.09%
Yeung Wai Kin	100,000	—	100,000	0.13%

Note 1: Mr. Lo Yuen Yat was deemed to be interested in 41,290,285 shares in the Company held by New Synergies Investments Company Limited ("New Synergies"). As at 30 June 2016, New Synergies was owned to the level of 40% by Mr. Lo Yuen Yat, to 30% by his brother Mr. Lao Kaisheng, and to 30% by his sister Ms. Lao Jiangsheng. Mr. Lo Yuen Yat was taken to be interested in the 41,290,285 shares in the Company by virtue of Part XV of the SFO.

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Options in respect of shares in the Company

On 19 May 2004, the Company adopted a share option scheme (the "Old Scheme"). Under the Old Scheme, the Board shall be entitled at any time within ten years commencing on 19 May 2004 to make an offer for the grant of a share option to any director, employee or consultant of the Group or the Manager of the Company's affairs or any adviser whose service to the Group may contribute to the business and operation of the Group as the Board may in its absolute discretion select. Due to the expiry of the Old Scheme on 19 May 2014 and in order to ensure continuity of a share option scheme for the Company to incentivize selected participants for their contribution to the Group, the Shareholders at the annual general meeting of the Company held on 23 May 2014 passed an ordinary resolution to approve the adoption of a new share option scheme (the "New Scheme"). Pursuant to the terms of the New Scheme, the Directors may at their discretion offer any director, employee or consultant of the Group, a company in which any company in the Group holds an equity interest or a subsidiary of such company or the Manager; or any adviser whose service to the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the Directors from time to time to subscribe for Shares in the Company. Following the termination of the Old Scheme on 19 May 2014, no further share options can be granted under the Old Scheme but the provisions of the Old Scheme remain in full force and effect in all other respects in relation to the share options granted under the Old Scheme. All outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid.

Options in respect of shares in the Company *(Continued)*

Since the adoption of the New Scheme, the Company has not granted any share options under the New Scheme. Particulars of the outstanding share options granted under the Old Scheme and their movements during the six months ended 30 June 2016 were as follows:

	Options held at 1 January 2016	Options lapsed during the period	Options exercised during the period	Options held at 30 June 2016	Exercise price *HK$*	Closing price before the date of grant *HK$*	Date of grant	Exercise period *(note 1)*
Directors:								
Lo Yuen Yat	750,000	–	–	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Lao Yuan Yuan	750,000	–	–	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Yeung Wai Kin	750,000	–	–	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Zhao Yu Qiao	750,000	–	–	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Wu Ming Yu	75,000	–	–	75,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Employees of the Manager *(note 2)*	900,000	–	–	900,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
	3,975,000	–	–	3,975,000				

Note 1: In accordance with the terms of Old Scheme which states that each option holder shall be entitled at any time within six months after any change of control of the Company to exercise any option in whole or in part, and to the extent that it has not been so exercised, any option shall upon the expiry of such period cease. As a result of the change of control on 24 April 2016 when the mandatory conditional cash offers made by New Synergies Investments Company Limited became unconditional, any options not exercised before then will be lapse on 24 October 2016.

Note 2: Manager refers to China Assets Investment Management Limited which management contract was expired on 31 December 2015.

Apart from the above, as at 30 June 2016, none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Substantial shareholders' interests and short positions in the Shares, Underlying Shares and Debentures of the Company and its associated corporations

The register of substantial shareholders' interests maintained under section 336 of the SFO reveals that as at 30 June 2016, the Company had been notified of the following interests of the substantial shareholders of the Company, being 5% or more of the Company's issued shares that carry a right to vote at general meetings of the Company.

Name	Type of interest	Capacity	Number of ordinary shares held	Percentage of issued share capital
Lo Yuen Yat *(Note 1)*	Personal	Interest of Controlled Corporation	41,515,285	54.09%
New Synergies Investments Company Limited *(Note 1)*	Corporate	Beneficial Owner	41,290,285	53.79%
Chen Dayou *(Note 2)*	Personal	Interest of Controlled Corporation	8,075,000	10.52%
Team Assets Group Limited *(Note 2)*	Corporate	Beneficial Owner	8,075,000	10.52%

Note:

(1) Lo Yuen Yat had a deemed interest in the issued share capital of the Company through his interest in New Synergies Investments Company Limited.

(2) Chen Dayou had a deemed interest in the issued share capital of the Company through its interest in Team Assets Group Limited.

Apart from that disclosed above, the Company register showed that no other person of the Company had any beneficial or legal interests in 5% or more of the Company's issued shares that carry a right to vote in general meetings of the Company. All the interests described above represent long positions in the shares of the Company. No short positions, or other deemed interests or derivative interests, were recorded in the register maintained by the Company as at 30 June 2016.

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.

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.

Major Long-Term Investments

Investments in associates

First Shanghai Investments Limited ("FSIL")

The Company's major listed associate, First Shanghai Investment Limited, reported a net loss of HK$95.47 million (approx. US$12.30 million) for the six months ended 30 June 2016. This compared to a net profit of HK$87.74 million (approx. US$11.32 million) for the six months ended 30 June 2015. The loss was mainly attributable to: (1) recognition of approximately HK$117.90 million accounting loss on disposal of its investment in the Company; (2) decrease in profit from stock brokerage business due to decrease in market turnover by approximately 71% compared to the corresponding period in 2015; and (3) decrease in trading profit of its investment portfolio by approximately 84% from the corresponding period in 2015. These negative factors were partially offset by the decrease in depreciation charges from its hotel facilities in Wuxi City, Jiangsu Province, Mainland China.

Shanghai International Medical Centre Co Ltd ("SIMC")

SIMC was founded in 2010 by Shanghai International Medical Zone Group Company Limited, a wholly-owned local government entity, to establish a 500-bed, class-A hospital in Pudong New Area to provide high-end medical services to foreign expatriates and local high-income residents in Shanghai and adjacent regions ("the Hospital"). The Hospital, opened in May 2014, has 118 outpatient rooms, 15 operating theaters and 50 post-surgery wards. It has signed cooperative agreements with eight local hospitals, including the famous Ruijin Hospital, Renji Hospital, Shanghai No. 9 People's Hospital and Shanghai No. 1 People's Hospital, etc..

The Hospital has yet to turn a profit since its opening. This is within expectations as a hospital project of this magnitude typically takes several years to reach breakeven. As of 30 June 2016, shareholders have contributed RMB700 million in equity and the Hospital has borrowed RMB500 million from banks. In addition, the Hospital has a further borrowing of RMB75 million from a major shareholder. Further funding is anticipated to sustain the initial phase.

The Company's investment in the Hospital to-date amounts to RMB140 million, all of which is in equity.

Major Long-Term Investments *(Continued)*

Investments in associates *(Continued)*

Shanghai International Medical Centre Co Ltd ("SIMC") (Continued)

In May, top management was reorganized and strengthened. Mr. Huang Yiran, a top doctor from well-known Renji Hospital, was appointed as Dean.

The unaudited result of SIMC for the first half year in 2016, adjusted under Hong Kong Financial Reporting Standards, was loss of RMB28.98 million, of which the Group shared a loss of RMB5.80 million (approx. US$0.89 million).

Shanghai Moxing Environmental Science and Technology Co Ltd ("SMECT")

SMECT, a PRC-incorporated entity, is an early-stage technology and services company that provides waste oil recycling services for transportation and industrial customers.

The Group invested RMB4.65 million for 29.86% equity. In view of its continuing disappointing performance, the Company resolved and reached an agreement with a third-party investor in June to dispose of its entire interest for a sum which would fully recoup the original investment cost. Mr. Cheng Sai Wai and Mr. Yeung Wai Kin, directors of the Company, disposed of their respective interests (being 0.856% equity each) on similar terms and conditions.

Goldeneye Interactive Limited ("Goldeneye")

The Company made a US$3.85 million investment in April 2011 for a 22.37% Preferred B-share holding in Goldeneye. Goldeneye and its affiliated companies operate a web portal — www.fangjia.com — which is a vertical search engine specializing in online real estate information in the secondary market. The information is gathered by data mining and undergoes sophisticated analysis using Goldeneye's self-developed, patented technology.

Goldeneye has reported some limited success in marketing its data services. Ping An Group awarded the company a RMB12 million contract for data services. Similar contracts are being negotiated with several banks, including Pudong Development Bank, Agricultural Bank and Hangzhou Bank.

Major Long-Term Investments *(Continued)*

Available-for-sale financial assets

Shandong Lukang Pharmaceutical Co Ltd ("Lukang")

The operations of Lukang improved very mildly in the first quarter of 2016 compared with the corresponding period in 2015. It reported a quarterly profit of RMB4.19 million against a profit of RMB2.89 million in 2015. Its revenue only grew by a mere 3.6% from RMB625.13 million to RMB647.38 million during the quarter with no improvement to gross profit ratio. The various factors dragging down the performance of Lukang still remain. It is expected Lukang will continue to face difficulties and a major turnaround in the second half year is not anticipated.

In line with the performance of the China stock market, Lukang's share price declined during the period from RMB13.35 to RMB8.94, marking the fair value of the investment at US$59.55 million at end of the period. This resulted in an unrealised fair value loss of US$30.57 million being transferred to the investment revaluation reserve.

Subsequent to the interim report date, the Company sold part of its holding in Lukang, and may consider further disposal if the market situation and price are favorable.

China Pacific Insurance (Group) Co Ltd ("China Pacific")

The Group had 1,687,200 shares in China Pacific, a PRC general insurer, at end of the period. As at 30 June 2016, the fair value of China Pacific was stated at US$5.68 million and an unrealised fair value loss of US$1.09 million was debited to the investment revaluation reserve.

Major Long-Term Investments *(Continued)*

Available-for-sale financial assets *(Continued)*

Red Stone Fund ("RS Fund")

The Red Stone Fund was set up in Ganzhou, Jiangxi Province, in January 2010 as a limited partnership in accordance with PRC Limited Partnership Law. The aim of RS Fund, whose size is RMB405 million, was to invest in minerals, energy or related industries in the PRC. The Group has paid RMB24.30 million for a 6.00% indirect interest in RS Fund. The Fund has two investments, respectively, of 14.4% in equity in Ganxian Shirui New Materials Company Limited, and 12.5% in equity in Ganzhou Chenguang Rare Earths New Material Company Limited. Both investments performed unsatisfactorily due to the substantial decline in prices of global mineral resources. In 2011, RS Fund advanced an entrusted loan of RMB180 million to 太重煤機有限公司 (Tai Chong Coal Machinery Company Limited, "TCC") whose main businesses are the manufacture and sale of coal washing equipment, coking coal equipment and coal devices (scrapers, and belt machines, etc.). TCC has been under reorganisation and RS Fund had an option to convert all or a portion of the entrusted loan for equity in TCC. In view of both the delay of the reorganisation and the market situation, RS Fund called for repayment of the entrusted loan but only RMB50 million had been repaid by the end of last year. During the period, TCC repaid the remaining balance of RMB130 million together with the related interest.

The RS Fund was contracted to dissolve in February 2015 but this was extended so that a proper and orderly disposal of investments could be arranged. An initial realisation arrangement has been reached with interested parties on both remaining investments and full realisation is anticipated to occur by the end of 2017.

The Company received RMB10.17 million from RS Fund during the period. The distribution, together with any future similar distribution, is treated as an amount due to RS Fund and will be set-off against for final distribution by RS Fund upon liquidation.

The fair value of RS Fund at end of period has been re-appraised at US$4.21 million, resulting in a fair value gain of US$1.77 million credited to the other comprehensive income for the period.

China Alpha Fund II ("China Alpha")

The Group holds 1,631 units in China Alpha at a cost of US$2.77 million. Based on latest available information, the share of net asset value of China Alpha attributable to the Company is US$3.30 million.

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.

Foreign Exchange Risk

Most of the Group's cash, deposits and investments are held/located in Mainland China. Fluctuation of the RMB exchange rate may have an adverse effect on net assets and earnings of the Group that are to be converted or translated into United States dollars. RMB is not a freely convertible currency and the RMB exchange rate against the US dollar remained stable during the period. The Group did not engage in currency hedging nor did it adopt any formal hedging activities for its RMB assets' exposure.

Employees

As at 30 June 2016, the Company employed 10 staffs. 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.

Prospects *(Continued)*

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.

Lo Yuen Yat
Chairman

Hong Kong, 26 August 2016