CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)

ANNUAL REPORT

2016

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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

Solicitor

David Norman & 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

Registrar

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Stock Code

170

Chairman's Statement

I am pleased to present the annual report of China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2016. The Group's consolidated net profit for the year was US$12.36 million and consolidated net asset value as at 31 December 2016 was US$204.57 million, representing US$1.90 per share.

Business Review

Global economic growth remained soft in 2016 for numerous reasons which varied across regions. Generally, the culprits included structural adjustments in many countries, efforts to reduce overcapacity, recurring natural disasters, geopolitical events — such as Brexit, a coup d'état in Turkey and the ongoing civil war in Syria, among others — and heightened uncertainty related to the U.S. presidential election. The year will be remembered, due to the unexpected nature of the results, for Brexit and Donald Trump being elected as US president, outcomes that could cause a potentially profound shift in global economics and international relations in coming years.

2016 started with global stock markets adjusting substantially downward, oil falling to US$28 per barrel and investors concerned about the risk of China sharply devaluing its currency. In the summer, the UK's surprise vote to leave the European Union was the first big shock of the year and led to the resignation of Prime Minister David Cameron. In emerging markets, Brazilian president Dilma Rousseff was impeached and removed from office, driving a rally in Brazilian risk assets. By winter, Donald Trump was US president-elect, Italian Prime Minister Matteo Renzi had lost his job and the European Central Bank had extended quantitative easing further into 2017. OPEC cut production at the end of November and the US Federal Reserve raised interest rates in December. Despite all these, the global economy managed to navigate its way through troubled waters and the major stock markets had a decent year except the China market whose performance lagged substantially behind.

Many central banks in the developed world have maintained exceptionally loose monetary policies in an effort to support household consumption and business investment. Eight years after the acute phase of the global financial crisis, the developed world is still using its central banks as a saver. Throughout developed economies, interest rates were at, or close to, record lows and several are experimenting with unconventional policies in the hope of stimulating domestic demand.

In China, capital outflows were substantial, leading to a contraction of foreign exchange reserves and pressure on the exchange rate. Expected Renminbi depreciation led the corporate sector to reduce its foreign liabilities and increase foreign assets. Individuals also diversified their asset into foreign holdings. The Shenzhen-Hong Kong Stock Connect commenced operations in December, opening up a new channel for capital inflows. The inclusion of the Renminbi ("RMB") in IMF Special Drawing Rights also boosted demand for Renminbi assets. The combination of these various offsetting forces took the Renminbi down more than 6% against the dollar in the year.

China's economic growth continued to decline very gradually as adjustment in manufacturing sectors plagued by excess capacity gathered momentum and also due to diminished private investment. Capacity cuts in the coal and steel sectors, together with disruptions in the distribution chain due to floods, resulted in regional coal shortages and price hikes. Real estate investment seemed to have bottomed out, although trends in upper and lower-tier cities diverged increasingly, with sharply rising demand and prices in the former, prompting new home-purchase restrictions. In lower-tier cities, working off excess capacity will take several more years. Consumption was robust, with buoyant e-commerce sales. Weak business investment demand weighed on imports and rising costs weighed on exports. Despite all these, with strong support from public infrastructure spending, China achieved a growth rate of 6.7% for the whole year.

Chairman's Statement

Although its economy achieved the fastest growth rate of any G20 nation, China's stock markets were among the worst performing in the world in 2016. Starting with a botched attempt to reduce volatility that instead triggered a spectacular meltdown, Chinese bourses spent the year struggling against a slowing economy, massive capital flight and a declining currency. The benchmark Shanghai Composite Index struggled towards the finish line and down 12.3% for the year, compared to a gain of 13.4% for the Dow Industrial. The share price of Shangdong Lukang Pharmaceutical Co Ltd ('Lukang'), the Company's major listed investment, dropped from RMB13.35 to RMB9.71 for the year, a decline of 27%.

The U.S. economy was undoubtedly the healthiest among the developed economies in 2016, even though growth was only 1.6%. In Europe, although the economic indicators had been resilient, confidence in the Eurozone continued to be undermined by political risks, the rise of populism to opt-out from the EU and the uncertainty of dealing with Brexit, the lingering immigration crisis, and difficulties in its banking sector.

The Group reported a profit of approximately US$12.36 million for the year ended 31 December 2016, compared with a profit of US$11.12 million in 2015. The result mainly comprised of a profit (net of taxation) of US$16.25 million arising from disposal of portion of its equity investment in Lukang.

The consolidated net asset value decreased by US$20.26 million for the year to US$204.57 million as at 31 December 2016. The decrease was mainly due to the fall in fair value of Lukang as a result of its material decline in price as well as depreciation of the Renminbi on its mainland investments. The magnitude of the decline was partially alleviated by the new capital raised by the Company under an open offer completed in December.

In the first half year, the Company disposed of its investment in Shanghai Moxing Environmental Science and Technology Co Ltd for US$0.91 million, a small company developing oil refining technology and whose performance had not been impressive in previous years.

In the second half year, the Company invested in two start-ups, a 9% equity in a limited partnership specializing in the medical industry for US$1 million, and US$1.5 million for a less than 1% stake in a U.S. company developing virtual technology for broadcasting. The Group also advanced RMB 20 million as its prorated shareholder advance to Shanghai International Medical Centre Co Limited to strengthen its funding position.

In December, the Company completed an open offer on the basis of two new shares for every five shares by issuing 30,703,264 shares at a subscription price of HK$3.95 per share. This initiative raised approximately HK$118.87 million for general working capital purposes.

Economic Outlook

The 2017 year will be full of uncertainties for China's economy. It is expected that policy stimulus will help keep growth above 6%. However, investment is increasingly financed by public funds. Current growth rates of disposable income will support consumption growth, but without structural reforms to reduce precautionary savings such as the provision of a better social safety net, the rebalancing from export driven growth to consumption will advance only slowly. The slow pace of reform of state-owned enterprises and high leverage will continue to take up resources, preventing reallocation for more efficient use. Soaring property prices in first-tier cities and leveraged investment in asset markets magnify the risk of disorderly defaults.

Excessive leverage and mounting debt in the corporate sector compound financial stability problems. This means that Chinese officials need to tread carefully in the coming months to tighten monetary conditions and curb risky investment practices while not dampening investment spending. A balanced approach will be taken to these challenges: combining some degree of exchange rate flexibility, some controls on capital flows, and some amount of domestic tightening and furtherance of government-led investments. Supply-side policies, including deleveraging and working off excess capacity, are crucial to avoid a sharp slowdown. On the upside, a stronger-than-foreseen global rebound would support Chinese exports and growth.

With all these risks hanging, so far, Chinese policymakers have successfully maintained the economy on a soft-landing path. It is hence expected to maintain the existing old growth drivers, fiscal spending and the property market, to keep the economy stable in 2017, an important year of leadership change. Based on consumption holding up, factories having pulled out of a four-year streak of deflation and with expectations for continued government stimulus, the International Monetary Fund upgraded the growth forecast for China for 2017 to 6.5%. It also warned, however, that the risk of a sharper slowdown would be possible if China delays addressing issues related to continued reliance on policy stimulus measures and rapid expansion of credit.

For Europe in 2017, the big question is whether fragile economic growth and unprecedented central-bank stimulus will be overtaken by populist politics. European equities could have a strong year if the anti-Euro populist candidates who have gained traction over 2016 fail to win elections. But if anti-Euro parties triumph in coming votes in French and German elections, the prospect of a Eurozone breakup could return and impair the region's growth. While Britain's influence in the global economy has diminished in recent decades, the impact of the Brexit vote is still felt in markets and currencies across the globe. The region will continue to grapple with the bumpy and uncertain path leading to Britain's exit from the EU through speculation as to the nature and impact of subsequent re-arrangements of trade and political relations. The longer the saga continues, the longer the associated uncertainty will be priced into equities and currencies, dampening corporate investment and damaging the European economy as a whole. Without major electoral upsets, the outlook for the European economy should be one of steady growth, given that the European Central Bank will keep its quantitative easing running through the year and well into 2018.

In the U.S., President Trump is fulfilling his campaign promises and his protectionist agenda is slowly taking shape, quitting the Trans-Pacific Partnership, demanding a renegotiation of NAFTA, planning building a wall with Mexico, overhauling immigration, warming to Brexit-bound Britain and Russia, cooling to the European Union, defending torture, and attacking the press. He is also threatening to impose hefty import tariffs on countries having a trade surplus with the U.S. which, if materialized, will restrict international trade and seriously disrupt global growth. Export-driven nations such as China, Japan and Mexico would be the worst hit by Trump's anti-trade policies and this situation could exacerbate domestic imbalances. On the other hand, the new administration's proposed tax cuts and fiscal stimulus, particularly in the shape of high-multiplier infrastructure spending, could boost U.S. economic growth, but this fiscally-driven demand increase could collide with more rigid capacity constraints, leading to a steeper path for interest rates for the Federal Reserve to contain inflation and resulting in the dollar appreciating sharply which could hurt emerging economies.

In short, the biggest risk to the global outlook is a rise in protectionism, which could put an end to the era of multinational trade agreements that has defined global economics in recent decades. All eyes are now on measures the Trump administration could announce against China, which enjoys a healthy trade surplus with the U.S. If Trump imposes any significant trade barrier against China, it will certainly lead to a trade war between the world's two largest economies. The most immediate effects of a trade war would probably be felt by companies like Walmart in the U.S. which imports billions of dollars of cheap goods. The prices on almost all of these items would quickly skyrocket beyond the reach of the lower economic brackets because of the tariffs. The result would be an economic war of attrition for both countries. While it might take a while for that to happen, the turmoil would be catastrophic for business and employment on both sides.

Chairman's Statement

Liquidity and Financial Resources

The Group's financial position remained stable during the year. As at 31 December 2016, it had cash and cash equivalents of US$68.25 million (31 December 2015: US$42.78 million), of which US$46.06 million (31 December 2015: US$35.75 million) was held in Renminbi 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 in Mainland China. Fluctuation of the Renminbi exchange rate may have an adverse effect on net assets and Group earnings that are to be converted or translated into United States dollars. Renminbi is not a freely convertible currency and the Renminbi exchange rate against the U.S. dollar was depreciated by about 6% during the year, causing a devaluation impact on the Company's net assets. The Group did not engage in currency hedging nor did it adopt any formal hedging activities for its RMB assets' exposure.

Employees

As at 31 December 2016, the Company managed its investment in-house and 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 year ended 31 December 2016, amounted to approximately US$2.64 million, reflecting Company management being brought in-house rather than outsourced as it was in 2015 and previous years to China Assets Investment Management Limited.

Prospects

The Company has been quite conservative in the past few years in terms of the pace of its investments in China for various reasons. These include reservations about the sustainability of its economic growth, its restrictive regulations on the health industry which the Company has been targeting, and its restricted use of Renminbi balance under the current foreign exchange regulations. These factors combined have influenced the Company to take a very cautious approach toward committing its usable funds, especially when the targeted asset price level was considered exuberant and not in line with underlying fundamentals or the overall economic environment. With a view that recent valuations of targeted investments have been trending to a more reasonable level, the Group has quickened its pace in concluding or committing to new projects. The aim is to strengthen its investment portfolio in phases and in consideration of its usable and on-hand Renminbi balance. The projects are mainly related to hospitals in Shanghai. As stated in the past, investments will be proceeded with cautiously, especially if there could be dramatic economic impacts on China as a result of the new U.S. administration adopting any policy that is harmful to the relationship between these two economic giants.

Last but not least, I would like to thank my fellow directors, shareholders and the employees for their valuable contributions and support during the year.

Lo Yuen Yat
Chairman

Hong Kong, 24 March 2017

Management Discussion and Analysis

The principal investment objective of the Group is to strive to achieve long-term capital appreciation, primarily through equity and equity-related investments in small- to medium-sized companies operating in China.

The Group's performance in 2016 improved marginally, but its net asset value was adversely affected by the share performance of its core investment, Shandong Lukang Pharmaceutical Co Ltd ("Lukang"), whose share price dropped by 27% over the year.

Lukang reported a net profit of RMB29.51 million for 2016, an increase of 289.81% compared with 2015. The main reasons for the improvement included internal resource integration and product structure adjustment, an integrated marketing system and increased strategic market development efforts. The improvement was also helped by a 38.61% reduction in finance charges after optimization of Lukang's bank loan portfolio. Despite this improvement, it was noted that the increase in sales was uninspiring given growth of 3.95% for the year compared with 2015. A shrinking market demand in veterinary antibiotics and Lukang's slow adjustment to the product mix still hinder its performance. A major performance breakthrough in 2017 is not anticipated although it is believed the worst is over.

In November, Lukang announced its proposal to raise funds of approx. RMB1,057.55 million by issuing not more than 114.08 million new shares at a price not less than RMB9.27 per share under private placement to not more than 10 investors. The funds would be used to build facilities to upgrade synthetic materials technology in Zuo Cheng bio-pharmaceutical industrial park, facilities to increase production of high-end biological veterinary medicine, and facilities to increase fermentation capabilities and production of spectinomycin API. It is expected that upon implementation of the projects, Lukang could improve it product mix and increase its competitiveness in the market.

Lukang's share price performance was disappointing in the year, dropping from RMB13.35 at the beginning of 2016 to RMB9.71 at end of year. In the second half year, with the relaxation of rules relating to share disposal by substantial shareholders imposed by the China Securities Regulatory Commission, the Company sold a total of approx. 15.32 million shares through the Block Trade Platform of Shanghai Stock Exchange, realizing a net profit of approximately US$16.25 million.

In the first half year, the Company disposed of its interest in Shanghai Moxing Environmental Science and Technology Co Ltd ("SMECT"), an early-stage technology and services company that provides waste oil recycling services for transportation and industrial customers. SMECT's operation performance was disappointing. The disposal could fully recoup the original investment cost of US$0.75 million with a minor profit. Mr. Cheng Sai Wai and Mr. Yeung Wai Kin, directors of the Company, disposed of their respective interest (being 0.856% each) on similar terms and conditions.

First Shanghai Investments Limited ("FSIL"), an associated company listed in Hong Kong and one of core assets of its investment portfolio, reported a loss of approximately US$7.22 million for the year. The loss was mainly due to a loss of approximately HK$117.90 million arising from its disposal of its shareholding in the Company. After accounting adjustment on previous cross holding effect, the Group nonetheless shared an adjusted profit of US$2.15 million for the year.

The Group had a 19.91% indirect holding in Shanghai International Medical Centre Co Ltd ("SIMC") at end of year, diluted from 20% as a result of issuance of incentive shares to employees in the second half of the year. SIMC owns a 500-bed, class-A hospital ("the Hospital") in Pudong New Area. The Hospital commenced operation in May 2014. Operating losses and financing costs have been projected to drag down the Hospital's performance in the initial years and further funding requirements from shareholders are envisaged from time to time. In May, top management was reorganized and strengthened. Mr. Huang Yiran, a top doctor from well-known Renj Ji Hospital, was appointed as Dean of the Hospital. The loss of SIMC for the year, adjusted under Hong Kong Financial Reporting Standards, was RMB69.45 million, of which the Group shared a loss of RMB13.88 million (approx. US$2.08 million). It is projected further losses will be reported in 2017. The Group considers SIMC's prospects remain optimistic. It intends to hold the investment for the long term.

Red Stone Fund ("RS Fund") is a limited partnership investing in minerals, energy or related industries in the PRC. The Group has paid RMB24.30 million for a 6.00% indirect interest. RS Fund has two investments, respectively, 14.40% in equity in Ganzhou Shirui Tungsten Company Limited (formerly known as Ganxian Shirui New Materials Company Limited), and 8.75% in equity in Ganzhou Chenguang Rare Earths New Materials Company Limited. Disposal agreements for the two investments were reached in 2015 with their respective controlling shareholders and are expected to be completed beyond 2017. It also had an entrusted loan of RMB180 million to 太重煤機有限公司 (Tai Chong Coal Machinery Limited Company, "TCC") with an option to convert to equity in TCC. The loan had been called for repayment in 2014 and was fully settled in the year.

Details of other investments are outlined in the Investments Section on Pages 10 to 15.

The management continued to adopt a conservative approach through 2016 and made no new major investments. The investment team, however, has been actively searching for new investment opportunities, with intensive due diligence being done on certain prospects related to the health industry.

Despite the Company having RMB321.28 million held as deposit in China at end of year, the amount was nonetheless not readily available for any usage in China nor permitted for immediate repatriation to Hong Kong due to the foreign exchange rules and regulations. This RMB amount is the proceeds from the disposals of its portion of Lukang shareholding in recent years. In accordance with the relevant rules, the Company has to convert the RMB proceeds to U.S. currency and remit them offshore once approval is given. On the other hand, in order to get RMB for its investments, the Company has to get the approval of the relevant regulatory bodies in China to convert its U.S. dollar in Hong Kong to RMB in China. In short, the relevant approval procedures relating to this recycling of RMB currently held in China by the Company to U.S. in Hong Kong, and then back to RMB in China for investments in China is time consuming and tedious. Based on past experience, the time required to get the clearance of the taxation bureau and the State Administration of Foreign Exchange for such exchanges has been very lengthy. It is envisaged by the Company that the RMB amount is unlikely to be available shortly for utilization. In the interim, the Company made two US currency investments, the first being for 10% equity in Tianfeng Healthcare Equity Investment Fund, L.P at a cost of US$2 million of which US$1 million has been paid. This fund has a pipeline of deals including a HLA matching and tissue banking company in Shanghai, a minimally invasive, man-made heart valve replacement company in Shanghai, and an allogeneic cornea replacement company in Beijing. The other investment is a stake of less than 1% in NextVR, Inc. for US$1.5 million, a U.S. company developing a proprietary platform to deliver live events such as sports in virtual reality.

To overcome the shortage of readily usable funds, the Company raised funds in December. It completed an open offer on the basis of two new shares for every five shares by issuing 30,703,264 shares at a subscription price of HK$3.95 per share, raising approximately HK$118.87 million for general working capital purposes. This could partially alleviate the tension of the existing funding situation. But the uncertainty of when the funds in Hong Kong can be converted to RMB is hindering the negotiation and conclusion of investment proposals, especially when the foreign exchange control measures of China have been more stringent in recent months. The Company will monitor the RMB funding situation closely to match it appropriately with the investment pipeline.

Management Discussion and Analysis

The Company has placed high priority on the medical service and health care industry which is likely to continue growing explosively in future years as a result of China's demographic changes. The Company will continue to focus on investment opportunities related to the medical, pharmaceutical and health care sectors, which, if invested, will be high quality unlisted enterprises with levels of risk acceptable to the Group. This approach is deemed to be prudent to fulfill our goal of long-term appreciation and preservation of capital value.

Investments

Major Long-term Investments as at 31 December 2016

Name	Nature of business	% of total issued capital	Invested amount	Impairment loss	Carrying value	% of total asset value	Investee's underlying earnings/ (losses)	Attributable net assets to the Group	Dividend received
		%	US$	US$	US$	%	US$	US$	US$
Investment in associates									
First Shanghai Investments Limited	Investment holding	17.45	13,770,330	–	61,398,998	29.47	(7,216,105)	61,035,436	319,230
Shanghai International Medical Centre	Provision of medical services	*19.91	21,963,920	–	13,008,609	6.24	(10,417,265)	13,016,394	–
Goldeneye Interactive Limited	Provision of web portal for online real estate information	21.29	3,850,000	(2,900,776)	308,160	0.15	19,614	304,366	–
Available-for-sale financial assets									
Shandong Lukang Pharmaceutical Co Ltd	Manufacture and sale of pharmaceutical products	4.99	4,373,473	–	40,394,324#	19.39	4,424,580	13,271,172	–
China Pacific Insurance (Group) Co Ltd.	Provision of insurance services and management of insurance funds	0.02	6,072,786	–	5,885,834#	2.83	1,842,010,557	3,516,932	230,753
Red Stone Fund	Investment holding	*6.00	3,627,469	–	3,952,681#	1.90	7,355,937	3,480,388	–
China Alpha Fund	Investment fund	N/A	2,770,449	–	3,299,566#	1.58	(83,099,496)**	3,299,566	–
NextVr Inc.	Capture and broadcast live entertainment	0.17	1,500,000	–	1,500,000#	0.72	(24,120,039)	136,880	–

* *indirect interest*
\# *also represents their fair value*
** *based on annual financial statements ended other than 31 December 2016*

Investments

Major Long-term Investments as at 31 December 2015

Name	Nature of business	% of total issued capital %	Invested amount US$	Impairment loss US$	Carrying value US$	% of total asset value %	Investee's underlying earnings/ (losses) US$	Attributable net assets to the Group US$	Dividend received US$
Investment in associates									
First Shanghai Investments Limited	Investment holding	17.52	13,770,330	—	62,111,415	27.19	17,369,716	71,603,023	478,950
Shanghai International Medical Centre	Provision of medical services	*20.00	18,931,228	—	12,784,007	5.60	(12,087,595)	12,778,803	—
Goldeneye Interactive Limited	Provision of web portal for online real estate information	22.37	3,850,000	(2,900,776)	65,227	0.03	(95,971)	158,444	—
Shanghai Moxing Environmental Science and Technology Co Ltd	Provision of waste oil recycling service	29.86	745,912	(597,243)	—	0.00	(229,958)	22,395	—
Available-for-sale financial assets									
Shandong Lukang Pharmaceutical Co Ltd	Manufacture and sale of pharmaceutical products	7.62	6,681,789	—	90,120,580#	39.46	297,675**	22,134,496##	—
China Pacific Insurance (Group) Co Ltd.	Provision of insurance services and management of insurance funds	0.02	5,427,472	—	6,124,832#	2.68	2,857,459,684	3,235,890	109,522
Red Stone Fund	Investment holding	*6.00	3,627,469	(1,181,813)	2,445,657#	1.07	(291,719)	3,235,890	—
China Alpha Fund	Investment fund	N/A	2,770,449	—	3,496,750#	1.53	112,313,531***	3,496,750	—

* *indirect interest*
\# *also represents their fair value*
** *unaudited figure for the nine months ended 30 September 2015*
\## *unaudited figure as at 30 September 2015*
*** *based on annual financial statements ended other than 31 December 2015*

Investments

Other Major Investments as at 31 December 2016

Name	Nature of business	Number of shares held	% of total issued capital	Cost	Impairment loss	Carrying value	% of total asset value	Investee's underlying earnings/ (losses)	Attributable net assets to the Group	Dividend received
			%	*US$*	*US$*	*US$*	%	*US$*	*US$*	*US$*
Financial assets at fair value through profit and loss										
HSBC Holdings PLC	Provision of international banking and financial services	153,233	0.00	1,446,348	–	1,230,172	0.59	3,446,000,000	1,330,996	78,169
Tencent Holdings Limited	Investment holding	45,000	0.00	701,531	–	1,100,916	0.53	6,215,061,180	118,868	2,726
Industrial and Commercial Bank of China Ltd	Provision of personal and corporate commercial banking services in China	1,709,650	0.00	725,421	–	1,025,261	0.49	41,852,507,198	1,354,559	54,568

Other Major Investments as at 31 December 2015

Name	Nature of business	Number of shares held	% of total issued capital	Cost	Impairment loss	Carrying value=	% of total asset value	Investee's underlying earnings/ (losses)	Attributable net assets to the Group	Dividend received
			%	*US$*	*US$*	*US$*	%	*US$*	*US$*	*US$*
Financial assets at fair value through profit and loss										
Industrial and Commercial Bank of China Ltd	Provision of personal and corporate commercial banking services in China	1,709,650	0.00	725,421	–	1,032,275	0.45	43,994,550,581	1,316,503	64,279
HSBC Holdings PLC	Provision of international banking and financial services	114,833	0.00	1,188,553	–	917,064	0.40	15,096,000,000	1,152,221	57,378
Tencent Holdings Limited	Investment holding	45,000	0.00	701,531	–	885,370	0.39	4,611,095,270	89,959	1,160
China Telecom Corporation Ltd	Provision of fixed line and mobile communications services	1,800,000	0.00	1,285,825	–	845,310	0.37	3,190,761,334	1,032,042	18,941

Investments

Major Long-Term Investments

Investments in associates

First Shanghai Investments Limited ("FSIL")

The Company's major listed associate, First Shanghai Investments Limited, reported a net loss of HK$55.96 million (approx. US$7.22 million) for the year ended 31 December 2016, compared to a net profit of HK$134.66 million (approx. US$17.37 million) for the year ended 31 December 2015. The loss was mainly attributable to recognition of approximately HK$117.90 million accounting loss on disposal of its investment in the Company and decrease in profit from stock brokerage business due to decrease in market turnover. 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 ("the Hospital") in Pudong New Area. The aim was to provide high-end medical services to foreign expatriates and local high-income residents in Shanghai and adjacent regions. 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 31 December 2016, shareholders (excluding employees under incentive scheme) had contributed RMB700 million in equity and RMB 100 million in shareholder advances. Further funding is anticipated to sustain the operation until cash breakeven.

The Company's investment in the Hospital to-date amounts to RMB160 million, of which RMB 140 million is in equity and RMB 20 million is in shareholder advances which will soon be capitalized.

In May, top management was reorganized and strengthened. Mr. Huang Yiran, a top doctor from well-known Renji Hospital, was appointed as Dean. An incentive scheme to attract renowned doctors and for employees is in place. Full time employees subscribed to 2.92 million shares, representing 0.4475% ownership, for an amount of RMB 5.84 million in 2016. The ownership of the Company was diluted to 19.9105%, down from 20% at the end of year.

The SIMC result for the year 2016, adjusted under Hong Kong Financial Reporting Standards, was a loss of RMB69.45 million, of which the Group shared a loss of RMB13.88 million (approx. US$2.08 million).

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. In 2012, in view of the portal's extremely weak viewer traffic and poor operating result, the Group made an impairment loss provision of US$2.90 million. During the year, third party investors injected US$1.2 million for 4.85% equity in Goldeneye, resulting the investment of the Company diluted to 21.29% at the end of year. 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.

In the year, Goldeneye reported a profit of US$0.02 million, of which the Group shared a profit of US$0.008 million.

Investments

Available-for-sale financial assets

Shandong Lukang Pharmaceutical Co Ltd ("Lukang")

Lukang reported a net profit of RMB29.51 million for the year compared with a net profit of RMB7.57 million in 2015. Sales increased 3.95% to RMB 2,505.59 million with gross margin improved from 19.94% to 23.78%. The improvement in the year was also helped by a saving in finance charges amounting to approximately RMB17.03 million. Despite the improvement, the increase in sales was uninspiring. Factors hindering its performance still linger, including a shrinking market demand in veterinary antibiotics and its slow adjustment to the product mix. A major breakthrough in operating performance in 2017 is not anticipated though it is believed the worst is over.

Lukang's share price performance was disappointing in the year, dropping from RMB13.35 at the start of 2016 to RMB9.71 at end of year. In the second half year, under the relaxation of rules relating to share disposal by a substantial shareholder imposed by the China Securities Regulatory Commission, the Company sold a total of approx. 15.32 million shares through the Block Trade Platform of Shanghai Stock Exchange. The sales realized a net profit of approximately US$16.25 million. Based on the closing price at end of year, an unrealized fair value loss of US$29.15 million has been transferred to the investment revaluation reserve.

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 year. As at 31 December 2016, the fair value of China Pacific was stated at US$5.89 million and an unrealized fair value loss of US$0.88 million was debited to the investment revaluation reserve.

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% indirect interest in RS Fund. The Fund has two investments, respectively, of 14.40% in equity in Ganzhou Shirui Tungsten Company Limited (formerly known as Ganxian Shirui New Materials Company Limited), and 8.75% (2015: 12.50%) in equity in Ganzhou Chenguang Rare Earths New Material Company Limited. Both investments have performed unsatisfactorily over the years due to the substantial decline in prices of global mineral resources. Disposal agreements for the two investments were reached in 2015 with their respective controlling shareholders. These are expected to be completed beyond 2017. RS Fund also had an entrusted loan of RMB180 million to 太重煤機有限公司 (Tai Chong Coal Machinery Limited Company, "TCC") with an option to convert to equity in TCC. The loan had been called for repayment in 2014 and was fully settled in the year.

The RS Fund was contracted to dissolve in February 2015 but in light of the delay in completion of disposal of the two existing investments, all RS Fund partners have agreed to extend the dissolution to February 2019. This will enable ample time for the orderly realization of assets.

The Group received RMB10.17 million from RS Fund in the year, for a total of RMB13.26 million, including previous distributions of available excess cash held by RS Fund. These distributions and any future similar distributions will be treated as amounts due to RS Fund and will be set-off against final distribution of RS Fund upon its liquidation.

The fair value of RS Fund was US$3.95 million at end of year, resulting in a valuation surplus of US$1.51 million being credited to the investment revaluation reserve.

China Alpha II Fund ("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.

Tianfeng Healthcare Equity Investment Fund, L.P ("TF Fund")

This is a U.S. dollar fund based in the Cayman Islands and was set up to invest in healthcare related companies in China. The targeted fund size is US$20 million. The Company has committed to invest US$2 million in the limited partnership, of which US$1 million has been paid. The fund has a pipeline of deals, including a HLA matching and tissue banking company in Shanghai, a minimally invasive, man-made heart valve replacement company in Shanghai, and an allogeneic cornea replacement company in Beijing.

The fair value of TF Fund was US$1.00 million at end of year.

NextVR, Inc. ("NextVR")

The Company purchased 296,027 shares of Series B Preferred Stock in NextVR for a consideration of US$1.5 million in August 2016, representing a mere 0.17% of total equity. This investment was part of an US$80 million round led by CITIC Guo An and NetEase. NextVR, based in Newport Beach, CA, USA, developed a proprietary platform to deliver live events, such as sports, in virtual reality. It has partnered with Fox Sports, Live Nation, NBC Sports, HBO/Golden Boy, Turner Sports and CNN to create a wide range of scheduled programs to deliver an immersive watching experience to audiences. NextVR has already been offering virtual reality content, including postgame experiences featuring highlights from 2016 NFL regular season games.

Investments For Which Full Provision Had Been Made

Junhui International Holdings Limited ("Junhui")

In September 2009, the Group entered into a set of secured loan and warrant agreements with Junhui, pursuant to which the Group committed to provide a total of RMB50 million to finance part of the construction cost of a dredging ship for projects in China. Up to August 2010, the Group had, from time to time, advanced sums amounting to a total of RMB43 million to Junhui for interim payments to the shipyard. Around July 2010, Junhui informed the Group that it was exploring the opportunity of a dredging project in Indonesia and intended to move the dredging ship, upon construction completion, to operate there. Having considered the political and commercial factors involved, both the Group and Junhui agreed all principal and interest be prepaid, irrespective of the scheduled repayment dates. Agreement was reached that full repayment had to be made no later than June 2012. Due to its repeated failure to repay the loan, the Group made a full provision on the outstanding loan principal and interest totaling RMB56.45 million (approx. US$8.09 million) in 2012. Over recent years, despite repeated requests and contact, no resolution proposal could be reached with the shipyard. In the year, a PRC lawyer was appointed by the Company to study available legal options, taking into account all relevant factors including the probability of winning a legal case, the value of the vessel, and the possible costs incurred in relation to any litigation.

Biographical Details of Directors

Mr. LO Yuen Yat, aged 71, was a Director from 1991 to 1993 and was re-elected in 1995. He is the chairman of the Company and was appointed as managing director in January 2016. He is a director of various subsidiaries of the Company. He is also the chairman and managing director of First Shanghai Investments Limited which is an associated company of the Company. Previously, Mr. Lo was a senior policy researcher at China's National Research Centre for Science and Technology and Social Development and worked at the PRC State Science and Technology Commission, Ministry of Communications of the People's Republic of China and the PRC Railway Ministry. Mr. Lo graduated from Fudan University in Shanghai and obtained his master's degree from Harvard University.

Mr. CHENG Sai Wai, aged 59, was appointed a director in January 2016. Mr. Cheng has been company secretary of the Company since January 2011. Mr. Cheng is a non-executive director of Shandong Lukang Pharmaceutical Co. Limited, a company listed on the Shanghai Stock Exchange, PRC. He is also employed by First Shanghai Investments Limited to oversee its PRC non-wholly owned subsidiary whose business activity is related to logistics. Mr. Cheng holds a Bachelor of Business Administration degree in Accounting from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has over 30 years extensive experience in auditing, accounting, and financial control, as a company secretary and in private equity investment.

Mr. YEUNG Wai Kin, aged 55, has been a Director since 1997 and is a director of various subsidiaries of the Company. Mr. Yeung is the chief financial officer and a director of First Shanghai Investments Limited. He is also a director of First Shanghai Direct Investments Limited and Golad Resources Limited. He has over 30 years experience in auditing, finance and management positions. Mr. Yeung is a professional member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

Mr. ZHAO Yu Qiao, aged 72, has been a Director since 2000. He has a bachelor's degree from Qinghua University, China, and a diploma in engineering from Rul University, Germany.

Ms. LAO Yuan Yuan, aged 38, was an executive director of the Company from 2005 to 2015 and was redesignated as a non-executive director in January 2016. Ms. Lao is presently a vice-president of business development of Crimson Pharmaceutical (Hong Kong) Limited ("Crimson"), a subsidiary of First Shanghai Investments Limited. Prior to joining Crimson, Ms. Lao worked in the investment banking division at Merrill Lynch & Co in New York City. Ms. Lao graduated magna cum laude from Columbia University, USA, where she studied Engineering Management Systems. Ms. Lao is the daughter of Mr. Lo Yuen Yat.

Mr. FAN Jia Yan, aged 70, has been a Director since 1999. Mr. Fan is an independent non-executive Director of the Company. He is a special adviser of CITIC Bank International Limited. He worked for CITIC Industrial Bank in Beijing for more than 10 years and is well versed in all aspects of China's banking business.

Biographical Details of Directors

Mr. WU Ming Yu, aged 85, has been a Director since 2002. Mr. Wu is an independent non-executive Director of the Company. Mr. Wu is a renowned scientific policy researcher in China and retired in 1994. He is an honorary president of the China Association for Scientific and Economic Research and the China Association for Scientific and Technology Research. He was a director of Creat Group, an independent director of Beijing Shougang Company Limited, and an independent non-executive director of Venturepharm Laboratories Limited. He has been a vice-director of the Development Research Center of the State Council, vice-director of the State Science and Technology Commission and a part-time professor at the University of Science and Technology of China, Zhongqing University and the Beijing Institute of Technology. He has published numerous research papers and was instrumental in formulating China's policy on science and technology.

Dr. David William MAGUIRE, aged 64, has been a Director since July 2008. Dr. Maguire is an independent non-executive Director of the Company. Over a continuing career of more than 40 years in the media sector he has held senior management positions in Shanghai, Hong Kong and Australia, been a university media academic, and served as chairman and director of a number of corporate and NFP entities. He is a Ph.D. (Murdoch University, Perth) and Doctor of Business Administration (Edith Cowan University, Perth), as well as a Master of Business Administration (James Cook University, Cairns) and holder of Masters degrees in regional development (University of Western Australia, Perth) and tourism management (Southern Cross University). He is a graduate of the Australian Institute of Company Directors.

Corporate Governance Report

This Corporate Governance Report contains information for the year ended 31 December 2016. The Company is committed to maintaining a sound standard of corporate governance in protecting the interests of its shareholders based on the principles of integrity, fairness, independence and transparency.

The Company continues to review the effectiveness of its corporate structure in order to assess whether changes are necessary and appropriate to improve its 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 2016, 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"), except for deviation from code provision A.2.1 of the CG Code.

On 1 January 2016, the Company appointed Mr. Lo Yuen Yat ("Mr. Lo"), the Chairman of the Board, as the Managing Director of the Company. This arrangement deviates from Code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules which states the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company believes that vesting the role of both positions in Mr. Lo provides the Company with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Company also considers this structure will not impair the balance of power and authority between the Board and the management given that there is a strong and independent non-executive element on the Board. The Company believes the structure is beneficial to the Company and its business.

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, the Company confirms that its Directors' securities transactions, fully complied with the standard laid down in the said rules during the year ended 31 December 2016.

Board of Directors

The board of Directors (the "Board") is responsible for providing leadership and oversight of the management and operations of the Company. The Board lays down strategies for achieving the business objectives so as to enhance shareholders' value. The Board regularly reviews the Company's corporate governance principles and standards. As disclosed below, the Board maintains a balanced composition of executive and non-executive Directors. There is a strong independent element on the Board which can effectively bring independent judgment to the Company. In addition, the Board has a balance of skills and experience appropriate for the Company. Biographical details of the Directors are set out on pages 16 to 17.

In compliance with rules 3.10 (1) and (2) of the Listing Rules, the Company has three independent non-executive Directors who have appropriate professional qualifications or accounting or related financial management expertise. The Company has received, from each of the independent non-executive Directors a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board considers the existing independent non-executive Directors are independent in accordance with the guidelines set out in rule 3.13 of the Listing Rules. When deemed necessary, any Director, upon reasonable request, may seek independent professional advice at the Company's expense.

Composition

The Board comprised of eight Directors during 2016: two were Executive Directors, three were Non-executive Directors and three were Independent Non-executive Directors. On 1 January 2016, Mr. Cheng Sai Wai was appointed as an Executive Director of the Company and Ms. Lao Yuan Yuan, a Director, was re-designated as a Non-executive Director of the Company.

The members of the Board during the year ended 31 December 2016, and up to the date of this report, are as follows:

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

Except for Ms. Lao Yuan Yuan being the daughter of Mr. Lo Yuen Yat, there is no relationship between Directors of the Company.

The Chairman of the Board is Mr. Lo Yuen Yat who provides leadership and supervision for the Board and oversees the overall business and investment strategy. With the assistance of the company secretary, the Chairman ensured that adequate information, which was complete and reliable, could be received by all Directors in a timely manner and Directors were properly briefed on issues arising at board meetings.

As the Company ceased to employ an investment manager, effective January 2016, the Company appointed Mr. Lo Yuen Yat on 1 January 2016 as Managing Director of the Company to oversee its operations.

All Directors, including Non-executive Directors, shall be appointed for a term of not more than three years renewable and subject to re-election at a general meeting.

The Board held eight board meetings during the year ended 31 December 2016. Notice of at least 14 days was given for a regular board meeting to which all Directors were given an opportunity to attend.

The Directors have been provided in a timely manner with appropriate information in order to enable them to discharge their duties and responsibilities. Directors have participated in regular board meetings either in person or through other means of communication.

The individual attendance of each Director at the eight board meetings for the year ended 31 December 2016 is as follows:

Name of Director	Attendance
Mr. Lo Yuen Yat	8/8
Mr. Cheng Sai Wai	8/8
Mr. Yeung Wai Kin	7/8
Mr. Zhao Yu Qiao	6/8
Ms. Lao Yuan Yuan	8/8
Mr. Fan Jia Yan	8/8
Mr. Wu Ming Yu	6/8
Dr. David William Maguire	8/8

Directors' Professional Development

According to records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirements of the CG Code on continuous professional development during the year:

	Corporate Governance/Updates on laws, rules and regulations	
Name of Director	Read materials	Attend workshops
Mr. Lo Yuen Yat	✓	✓
Mr. Cheng Sai Wai	✓	✓
Mr. Yeung Wai Kin	✓	✓
Mr. Zhao Yu Qiao	✓	✓
Ms. Lao Yuan Yuan	✓	✓
Mr. Fan Jia Yan	✓	✓
Mr. Wu Ming Yu	✓	✓
Dr. David William Maguire	✓	✓

Investment Committee

The Board has established an Investment Committee with power to make investment and/or disinvestment decisions and to approve the valuations of the Company's investments.

During 2016, the Investment Committee comprised of four members: an Executive Director, Mr. Lo Yuen Yat, two Non-executive Directors, Mr. Yeung Wai Kin and Ms. Lao Yuan Yuan, and the chief investment officer of the Company, Mr. Chan Suit Khown. The Chairman of the Investment Committee is Mr. Lo Yuen Yat. The Committee held 4 quarterly meetings in the year to review the performance of investments, and special meetings, when necessary, to discuss and approve potential investment and/or disinvestment.

Remuneration Committee

A Remuneration Committee with specific written terms of reference was established in June 2005. The terms of reference are formulated based on the code provisions of the CG Code. The Remuneration Committee is a committee of the Board. Its primary function is to assist the Board in establishing a coherent remuneration policy which:

(i) reviews and approves management's remuneration proposals with reference to the board's corporate goals and objectives;

(ii) enables the Company to attract, retain and motivate Directors and senior management who create value for shareholders;

(iii) fairly and responsibly rewards Directors and senior management with regard to the performance of the Company, the performance of the Directors and senior management, and the general remuneration environment; and

(iv) complies with the provisions of the Listing Rules and relevant legal requirements.

The Remuneration Committee is granted the authority to review the overall remuneration policy and other remuneration-related matters of the Company within its terms of reference and all employees are directed to cooperate as requested by members of the Remuneration Committee. The Remuneration Committee is provided with sufficient resources to discharge its duties. The Remuneration Committee is authorized by the Board to obtain outside legal or other independent professional advice if considered necessary.

During 2016, the Remuneration Committee comprised of three members: an Executive Director, Mr. Lo Yuen Yat, and two Independent Non-executive Directors, Mr. Fan Jia Yan and Dr. David William Maguire. The Chairman of the Remuneration Committee is Mr. Fan Jia Yan. One meeting was held to discuss the remuneration policies and approve the remuneration packages of individual directors and senior management of the Company.

Audit Committee

The Company established an Audit Committee in December 1998 with written terms of reference which have been subsequently amended as appropriate. The Audit Committee is a committee of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to shareholders and others, the systems of internal controls and risk management which management and the Board have established, and the external audit process.

During 2016, the Audit Committee comprised three members, two of whom are Independent Non-executive Directors, Mr. Fan Jia Yan and Mr. Wu Ming Yu, and the other a Non-Executive Director, Mr. Yeung Wai Kin. Mr. Fan is the chairman of the Audit Committee. Pursuant to rule 3.21 of the Listing Rules, the majority of audit committee members are Independent Non-executive Directors and the committee is chaired by an Independent Non-executive Director. The Audit Committee comprises a minimum of three members, at least one of whom has appropriate professional qualifications.

The Audit Committee held three meetings during the year ended 31 December 2016. The individual attendance of each member at the committee meetings for the year ended 31 December 2016 is as follows:

Name of Director	**Attendance**
Mr. Fan Jia Yan	3/3
Mr. Wu Ming Yu	3/3
Mr. Yeung Wai Kin	3/3

During the year, the Audit Committee reviewed the annual and interim consolidated financial statements, met with the Company's external auditor during each committee meeting, and reviewed the report of the Company's independent advisor. The Audit Committee has also reviewed the internal controls and risk management systems. It considers these controls and systems to be effective and that the Group has applied the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

Nomination Committee

A Nomination Committee with specific written terms of reference was established on 15 March 2012. The terms of reference are formulated based on the code provisions of the CG Code. The Nomination Committee is a committee of the Board. It performs the following duties:

(i) reviews the structure, size and composition (including the skills, knowledge and experience) of the board at least annually, and makes recommendations on any proposed changes to the board to complement the Company's corporate strategy;

(ii) identifies individuals suitably qualified to become board members and selects or makes recommendations to the board on the selection of individuals nominated for Directorships;

(iii) assesses the independence of Independent Non-executive Directors; and

(iv) makes recommendations to the board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Nomination Committee is comprised of three members, one of whom is an Executive Director, Mr. Lo Yuen Yat, and two are Independent Non-executive Directors, Mr. Fan Jia Yan and Mr. Wu Ming Yu. The Nomination Committee is chaired by Mr. Lo Yuen Yat.

Board Diversity Policy

The Company's board diversity policy sets out the objectives and principles regarding board diversity for the benefits of achieving its strategic objectives. These objectives are to ensure that a balanced diversity of both skills and experience and of perspective is maintained. Board appointments will be based on merit and candidates will be considered against measurable objectives, taking into account the Company's business and needs. Selection of candidates will be based on a range of diversity criteria, including, but not limited to, gender, age, cultural and educational background, knowledge, professional experience and skills. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board. The Directors will consider and review the diversity of the Board and to set up, if appropriate, measurable objectives according to the Company's own business model and specific needs.

Auditor's Remuneration

The following is a schedule setting out remuneration in respect of audit and non-audit services provided by external auditor, PricewaterhouseCoopers, to the Company and the Group during the year ended 31 December 2016.

	US$
Annual audit fee	143,429
Non-audit fee	63,356
	206,785

Risk Management and Internal Controls

The Group is committed to set up and maintain effective risk management and internal control systems which are devised to provide reasonable, but not absolute, assurance against material mis-statement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems.

The Board is responsible for maintaining sound and effective risk management and internal control systems, particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Company's assets.

During 2016, the outsourced internal auditor responsible for review and appraisal of the effectiveness of the Group's financial, operational and compliance controls and risk management provided reports to the Audit Committee and the management. These highlighted observations and recommendations to improve risk management and internal control systems. The management agreed on the findings and adopted the recommendations accordingly.

The Audit Committee considered that there was no material defect in the Company's internal control review report.

The Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems during the year, including financial, operational, compliance and risk management. The Board, upon confirmation from the management of such overall effectiveness, is of the view that the existing risk management and internal control systems are effective and adequate for the Group.

Directors' Responsibility for Preparing the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company and the Group. They confirm that, to the best of their knowledge and having made all reasonable inquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditor of the Company, PricewaterhouseCoopers, in connection with their reporting responsibility on the consolidated financial statements of the Company and its subsidiaries, is set out in the Independent Auditor's Report on pages 36 to 40.

Company Secretary

Mr. Cheng Sai Wai was appointed as Company Secretary of the Company. Following specific enquiry by the Company, he has complied with the requirements as stipulated in Rule 3.29 of the Listing Rules.

Communication with Shareholders

The Company endeavors to maintain an on-going dialogue with shareholders, in particular through annual general meetings or other general meetings to communicate with them and encourage their participation. The Chairman and members of the Board make themselves available to answer questions about the Group's business.

The Group values feedback from shareholders in its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2016.

Principal Activities

The principal activity of the Company is investment holding. The main activities and other relevant details of its subsidiaries and associates are set out in Notes 13 and 14 to the consolidated financial statements respectively. Further discussion and analysis of these activities as required by Schedule 5 of the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 7 to 9 of this annual report. This discussion forms part of this directors' report.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 6 to the consolidated financial statements. The Company, being an investment holding company, has no supplier or customer.

All the subsidiaries are either investment holding companies or dormant companies and have no supplier or customer.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 41. The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

Business Review

Further discussion and analysis of the Group's business as required by Schedule 5 to the Hong Kong Companies Ordinance, including (a) a fair review of the Group's business; (b) a description of the principal risks and uncertainties facing the Group; (c) particulars of important events affecting the Group that have occurred since the end of the financial year; and (d) an indication of likely future development in the Group's business, please refer to "Management Discussion and Analysis" and "Environmental, Social and Governance Report" sections of this Annual Report. The above sections form part of this report.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 21 and 27(a) to the consolidated financial statements.

Shares Issued in the Year

In December 2016, the Company completed an open offer on the basis of two new shares for every five shares by issuing 30,703,264 shares at a subscription price of HK$3.95 per share, raising approximately HK$118.87 million (after expenses) for general working capital purposes.

Mr. Lo Yuen Yat ("Mr. Lo") was the underwriter of the open offer. As Mr. Lo was a connected person of the Company, the underwriting of the open offer constituted a connected transaction for the Company under the Listing Rules but was fully exempt under Rules 7.26A and 14A.92 of the Listing Rules. The payment of the underwriting commission by the Company to Mr. Lo also constituted a connected transaction of the Company. The total amount of underwriting commission paid by the Company was within the de minimis threshold for connected transactions under Chapter 14A of the Listing Rules, the payment of commission to Mr. Lo was exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Report of the Directors

Share Capital

Details of the Company's share capital are set out in Note 20 to the consolidated financial statements.

Distributable Reserve

Distributable reserve of the Company at 31 December 2016, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap.622), amounted to US$26.08 million (2015: US$11.21 million).

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 92 of this annual report.

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.

Directors

(a) Directors of the Company

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

Mr. Lo Yuen Yat, Chairman
Mr. Cheng Sai Wai (appointed on 1 January 2016)
Mr. Yeung Wai Kin
Mr. Zhao Yu Qiao
Ms. Lao Yuan Yuan (re-designated on 1 January 2016)
* Mr. Fan Jia Yan
* Mr. Wu Ming Yu
* Dr. David William Maguire

Non-executive Directors
* *Independent Non-executive Directors*

In accordance with Articles 87B, 90 and 98 of the Company's Articles of Association, Mr. Lo Yuen Yat, Yeung Wai Kin and Mr. Fan Jia Yan will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. Lo Yuen Yat, Mr. Cheng Sai Wai, Mr. Yeung Wai Kin were also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Ms. Li Yanping and Ms. Hao Yaxin.

Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

The Company has arranged insurance for its directors to cover their liabilities in respect of legal actions against them arising from corporate activities. The permitted indemnity provision is in force for the benefit of the directors as required by section 470 of the Hong Kong Companies Ordinance (Cap. 622) when the Report of the Directors is approved in accordance with section 391(1)(a) of the Hong Kong Companies Ordinance (Cap. 622).

Emoluments of Directors

Details of the emoluments of the Directors are set out in Note 28 to the financial statements.

The emoluments payable to the Directors are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and the prevailing market rates.

Biographical Details of Directors

Brief biographical details of Directors are set out on pages 16 and 17.

Share Options

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 was entitled at any time within ten years, commencing on 19 May 2004, to make an offer at its absolute discretion for the granting of a share option to any director, employee or consultant of the Group or Manager of the Company's affairs or any adviser whose service to the Group may contribute to the business and operations of the Group. The exercise price of options was the highest of the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. As the Old Scheme expired on 19 May 2014, no further share options can be granted.

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").

The New Scheme will be in force for a period of ten years commencing from 26 May 2014, being the date of the adoption of the Scheme by the Company. The Directors may, at their discretion, make an offer to subscribe for Shares in the Company to: 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; and any adviser whose service to the Group contributes, or is expected to contribute, to the business or operations of the Group, as may be determined by the Directors from time to time. Options may be granted without any initial payment for the options at an exercise price equal to the highest of (i) the closing price per share on the Stock Exchange of Hong Kong Limited on the date of the grant of the option and (ii) the average closing price per Share on the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of the grant of the option.

Other major terms of the Old Scheme and the New Scheme (collectively the "Schemes"), in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

(1) The maximum number of shares which may be issued upon exercise of all options to be granted under the Schemes, and any other share option scheme(s) of the Company, must not in aggregate exceed 10% of the shares of the Company in issue on the respective dates of approval of each of the Schemes. The 10% limit may be refreshed by approval through ordinary resolution of the shareholders. Following the termination of the Old Scheme, no further share options can be granted under the Old Scheme.

(2) The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted, and yet to be exercised under the Schemes, and any other schemes of the Company, must not exceed 30% of the shares of the Company in issue from time to time.

(3) The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Schemes in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.

(4) The exercise period of any share option granted under the Schemes shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

(5) The Schemes do not specify any minimum holding period. However the Board has authority to determine the minimum period for which a share option in respect of some, or all, of the shares forming the subject of the share options must be held before it can be exercised.

(6) There is no outstanding number of shares in respect of which options have been granted under the Schemes of the issued share capital of the Company as at the date of this report.

No share options under the New Scheme have been granted.

Details of share options granted under the Old Scheme and that remained outstanding as at 31 December 2016 are as follows:

	Options held at 1 January 2016	Options lapsed during the year	Options exercised during the year	Options held at 31 December 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	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 the 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, options not exercised before 24 October 2016 lapsed accordingly.

Directors' and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or Any Other Associated Corporation

At 31 December 2016, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or the Company had been notified were as follows:

	Number of shares held			% of
Name of Director	Personal interests	Corporate interests	Total	the issued share capital
Lo Yuen Yat	315,000	57,806,397 *(Note 1)*	58,121,397	54.09%
Yeung Wai Kin	146,416	—	146,416	0.14%

Note 1: Mr. Lo Yuen Yat was deemed to be interested in 57,806,397 shares in the Company held by New Synergies Investments Company Limited ("New Synergies"). As at 31 December 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 57,806,397 shares in the Company by virtue of Part XV of the SFO.

Saved as disclosed above, at no time during the year had the Company, its subsidiaries, its associates, its fellow subsidiaries, its holding company or its other associated corporations been a party to any arrangement to enable the Directors and/or chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

Apart from the above, as at 31 December 2016, none of the Directors or the chief executive of the Company had, or was deemed to have, any interests or 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).

Management Contracts

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

Substantial Shareholders' Interests and/or Short Positions in the Shares, Underlying Shares of the Company

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that or the Company had been notified of, as at 31 December 2016, the following substantial shareholders' interests and short positions 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	58,121,397	54.09%
New Synergies Investment Company Limited *(Note 1)*	Corporate	Beneficial Owner	57,806,397	53.79%
Chen Dayou *(Note 2)*	Personal	Interest of Controlled Corporation	11,305,000	10.52%
Team Assets Group Limited *(Note 2)*	Corporate	Beneficial Owner	11,305,000	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.

Save as disclosed above, no other shareholders 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 as recorded in the register maintained by the Company. All interests described above represent a long position in the shares of the Company and no short positions, deemed interests or derivative interests were recorded in the register maintained by the Company as at 31 December 2016.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at the date of this report.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Lo Yuen Yat
Chairman

Hong Kong, 24 March 2017

Environment, Social and Governance Report

The board of directors (the "Board") of China Assets (Holdings) Limited (the "Company") recognises the importance of a strong environmental, social and governance (the "ESG") performance in meeting the changing expectations of stakeholders and enhancing the performance of the Company and its subsidiaries (the "Group"). The Board has taken overall responsibility for the Company's ESG strategy and reporting and has a strong commitment to environmental protection. Its mission is to promote an environmental awareness culture among staff to maintain a sustainable development direction for the Company.

To strengthen its ESG disclosure responsibilities, the Company has taken initiatives to formulate policies, measure relevant data, monitor progress and report to investors and other stakeholders on its work in the ESG area, according to the existing ESG Guide (Appendix 27 to Main Board Listing Rules) of the Stock Exchange of Hong Kong Limited (the "HKEx") and the other related Rules.

This ESG Report describes progress made by the Company in its environmental journey during 2016. The reporting scope covers the Head Office located in Hong Kong.

A. Environmental Subject Area

Aspect A1: Emissions

As the Company operates in the investment field, its emissions, such as air pollutants arising from the fuel usage of company cars and air travel, are insignificant compared to companies in other industries (e.g. manufacturing, mining). Non-hazardous wastes (commercial wastes and the disposal of computer devices and office equipment) produced by the Company are also at a minimum.

During 2016 (the "Year"), indirect emissions from the Hong Kong Head Office were mainly generated by the consumption of purchased electricity. The Company has been persistent in conducting business in an environmentally responsible manner and has taken measures to reduce its possible impact on the environment, i.e., through travel and in consumption of water, energy and paper products.

Aspect A2: Use of Resources

The Company has always placed great emphasis on energy and resources conservation. To achieve this, it continually applies an efficient consumption strategy to improve energy savings and reduce energy consumption.

Resources used in the Hong Kong Head Office are mainly printing paper, electricity, water, fuel for the Company car and indirect fuel for air travel. A company car is maintained and the related fuel consumed is insignificant. Staff is encouraged to use video/telephone conferencing systems to reduce business travel in order to avoid indirect air emissions. The Company uses a large amount of paper for printing annual reports each year, but the number of copies produced is monitored and kept to a minimum level to avoid wastage.

The Company has implemented energy and water savings practices, resulting in low consumption levels. Water-efficient sensor taps are installed to avoid unnecessary water wastage. The workplace temperature has been maintained at a comfortable level to encourage energy conservation and to reduce emissions. The Company has made reference to the relevant standard recommended by the Electrical & Mechanical Services Department ("EMSD") of the Hong Kong Government, i.e. setting air-conditioning temperatures at 25.5°C during the summer.

Aspect A3: Environment and Natural Resources

The Company's principal investment objective is to achieve long-term capital appreciation of assets through investments primarily in equity and equity-related investments in companies operating in China. These operations are not expected to create much adverse impact on the environment and therefore will not consume significant natural resources.

Our employees are fully aware of the importance of the need for the Company's operations to minimize impact on the environment and natural resources. However, as its activities do not directly involve the use of natural resources, there is comparatively little impact on the environment and natural resources.

While there are currently some energy-saving guidelines in the Company's Office Policy, it is generally believed that further policies on the efficient use of resources will help to reinforce staff awareness of the importance of protecting the environment.

B. Social Subject Area

Aspect B1: Employment

The Company values its employees and is committed to providing a fair and equitable workplace environment for all.

The Employee Handbook deals with recruitment, employee movement, salary adjustments and promotions, termination of employment, and equal opportunity (non-discrimination against gender, marital status, disability, age, race, family status, sexual orientation, nationality and religion).

In the Year, there was no non-compliance or breach of legislation related to applicable employment laws and regulations.

Aspect B2: Health and Safety

The Company is committed to providing and maintaining a safe and healthy environment for all employees. We aim to:

- Raise further awareness and ensure health and safety standards are given prime consideration;
- Ensure employees at every level are committed to, and accountable for, the delivery of safety initiatives with a view to maintaining a vigorous and injury-free culture;
- Provide employees with appropriate induction and external/internal training;
- Encourage employees to engage actively and improve safety measures; and
- Conduct regular reviews of the Health and Safety Policy so that it reflects changes in the activities of the Company.

There have been no recorded work-related injuries or fatalities in the Year.

Aspect B3: Development and Training

The Company places importance on the continuing development of professional knowledge and skills, and provision of relevant training to employees.

It has established policies for staff development and training and there are related courses/opportunities available to various levels of employees, including directors.

Employees have attended development programs that help achieve continuous improvement of the Company's environmental performance. We endeavor to strengthen environmental awareness amongst our employees, and to upgrade work areas to become a greener environment through the following initiatives:

- Coordinate and participate in environment-related programs and activities (e.g. educational talks and training, recycling activities, stakeholder engagement programs);

- Investigate and explore opportunities to enhance the energy efficiency of electrical appliances (e.g. air-conditioning, lighting, electrical installations, office equipment) in working areas where possible;

- Provide and promote green facilities like waste separation bins and used battery collection bins;

- Establish a "Green Procurement Practice Guide" to provide employees with updated information on how to be more environmentally considerate during the procurement process; and

- Encourage employees to foster a low-carbon and sustainable working environment in the office.

Aspect B4: Labour Standards

The Company complies with all applicable labour laws and regulations on employment in Hong Kong and the countries in which the Company or its subsidiaries operate.

The Company considers child and forced labour is unacceptable and has to be prevented. It respects human rights and treats this factor seriously when making investments. The Company has not invested, to its reasonable knowledge, in any company which has historical records of utilizing child or forced labour.

The Company believes it is important to recruit employees of high quality; a very comprehensive screening has been part of the recruitment processes.

Employee work schedules are set up consistent with standard working hours adopted within the industry. All employees are provided with appropriate leave entitlements, including annual leave, sick leave, marriage leave, maternity leave, examination leave and compassionate leave etc.

Aspect B5: Supply Chain Management

The Company has maintained good practice in its selection and evaluation of suppliers and their engagements.

As the Company operates in the investment field, it mainly purchases office equipment and office supplies through approved suppliers according to the quality of goods and services they provide.

Aspect B6: Product Responsibility

The Company invests in companies operating in diversified industries. It will take into account environmental, public health, safety, and social issues associated with target companies when evaluating its investment decisions.

All staff members are reminded of the importance of keeping confidential any aspects of the Company's business and the need to comply with the "Code of Confidentiality" whose details are laid down in the Staff Manual.

Aspect B7: Anti-corruption

The Company is committed to adhering to the highest ethical standards and maintaining a corporate culture of integrity and justice for preventing, detecting and reporting all types of fraud, including corruption.

The Company adopts strict policies that prohibit bribery and other improper payments to public officials consistent with the Prevention of Corruption Ordinance of Hong Kong and similar laws in other countries in which the Company invests.

All staff members are warned against dealing in the Company's securities when he/she is in possession of material, non-public or "inside" information about the Company.

All staff members are required to comply with provisions laid down in the Staff Manual in relation to "Conflict of Interest/Outside Employment".

Whistle-blowing procedures, including mail boxes for staff to report any misconduct or dishonest activities, such as suspected corruption, fraud and other forms of criminality etc., are in place.

The Staff Manual stipulates that any action taken by staff that demonstrates dishonesty, fraud or other forms of misconduct, or is considered detrimental to the general interests of the Company, will result in summary dismissal of the employee and possible further legal action by the Company.

There was no legal case regarding corrupt practices nor any case of corruption found or reported by the Company in 2016.

Aspect B8: Community Investment

The Company encourages employees to contribute their time and efforts to participate in various local community activities and events.

The Company aims to establish a Corporate Social Responsibility (CSR) team, supported by top management, in order to:

- Consider and suggest CSR projects to management and staff;
- Encourage staff engagement; and
- Coordinate and organise CSR activities, and provide guidance as appropriate.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA ASSETS (HOLDINGS) LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Assets (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 41 to 91, which comprise:

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

Our opinion

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

Basis for Opinion

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

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

Independence

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

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Key Audit Matters

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

The key audit matter identified in our audit relates to the valuation of an unlisted available-for-sale financial asset.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of an unlisted available-for-sale financial asset Refer to Notes 3(c), 4(a) and 15 to the consolidated financial statements. As at 31 December 2016, the Group held interest in an unlisted investment fund with carrying amount of approximately US$3.95 million. This investment is recognised as an available-for-sale financial asset and has been stated at its fair value, classified under level three in the fair value hierarchy. The Group engaged an external professional valuer in determining the fair value of this unlisted available-for-sale financial asset. The valuation methodologies and assumptions used, which are based mainly on unobservable inputs, are disclosed in Note 3(c) to the consolidated financial statements. We focused on this area because the determination of the fair value of this investment based on unobservable inputs involved significant judgements and estimates.	• We assessed the competency, objectivity and independence of the external professional valuer used by management. • We read the valuation report, discussed with the external professional valuer its scope, and assessed the appropriateness of the valuation methodologies used in determining the fair value of the unlisted available-for-sale financial asset based on our industry knowledge and market practices. • We assessed the reasonableness of the key assumptions used by the external professional valuer by comparing these assumptions against relevant market data and industry research. • We inquired of and assessed the reasonableness of management's rationale leading to any change in assumptions over time based on our industry knowledge, market practices and development of market conditions. • We tested the arithmetical accuracy on the calculation of the fair value of the unlisted available-for-sale financial asset in the valuation report. • We also involved our internal valuation specialist to assist us in assessing the methodologies and certain key assumptions used in determining the fair value. Based on the procedures performed, we found the assumptions used in the valuation are supportable by available evidence.

Other Information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mak Tze Leung, William.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	**2016** **US$**	2015 US$
Income	6	**846,867**	810,309
Other gains — net	7	**15,703,807**	16,585,512
Administrative expenses	8	**(4,265,746)**	(5,797,750)
Operating profit		**12,284,928**	11,598,071
Share of results of associates		**79,392**	74,756
Provision for impairment loss of an associate		**—**	(597,243)
Profit before income tax		**12,364,320**	11,075,584
Income tax credit	10	**—**	40,370
Profit for the year attributable to equity holders of the Company		**12,364,320**	11,115,954
Earnings per share attributable to the equity holders of the Company during the year	12		
— Basic		**0.158**	0.145
— Diluted		**0.158**	0.145

The notes on pages 47 to 91 are an integral part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2016

	2016 US$	2015 US$
Profit for the year	**12,364,320**	11,115,954
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	**(2,380,937)**	(6,536,011)
Release of post-acquisition reserve upon deemed disposal of an associate	**(36,162)**	(115,712)
Release of exchange translation reserve upon disposal of an associate	**(4,528)**	—
Exchange differences arising on translation of subsidiaries and associates	**(1,180,091)**	(1,042,416)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**(15,619,240)**	(13,309,997)
Fair value (losses)/gains of available-for-sale financial assets	**(28,729,292)**	38,095,055
Other comprehensive (loss)/income for the year, net of tax	**(47,950,250)**	17,090,919
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	**(35,585,930)**	28,206,873

The notes on pages 47 to 91 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016 US$	2015 US$
ASSETS			
Non-current assets			
Interests in associates	14	**77,582,945**	78,005,948
Available-for-sale financial assets	15	**56,033,646**	102,190,222
Total non-current assets		**133,616,591**	180,196,170
Current assets			
Loan receivable	16	**—**	—
Other receivables, prepayments and deposits	17	**224,245**	367,068
Amount due from a related company	26(c)	**3,558**	—
Financial assets at fair value through profit or loss	18	**6,168,912**	5,055,595
Tax recoverable		**51,937**	—
Cash and cash equivalents	19	**68,252,321**	42,784,510
Total current assets		**74,700,973**	48,207,173
Total assets		**208,317,564**	228,403,343
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**92,109,301**	76,783,698
Reserves	21	**112,464,803**	148,050,733
Total equity		**204,574,104**	224,834,431
LIABILITIES			
Current liabilities			
Other payables and accrued expenses	23	**3,376,708**	764,505
Amounts due to related companies	26(c)	**349,989**	2,787,644
Current income tax liabilities		**16,763**	16,763
Total current liabilities		**3,743,460**	3,568,912
Total liabilities		**3,743,460**	3,568,912
Total equity and liabilities		**208,317,564**	228,403,343

The notes on pages 47 to 91 are an integral part of these consolidated financial statements.

The financial statements on pages 41 to 91 were approved by the Board of Directors on 24 March 2017 and were signed on its behalf.

Lo Yuen Yat
Director

Cheng Sai Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital US$	Capital reserve US$	Exchange translation reserve US$	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 income							
Profit for the year attributable to equity holders of the Company	–	–	–	–	–	12,364,320	12,364,320
Other comprehensive loss							
Share of post-acquisition reserves of associates	–	(2,380,937)	–	–	–	–	(2,380,937)
Release of post-acquisition reserve upon deemed disposal of an associate	–	(36,162)	–	–	–	–	(36,162)
Release of exchange translation reserve upon disposal of an associate	–	–	(4,528)	–	–	–	(4,528)
Exchange differences arising on translation of subsidiaries and associates	–	–	(1,180,091)	–	–	–	(1,180,091)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	–	–	–	–	(15,619,240)	–	(15,619,240)
Fair value losses of available-for-sale financial assets	–	–	–	–	(28,729,292)	–	(28,729,292)
Total other comprehensive loss for the year, net of tax	–	(2,417,099)	(1,184,619)	–	(44,348,532)	–	(47,950,250)
Total comprehensive loss for the year ended 31 December 2016	–	(2,417,099)	(1,184,619)	–	(44,348,532)	12,364,320	(35,585,930)
Issuance of new shares *(Note 20)*	15,325,603	–	–	–	–	–	15,325,603
Transfer of reserve upon lapse of share options	–	–	–	(1,506,549)	–	1,506,549	–
Balance as at 31 December 2016	92,109,301	6,560,893	558,083	–	32,848,836	72,496,991	204,574,104

The notes on pages 47 to 91 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital US$	Capital reserve US$	Exchange translation reserve US$	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 year attributable to equity holders of the Company	–	–	–	–	–	11,115,954	11,115,954
Other comprehensive income/(loss)							
Share of post-acquisition reserves of associates	–	(6,536,011)	–	–	–	–	(6,536,011)
Release of post-acquisition reserve upon deemed disposal of an associate	–	(115,712)	–	–	–	–	(115,712)
Exchange differences arising on translation of subsidiaries and associates	–	–	(1,042,416)	–	–	–	(1,042,416)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	–	–	–	–	(13,309,997)	–	(13,309,997)
Fair value gains of available-for-sale financial assets	–	–	–	–	38,095,055	–	38,095,055
Total other comprehensive income for the year, net of tax	–	(6,651,723)	(1,042,416)	–	24,785,058	–	17,090,919
Total comprehensive income for the year ended 31 December 2015	–	(6,651,723)	(1,042,416)	–	24,785,058	11,115,954	28,206,873
Balance as at 31 December 2015	76,783,698	8,977,992	1,742,702	1,506,549	77,197,368	58,626,122	224,834,431

The notes on pages 47 to 91 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 US$	2015 US$
		Year ended 31 December	
Cash flows from operating activities			
Cash used in operations	*24*	**(6,435,087)**	(5,369,791)
Hong Kong profits tax (paid)/refunded		**(51,914)**	110,623
Overseas profits tax paid		**—**	(969,880)
Net cash used in operating activities		**(6,487,001)**	(6,229,048)
Cash flows from investing activities			
Capital contribution to an associate		**—**	(7,920,667)
Loan repayment received from an associate		**—**	4,752,400
Loan advanced to an associate		**(2,995,402)**	(3,168,267)
Interest received		**417,382**	526,992
Dividend received from listed investments		**429,485**	283,317
Dividend received from an associate		**319,230**	478,950
Uplift of time deposits with initial terms of over three months		**—**	4,144,215
Purchase of available-for-sale financial assets		**(3,145,314)**	—
Purchase of financial assets at fair value through profit or loss		**(767,507)**	(517,004)
Net proceed from disposal of an associate		**909,240**	—
Net proceed from disposal of an available-for-sale financial asset		**21,655,343**	18,762,749
Net proceed from disposal of financial asset at fair value through profit or loss		**—**	5,722,664
Net cash generated from investing activities		**16,822,457**	23,065,349
Cash flows from financing activities			
Net proceed from issuance of new shares		**15,325,603**	—
Net cash generated from financing activities		**15,325,603**	—
Net increase in cash and cash equivalents		**25,661,059**	16,836,301
Cash and cash equivalents at beginning of year		**42,784,510**	26,225,412
Exchange losses on cash and cash equivalents		**(193,248)**	(277,203)
Cash and cash equivalents at end of year	*19*	**68,252,321**	42,784,510

The notes on pages 47 to 91 are an integral part of these consolidated financial statements.

1. General information

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in investment holdings 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 is listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in United States dollars ("US$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 24 March 2017.

2. Summary of significant accounting policies

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

(a) 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") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

Effect of adopting new standard and amendments to existing accounting standards

The following new standard and amendments to existing accounting standards are mandatory to the Group for the financial year beginning on or after 1 January 2016 but they did not result in any significant impact on the results and financial position of the Group.

HKAS 1 (amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (amendments)	Agriculture: bearer plants
HKAS 27 (2011) (amendments)	Equity method in separate financial statement
HKAS 28 (2011), HKFRS 10 and HKFRS 12 (amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (amendments)	Acquisition of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements project	Improvements to HKASs and HKFRSs 2012-2014 cycle

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

Changes in accounting policy and disclosures *(Continued)*

New standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 7 (amendments)	Statement of cash flows	1 January 2017
HKAS 12 (amendments)	Income taxes	1 January 2017
HKFRS 2 (amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture	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.

(b) Subsidiaries

(i) Consolidation

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

(a) Business combinations

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

2. Summary of significant accounting policies *(Continued)*

(b) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

(a) Business combinations *(Continued)*

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

Acquisition related costs are expensed as incurred.

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

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

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

(b) Disposal of subsidiaries

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

2. Summary of significant accounting policies *(Continued)*

(b) Subsidiaries *(Continued)*

(ii) Separate financial statements

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

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

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated income statement.

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

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2. Summary of significant accounting policies *(Continued)*

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Changes in the fair value of monetary debt securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

2. Summary of significant accounting policies *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

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

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

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life or not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial assets

Classification

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

2. Summary of significant accounting policies *(Continued)*

(g) Financial assets *(Continued)*

Classification *(Continued)*

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'loan receivable', 'other receivables, prepayments and deposits' and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2(i) and 2(j)).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

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

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2. Summary of significant accounting policies *(Continued)*

(g) Financial assets *(Continued)*

Recognition and measurement *(Continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in investment revaluation reserve are included in the consolidated income statement as 'other gains - net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(h) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

For loans and other receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. Summary of significant accounting policies *(Continued)*

(h) Impairment of financial assets *(Continued)*

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Impairment testing of loans and other receivables is described in Note 2(h)(i).

(i) Loan receivable and other receivables

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

Loan receivable and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(j) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(k) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Other payables

Other payables are recognised initially at fair value and subsequent measured at amortised cost using the effective interest method.

(m) Current and deferred income tax

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

2. Summary of significant accounting policies *(Continued)*

(m) Current and deferred income tax *(Continued)*

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(iii) Offsetting

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

2. Summary of significant accounting policies *(Continued)*

(n) Provisions

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

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

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

(o) Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expenses when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2. Summary of significant accounting policies *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Share-based compensation *(Continued)*

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(p) Income recognition

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised using the effective interest method. When loans and other receivables are impaired, the Group reduces the carrying amounts to their recoverable amounts, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and other receivables are recognised using the original effective interest rate.

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(r) Operating leases (as the lessee for operating lease)

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

3. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(1) Foreign exchange risk

The Group operates mainly in Hong Kong and the Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollars ("HK$") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy.

In respect of the Group's monetary assets and liabilities denominated in HK$, as HK$ is pegged to US$, the exposure to fluctuations in exchange rate of HK$ is considered to be insignificant.

Majority of other Group's monetary assets and liabilities are denominated in the respective entities' functional currencies, which is either US$ or RMB. Based on a sensitivity analysis performed by management, as at 31 December 2016, if the RMB appreciated/depreciated by 5%, with all other variables held constant, post-tax profit for the year would have been US$2,193,000 (2015: US$1,703,000) higher/lower. Equity would have been US$2,112,000 (2015: US$4,408,000) higher/lower.

(2) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

If the securities price of the respective investments held by the Group as available-for-sale financial assets and financial assets at fair value through profit or loss were higher or lower by 15% as at 31 December 2016 (2015: 15%), the Group's investment revaluation reserve would increase or decrease by approximately US$8,405,000 (2015: US$14,962,000) and 'other gains - net' in the consolidated income statement for the year ended 31 December 2016 would increase or decrease by US$925,000 (2015: US$1,125,000) respectively.

3. Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(3) Cash flow and fair value interest rate risk

The Group's significant interest-bearing assets are cash at bank and bank deposits, where the interest rate is low in the current environment. These bank balances and deposits carry interest at floating interest rates and expose the Group on cash flow interest rate risk. Assuming the balance as 31 December 2016 was the amount for the whole year, if the interest rate was 20 (2015: 20) basis points higher or lower and all other variables were held constant, the Group's profit or loss would increase or decrease by approximately US$97,000 (2015: US$79,000).

(ii) Credit risk

The Group is exposed to credit risk mainly in relation to its loans and other receivables and deposits with banks. The carrying amounts of loans receivable, other receivables and deposits, short-term bank deposits and cash at banks included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2016, the Group had no significant concentrations of credit risk. It has policies in place to ensure that loans were made to borrowers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any borrower. Adequate provision for unrecoverable loans and other receivables has been made in the relevant accounting period after considering the Group's experience in collection of loans and other receivables.

As at 31 December 2015 and 2016, all the bank deposits are placed with major banks in Hong Kong and the Mainland China. The credit quality of the financial institutions has been assessed by reference to external credit ratings or historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash and marketable securities.

As at 31 December 2015 and 2016, all the Group's financial liabilities are repayable within one year.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust its dividend policy, return capital to shareholders, issue new shares or sell assets to reduce debt.

3. Financial risk management *(Continued)*

(b) Capital risk management *(Continued)*

Capital of the Group for capital management purpose includes share capital, retained earnings, other reserves and subordinated liabilities. Capital is allocated to various business activities of the Group depending on the risk taken by each business, taking into account current and future activities within a time frame.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

As at 31 December 2015 and 2016, the Group had no bank borrowings and, accordingly, the gearing ratios for both years are Nil.

(c) Fair value estimation

The table below analyses 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).

— 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 31 December 2016.

	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	Total *US$*
Financial assets at fair value through profit or loss				
— listed equity securities	6,168,912	—	—	6,168,912
Available-for-sale financial assets				
— listed equity securities	46,281,399	—	—	46,281,399
— unlisted equity security	—	—	1,500,000	1,500,000
— unlisted investment funds	—	3,299,566	4,952,681	8,252,247
	52,450,311	3,299,566	6,452,681	62,202,558

3. Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

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

	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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily securities listed on the Stock Exchanges of Hong Kong and Shanghai.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments; and

— Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3. Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

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

	Unlisted Investment funds	**Unlisted equity security**	**Total**
	US$	***US$***	***US$***
Opening balance	**2,445,657**	**—**	**2,445,657**
Additions during the year	**1,000,000**	**1,500,000**	**2,500,000**
Fair value change transfer to other comprehensive income	**1,507,024**	**—**	**1,507,024**
Closing balance	**4,952,681**	**1,500,000**	**6,452,681**

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

	Unlisted Investment fund	Unlisted equity security	Total
	US$	*US$*	*US$*
Opening balance	3,136,045	1,749,762	4,885,807
Disposal during the year	—	(1,749,762)	(1,749,762)
Provision for impairment loss recognised in the consolidated income statement	(690,388)	—	(690,388)
Closing balance	2,445,657	—	2,445,657

3. Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 US$	2015 US$	Valuation technique and unobservable input
Unlisted investment funds			
— Red Stone Fund	**3,952,681**	2,445,657	Note (i)
— Tianfeng Fund	**1,000,000**	N/A	Note (ii)
Unlisted equity security	**1,500,000**	N/A	Note (iii)
	6,452,681	2,445,657	

Notes:

(i) The fair value is determined based on net assets value of the fund after adjusting the carrying amounts of the underlying investments of the fund to their fair values, primarily using market comparable companies approach.

(ii) The fair value is determined based on net assets value of the fund after adjusting the carrying amounts of the underlying investments of the fund to their fair values, which are determined based on recent transaction prices.

(iii) The unlisted equity security was acquired by the Group in August 2016 and management considered that the price of the recent transaction represents its fair value as at 31 December 2016.

4. Critical accounting estimates and judgements

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

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

(a) Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

The fair value of financial instruments traded in active markets (such as trading and available-for-sale financial assets securities) is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of these estimates are disclosed in Note 3(c).

4. Critical accounting estimates and judgements *(Continued)*

(b) Estimated impairment of investments in associates

The Group tests whether the carrying amount of investment has suffered from any impairment, in accordance with the accounting policy stated in Note 2(c). The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Estimated impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(d) Estimated impairment of loans and other receivables

Provision for impairment of loans and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. In determining whether any of the loans and other receivables is impaired, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered. Based on the management's estimation, adequate impairment provision has been made on loans and other receivables. Where the final outcome of these matters is different from the management's estimates and judgements, such differences will impact the profit and loss account and carrying value of loans and other receivables in the period in which such determination is made.

(e) Income taxes

The Group is subject to income taxes in various jurisdictions, mainly in Hong Kong and the Mainland China. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5. Investment management fee

Pursuant to a management agreement ("Management Agreement") dated 28 March 1991 and the subsequent amendments, and a new agreement dated 25 September 2012 (the "New Supplemental Agreement") which is effective from 1 January 2013 to 31 December 2015 to supplement the Management Agreement for the provision of management and advisory services to the Company, China Assets Investment Management Limited ("CAIML") (Note 26(a)) was entitled to receive from the Company a management fee calculated at the following rates:

(i) 2.75% per annum on the aggregate cost to the Company of the investments (less any provisions in respect thereof) held by it from time to time; and

(ii) 1% per annum on the value of uninvested net assets, representing net asset value of the Company less the aggregate cost of investments made by the Company.

Management fee paid to CAIML for the year ended 31 December 2015 amounted to US$1,745,468. CAIML was also entitled to receive a performance bonus based on a specified formula as defined in the Management Agreement. Performance bonus paid for the year ended 31 December 2015 amounted to US$2,386,532.

The annual management fee (including performance bonus, if any) was subject to an annual cap of US$4,132,000 for the year ended 31 December 2015.

The New Supplemental Agreement expired on 31 December 2015 and therefore no management fee was paid to CAIML for the year ended 31 December 2016.

6. 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:

	2016	2015
	US$	*US$*
Income		
Bank interest income	**417,382**	526,992
Dividend income from listed investments	**429,485**	283,317
	846,867	810,309

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.

6. Income and segment information *(Continued)*

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

	2016	2015
	US$	*US$*
Income		
Hong Kong	**831,886**	700,418
Mainland China	**14,981**	109,891
	846,867	810,309

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

	2016	2015
	US$	*US$*
Non-current assets, other than available-for-sale financial assets		
Hong Kong	**61,398,998**	62,111,415
Mainland China	**16,183,947**	15,894,533
	77,582,945	78,005,948

7. Other gains – net

	2016	2015
	US$	*US$*
Net gains on disposals of available-for-sale financial assets	**16,701,985**	16,149,408
Net gain on disposal of a financial asset at fair value through profit or loss	**—**	3,972,902
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**345,810**	(716,295)
Net gain on disposal of an associate	**909,240**	—
Net gains/(losses) on deemed disposals of interests in associates	**229,926**	(280,545)
Provision for impairment loss of an available-for-sale financial asset	**—**	(690,388)
Net exchange losses	**(2,483,154)**	(1,849,570)
	15,703,807	16,585,512

7. Other gains – net *(Continued)*

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

	2016	2015
	US$	*US$*
Net gains on disposals of available-for-sale financial assets	**16,701,985**	16,149,408
Net gain on disposal of a financial asset at fair value through profit or loss	**—**	3,972,902
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**345,810**	(716,295)
Net gain on disposal of an associate	**909,240**	—
Net gains/(losses) on deemed disposals of interests in associates	**229,926**	(280,545)
Provision for impairment loss of an available-for-sale financial asset	**—**	(690,388)
	18,186,961	18,435,082

Represented by:

	2016	2015
	US$	*US$*
Listed investments		
Net realised gains	**16,583,498**	15,868,863
Net unrealised gains/(losses)	**345,810**	(716,295)
	16,929,308	15,152,568
Unlisted investments		
Net realised gains	**1,257,653**	3,972,902
Net unrealised losses	**—**	(690,388)
	1,257,653	3,282,514
	18,186,961	18,435,082

8. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

	2016	2015
	US$	*US$*
Investment management fee and performance bonus	**—**	4,132,000
Employee benefit expenses (including directors' remuneration)	**2,635,411**	207,507
Auditor's remuneration		
— Audit services	**143,429**	177,909
— Non-audit services	**63,356**	63,283
Operating lease rental payments	**180,734**	—
Other expenses	**1,242,816**	1,217,051
	4,265,746	5,797,750

9. Employee benefit expenses

	2016 US$	2015 US$
Wages and salaries (including directors' remuneration: *(Note 28)*)	**2,530,552**	205,186
Pension costs — defined contribution plan	**104,859**	2,321
	2,635,411	207,507

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: four) directors whose emoluments are reflected in the analysis shown in Note 28. The emoluments payable to the remaining three (2015: one) individuals during the year are as follows:

	2016 US$	2015 US$
Basic salaries, housing allowances, other allowances and benefits in kind	**536,459**	90,572
Pension costs — defined contribution plan	**26,835**	2,321
Discretionary bonuses	**335,484**	—
	898,778	92,893

The emoluments fell within the following bands:

	2016	2015
Emolument bands (in HK$)		
HK$Nil — HK$1,000,000	**—**	1
HK$1,500,001 — HK$2,000,000	**1**	—
HK$2,000,001 — HK$2,500,000	**1**	—
HK$2,500,001 — HK$3,000,000	**1**	—
	3	1

10. Income tax credit

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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.

	2016	2015
	US$	*US$*
Current tax:		
— Hong Kong profits tax	**—**	—
— People's Republic of China ("PRC") corporate income tax	**—**	—
— Over-provision in respect of prior year	**—**	(40,370)
Income tax credit	**—**	(40,370)

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:

	2016	2015
	US$	*US$*
Profit before income tax	**12,364,320**	11,075,584
Less: Share of results of associates	**(79,392)**	(74,756)
	12,284,928	11,000,828
Calculated at applicable domestic profits tax rate of respective jurisdictions	**2,154,452**	1,772,310
Income not subject to tax	**(3,377,071)**	(3,477,001)
Expenses not deductible for tax purposes	**1,256,621**	1,547,627
Utilisation of previously unrecognised tax losses	**(47,967)**	—
Tax losses not recognised	**13,965**	157,064
Over-provision in prior year	**—**	(40,370)
Income tax credit	**—**	(40,370)

The weighted average applicable tax rate was 17.5% (2015: 16.1%). The increase is caused by a change in the relative profitability of the Group's subsidiaries in the respective jurisdictions.

11. Dividends

The Board of Directors does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: US$Nil).

12. 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$12,364,320 (2015: US$11,115,954). The basic earnings per share is based on the weighted average number of 78,352,045 (2015: 76,758,160) ordinary shares in issue during the year.

Diluted earnings per share for the year is the same as the basic earnings per share as there were no potential dilutive shares outstanding (2015: the potential additional ordinary shares are anti-dilutive).

13. Subsidiaries

The following is a list of subsidiaries held directly by the Company at 31 December 2016:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held	
				2016	2015
Balance Target Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Global Lead Technology Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Global Record Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Promise Keep Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Winner Strength Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Zhong Guan Business Consultancy (Shanghai) Co. Ltd.	People's Republic of China	Investment holding	Registered capital of US$140,000	**100%**	100%

Notes:

1. Apart from Zhong Guan Business Consultancy (Shanghai) Co. Ltd. which directors are Mr. Cheng Sai Wai, Ms. Hao Ya Xin and Ms. Li Yan Ping, the directors of all remaining subsidiaries are Mr. Lo Yuen Yat and Mr. Yeung Wai Kin.

2. The subsidiaries operate principally in their places of incorporation. The kind of legal entity of all subsidiaries are limited liability companies.

14. Interests in associates

	2016 US$	2015 US$
Investments in associates	**74,715,767**	74,960,649
Loan to an associate *(Note)*	**2,867,178**	3,045,299
	77,582,945	78,005,948

Note: As at 31 December 2016 and 2015, the loan to an associate was regarded as equity contribution to the associate.

Movements in the investment in associates are as follows:

	2016 US$	2015 US$
As at 1 January	**78,458,668**	75,242,579
Additional investment in an associate	**3,032,692**	11,026,748
Disposal of interest in an associate	**(597,243)**	—
Deemed disposals of interests in associates	**193,764**	(396,257)
Share of results of associates	**79,392**	74,756
Share of post-acquisition reserves of associates	**(2,380,937)**	(6,536,011)
Dividends received	**(319,230)**	(478,950)
Exchange differences	**(850,563)**	(474,197)
As at 31 December	**77,616,543**	78,458,668
Provision for impairment of investment in associates	**(2,900,776)**	(3,498,019)
	74,715,767	74,960,649

Movement in the provision for impairment of investment in associates is as follows:

	2016 US$	2015 US$
As at 1 January	**(3,498,019)**	(2,900,776)
Reversal of provision/(provision) for impairment	**597,243**	(597,243)
As at 31 December	**(2,900,776)**	(3,498,019)

As at 31 December 2016, provision for impairment of investment in associates of US$2,900,776 (2015: US$3,498,019) was made by the Group after taking into account of the associates' business developments, financial positions and other factors.

The release of provision for impairment have been included in 'Other gains – net' and in the consolidated income statement (Note 7).

14. Interests in associates *(Continued)*

(a) Set out below are the associates of the Group as at 31 December 2016 and 2015:

Name	Particulars of issued shares	Place of incorporation	Principal activities	Interest held	
				2016	2015
First Shanghai Investments Limited ("FSIL") *(See note i below)*	Ordinary shares of 1,418,973,012 of HK$0.2 each	Hong Kong	Investment holding	**17.454%**	17.522%
Hong Kong Strong Profit Limited ("HKSP")	Ordinary shares of 4,900 of HK$1 each	Hong Kong	Dormant	**49%**	49%
Shanghai International Medical Center Investment Management Company Limited ("SIMC")	Registered and paid up capital of RMB 652,922,075	People's Republic of China	Provision of medical service	**19.91%**[1]	20%[1]
Goldeneye Interactive Limited ("Goldeneye") *(See note ii below)*	22,448,980 Ordinary shares of US$0.001 each; 8,163,265 Series A Preferred shares of US$0.001 each; 12,185,511 Series B Preferred shares of US$0.001 each; and 2,181,818 Series C Preferred shares of US$0.001 each	Cayman Islands	Provision of online real estate information	**21.29%**	22.37%
Shanghai Moxing Environmental Science and Technology Co Ltd ("SMECT")	Registered and paid up capital of RMB896,510	People's Republic of China	Provision of waste oil recycling	**–**	29.86%[1]

1 Held indirectly by the Company

Notes:

(i) FSIL is a company listed on The Stock Exchange of Hong Kong Limited with issued share capital of HK$1,162,940,000 (2015: HK$1,157,658,000). Notwithstanding interest in FSIL is less than 20%, which represented 247,674,500 shares held as at 31 December 2016 and 2015, FSIL is considered as an associate of the Company because there are two common directors on the board of FSIL who can exercise significant influence over FSIL's operations and management decisions. As at 31 December 2016, the market value of the Group's interest in FSIL was approximately US$37,690,000 (2015: US$41,220,000).

(ii) The Group holds 9,574,300 Series B Preferred shares of US$0.001 each in the Company, representing a 21.29% equity interest of the Company as at 31 December 2016 (2015: 22.37%).

14. Interests in associates *(Continued)*

(b) Set out below are the summarised financial information for FSIL and SIMC which are accounted for using the equity method:

Summarised balance sheet

	FSIL		SIMC	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current assets	**714,705**	648,519	**3,691**	4,468
Current liabilities	**(504,413)**	(449,150)	**(47,663)**	(34,762)
Non-current assets	**182,979**	243,309	**158,089**	161,184
Non-current liabilities	**(34,763)**	(33,984)	**(48,742)**	(66,997)

Summarised statement of comprehensive income

	FSIL		SIMC	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Revenue	**50,392**	63,456	**11,422**	7,387
(Loss)/profit after tax	**(7,216)**	17,370	**(10,414)**	(12,088)
Other comprehensive loss	**(41,187)**	(30,883)	**—**	—
Total comprehensive loss	**(48,403)**	(13,513)	**(10,414)**	(12,088)
Dividend received from an associate	**319**	479	**—**	—

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those associates) adjusted for difference in accounting policies between the Group and the associates.

14. Interests in associates *(Continued)*

(c) Reconciliation of the summarised financial information presented to the carrying amount of its investments in associates:

	FSIL		SIMC	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Opening net assets as at 1 January	**408,693**	423,492	**63,893**	23,325
(Loss)/profit for the year	**(7,216)**	17,370	**(10,414)**	(12,088)
Other comprehensive loss	**(41,187)**	(30,883)	**—**	—
Transactions with owners	**(1,618)**	(1,602)	**15,174**	53,293
Exchange difference	**(165)**	316	**(3,278)**	(637)
Closing net assets at 31 December	**358,507**	408,693	**65,375**	63,893
Interest in associates	**61,035**	69,769	**13,016**	12,779
Effect of cross holding	**—**	(8,078)	**—**	—
Goodwill	**—**	—	**5**	5
Others	**364**	420	**(12)**	—
Carrying amount	**61,399**	62,111	**13,009**	12,784

As at 31 December 2016, the aggregate carrying amount of interests in individually immaterial associates that are accounted for using the equity method was US$308,000 (2015: US$65,000).

During the year ended 31 December 2016, the Group did not have any unrecognised share of losses of associates (2015: Nil). As at 31 December 2016, the accumulated share of losses of the associates unrecognised by the Group was nil (2015: Nil).

The directors have assessed the recoverable amount of the investment, which is determined based on the higher of fair value less costs to sell and value-in-use calculation. As at 31 December 2016, as the recoverable amount of the investment determined based on value-in-use is higher than the carrying amount, there was no impairment in the investment.

15. Available-for-sale financial assets

	2016	2015
	US$	*US$*
As at 1 January	**102,190,222**	80,708,893
Additions	**3,145,314**	—
Disposals	**(20,572,598)**	(15,923,338)
Fair value change transfer to other comprehensive income	**(28,729,292)**	38,095,055
Provision for impairment loss recognised in the consolidated income statement	**—**	(690,388)
As at 31 December	**56,033,646**	102,190,222

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

Available-for-sale financial assets include the following:

	2016	2015
	US$	*US$*
Listed equity securities		
— Canada	**1,241**	2,403
— Mainland China	**40,394,324**	90,120,580
— Hong Kong	**5,885,834**	6,124,832
Unlisted investment funds		
— Mainland China	**4,952,681**	2,445,657
— Hong Kong	**3,299,566**	3,496,750
Unlisted equity security		
— United States	**1,500,000**	—
	56,033,646	102,190,222
Market value of listed securities	**46,281,399**	96,247,815

Available-for-sale financial assets are denominated in the following currencies:

	2016	2015
	US$	*US$*
Canadian dollars	**1,241**	2,403
HK dollars	**9,185,400**	9,621,582
Renminbi	**44,347,005**	92,566,237
US dollars	**2,500,000**	—
	56,033,646	102,190,222

At 31 December 2016, the carrying amount of interest in the following company exceeded 10% of total assets of the Group.

Name	**Place of incorporation**	**Principal activities**	**Particulars of issued share capital**	**Interest directly held 2016**	**Interest directly held 2015**
Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang")	People's Republic of China ("PRC")	Manufacture and sale of pharmaceutical products	581,575,500 foreign legal person shares#	**4.99%**	7.62%

As at 31 December 2016, the Group held 29,018,600 (2015: 44,334,600) shares in Lukang, a company established in the PRC with it's A-shares listed on the Shanghai Stock Exchange.

16. Loan receivable

Loan receivable is denominated in the following currency:

	2016	2015
	US$	*US$*
Independent third party *(Note)*:		
Renminbi	**6,164,433**	6,547,392
Loan receivable — gross	**6,164,433**	6,547,392
Provision for impairment	**(6,164,433)**	(6,547,392)
Loan receivable — net	**—**	—

The carrying amount of loan receivable approximate to its fair value as at 31 December 2016. The maximum exposure to credit risk at the reporting date is the carrying amount of the loan receivable.

Note: The loan receivable from an independent third party was secured by certain assets of the borrower as stipulated in the respective loan agreement. As at 31 December 2016 and 2015, the loan receivable from independent third party was all past due and fully impaired.

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

	2016	2015
	US$	*US$*
Past due over 1 year	**6,164,433**	6,547,392

As of 31 December 2016, loan receivable of US$6,164,433 (2015: US$6,547,392) was fully impaired. It is assessed that the loan receivable is not expected to be recovered.

Movement in the provision for impairment of loan receivable is as follows:

	2016	2015
	US$	*US$*
As at 1 January	**6,547,392**	6,915,518
Exchange difference	**(382,959)**	(368,126)
As at 31 December	**6,164,433**	6,547,392

17. Other receivables, prepayments and deposits

	2016 US$	2015 US$
Other receivables		
Interest receivables	2,064,834	2,553,368
Others	2,314,940	2,442,990
	4,379,774	4,996,358
Prepayments and deposits	66,573	25,314
	4,446,347	5,021,672
Provision of impairment of other receivables	(4,222,102)	(4,654,604)
	224,245	367,068

Other receivables, prepayments and deposits are denominated in the following currencies:

	2016 US$	2015 US$
Renminbi	4,371,070	4,990,467
HK dollars	73,383	31,205
US dollars	1,894	—
	4,446,347	5,021,672

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

	2016 US$	2015 US$
As at 1 January	4,654,604	4,792,243
Exchange difference	(432,502)	(137,639)
As at 31 December	4,222,102	4,654,604

As of 31 December 2016 and 2015, substantially all of the other receivables were past due and impaired. Provision for impairment of other receivables of US$4,222,102 (2015: US$4,654,604) was made by the Group after taking into account of the debtors' business developments, financial positions and other factors.

18. Financial assets at fair value through profit or loss

	2016	2015
	US$	*US$*
Listed equity securities held for trading:		
— Hong Kong	**6,168,912**	5,055,595
Market value of listed equity securities	**6,168,912**	5,055,595

Changes in fair values of these financial assets are recorded in 'other gains — net' in the consolidated income statement (Note 7).

Financial assets at fair value through profit or loss are presented within the section on 'operating activities' as part of changes in working capital in the consolidated statement of cash flows (Note 24).

The fair value of listed equity securities is based on their current bid prices in an active market.

19. Cash and cash equivalents

	2016	2015
	US$	*US$*
Cash at bank and on hand	**19,725,711**	3,454,110
Short-term bank deposits with initial terms of less than three months	**48,526,610**	39,330,400
	68,252,321	42,784,510
Maximum exposure to credit risk	**68,248,382**	42,783,920

The effective interest rates on short-term bank deposits of the Group were as follows:

	2016	2015
Short-term bank deposits	**0.20%-1.35%**	0.10%-2.25%

19. Cash and cash equivalents *(Continued)*

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

	2016	2015
	US$	*US$*
US dollars	**6,207,715**	6,636,574
HK dollars	**15,981,815**	394,605
Renminbi	**46,062,791**	35,753,331
	68,252,321	42,784,510

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2016, the Group held Renminbi denominated cash and bank balances totalling US$46,061,372 (2015: US$35,753,331) which were kept in Mainland China, the conversion and remittance of which are subject to these rules and regulations.

20. Share capital

Ordinary shares, issued and fully paid:

	Number of shares	**Share capital US$**
At 1 January and 31 December 2015	76,758,160	76,783,698
At 1 January 2016	76,758,160	76,783,698
— Issuance of new shares by open offer *(Note)*	30,703,264	15,325,603
At 31 December 2016	107,461,424	92,109,301

Note: On 13 December 2016, the Company completed an open offer of 30,703,264 offer shares at a subscription price of HK$3.95 per offer share on the basis of two offer shares for every five existing shares of the Company held by shareholders of the Company at the record date of 16 November 2016. These shares rank pari passu in all respects with the existing ordinary shares of the Company. The net proceeds from the open offer, after deducting directly attributable costs were approximately US$15,325,603. Details of the open offer were disclosed in the Company's circular dated 21 November 2016.

20. Share capital *(Continued)*

Share options

Share options were granted to certain directors of the Company and employees of CAIML as incentives and rewards for their contributions to the Group. Each share option entitles the holder to subscribe for one share in the capital of the Company at an exercise price of HK$5.74 per share, and is exercisable at any time from 25 April 2007 to 24 April 2017 respectively.

A new share option scheme ("New Share Option Scheme") was approved by an ordinary resolution passed on 23 May 2014 and adopted by the Company on 26 May 2014. The Board of Directors is authorised to implement the New Share Option Scheme in accordance with the rules stated to grant options and to issue and allot shares of the Company pursuant thereto.

Details of the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK$ per Share	Options (thousands)
As at 1 January 2015	5.74	4,475
Options lapsed	5.74	(500)
As at 31 December 2015 and 1 January 2016	5.74	3,975
Options lapsed (Note)	5.74	(3,975)
As at 31 December 2016	—	—

Note: 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, options not exercised before 24 October 2016 were lapsed.

During the years ended 31 December 2016 and 2015, no share option was granted and exercised.

21. Reserves

	Capital Reserve (Note) US$	Exchange translation reserve US$	Share-based compensation reserve US$	Investment revaluation reserve US$	Retained earnings US$	Total US$
Balance as at 1 January 2016	8,977,992	1,742,702	1,506,549	77,197,368	58,626,122	148,050,733
Comprehensive income						
Profit for the year attributable to equity holders of the Company	—	—	—	—	12,364,320	12,364,320
Other comprehensive loss						
Share of post-acquisition reserves of associates	(2,380,937)	—	—	—	—	(2,380,937)
Release of post-acquisition reserve upon deemed disposal of an associate	(36,162)	—	—	—	—	(36,162)
Release of exchange translation reserve upon disposal of an associate	—	(4,528)	—	—	—	(4,528)
Exchange differences arising on translation of subsidiaries and associates	—	(1,180,091)	—	—	—	(1,180,091)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	—	—	—	(15,619,240)	—	(15,619,240)
For value losses of available-for-sale financial assets	—	—	—	(28,729,292)	—	(28,729,292)
Total other comprehensive loss for the year, net of tax	(2,417,099)	(1,184,619)	—	(44,348,532)	—	(47,950,250)
Total comprehensive loss for the year	(2,417,099)	(1,184,619)	—	(44,348,532)	12,364,320	(35,585,930)
Transfer of reserve upon lapse of share options	—	—	(1,506,549)	—	1,506,549	—
Balance as at 31 December 2016	6,560,893	558,083	—	32,848,836	72,496,991	112,464,803

Note: Capital reserve mainly includes share of post-acquisition reserves of associates.

21. Reserves *(Continued)*

	Capital Reserve *(Note)* *US$*	Exchange translation reserve *US$*	Share-based compensation reserve *US$*	Investment revaluation reserve *US$*	Retained earnings *US$*	Total *US$*
Balance as at 1 January 2015	15,629,715	2,785,118	1,506,549	52,412,310	47,510,168	119,843,860
Comprehensive income						
Profit for the year attributable to equity holders of the Company	—	—	—	—	11,115,954	11,115,954
Other comprehensive income/(loss)						
Share of post-acquisition reserves of associates	(6,536,011)	—	—	—	—	(6,536,011)
Release of post-acquisition reserve upon deemed disposal of an associate	(115,712)	—	—	—	—	(115,712)
Exchange differences arising on translation of subsidiaries and associates	—	(1,042,416)	—	—	—	(1,042,416)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	—	—	—	(13,309,997)	—	(13,309,997)
For value gains of available-for-sale financial assets	—	—	—	38,095,055	—	38,095,055
Total other comprehensive income for the year, net of tax	(6,651,723)	(1,042,416)	—	24,785,058	—	17,090,919
Total comprehensive income for the year	(6,651,723)	(1,042,416)	—	24,785,058	11,115,954	28,206,873
Balance as at 31 December 2015	8,977,992	1,742,702	1,506,549	77,197,368	58,626,122	148,050,733

Note: Capital reserve mainly includes share of post-acquisition reserves of associates.

22. Deferred income tax

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of US$327,000 (2015: US$364,000) in respect of losses amounting to US$1,890,000 (2015: US$2,134,000) that can be carried forward against future taxable income. Out of the total tax losses, approximately US$188,000 (2015: US$140,000) will expire within 5 years and the remaining can be carried forward indefinitely against future taxable income.

Deferred income tax liabilities of US$21,600 (2015: US$33,600) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2016, total unremitted earnings amounted to US$432,000 (2015: US$672,000).

23. Other payables and accrued expenses

	2016 US$	2015 US$
Other payables	**3,226,281**	609,505
Accrued expenses	**150,427**	155,000
	3,376,708	764,505

The carrying amounts of accruals and other payables approximate their fair values and are denominated in the following currencies:

	2016 US$	2015 US$
HK dollars	**1,408,763**	292,378
Renminbi	**1,967,945**	472,127
	3,376,708	764,505

24. Cash used in operations

	2016 US$	2015 US$
Profit before income tax	**12,364,320**	11,075,584
Adjustments for:		
Share of results of associates	**(79,392)**	(74,756)
Bank interest income	**(417,382)**	(526,992)
Dividend income from listed investments	**(429,485)**	(283,317)
Net gains on disposal of available-for-sale financial assets	**(16,701,985)**	(16,149,408)
Net gain on disposal of a financial asset at fair value through profit or loss	**—**	(3,972,902)
Net fair value (gains)/losses on financial assets at fair value through profit or loss	**(345,810)**	716,295
Net gain on disposal of an associate	**(909,240)**	—
Net (gains)/losses on deemed disposals of interests in associates	**(229,926)**	280,545
Provision for impairment loss of an available-for-sale financial asset	**—**	690,388
Provision for impairment loss of an associate	**—**	597,243
Changes in working capital:		
Other receivables, prepayments and deposits	**142,823**	(160,940)
Other payables and accrued expenses	**2,612,203**	58,767
Amounts due to related companies	**(2,441,213)**	2,379,702
Cash used in operations	**(6,435,087)**	(5,369,791)

25. Capital commitments

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

	2016 US$	2015 US$
Contracted but not provided for:		
An available-for-sale financial asset	**1,000,000**	—
Interest in an associate	**2,867,178**	—
	3,867,178	—

25. Capital commitments *(Continued)*

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

	2016 US$	2015 US$
Contracted but not provided for	**11,355,863**	7,601,444

26. Related party transactions

(a) Transactions with related party

Other than disclosed elsewhere in the financial statement during the year, the following transactions with related parties were carried out at prices negotiated and mutually agreed by the respective party.

	2016 US$	2015 US$
China Assets Investment Management Limited ("CAIML"):		
— Management fee paid/payable#	**—**	1,745,468
— Performance bonus#	**—**	2,386,532
— Recharge of expenses paid/payable	**155,153**	—
	155,153	4,132,000
Mr. Lo Yuen Yat (Chairman and chief executive officer)		
— Underwriting commission paid	**143,626**	—

Note a: CAIML was the investment manager for all investments for the year ended 31 December 2015. Mr. Lo Yuen Yat, the Chairman and an 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. The management agreement with CAIML expired on 31 December 2015, therefore no management fee payable to CAIML for the year ended 31 December 2016.

These were regarded as continuing connected transactions as defined under Main Board Listing Rules.

26. Related party transactions *(Continued)*

(b) Key management compensation

	2016 US$	2015 US$
Salaries and other short-term employee benefits	**837,686**	205,186
Pension costs — defined contribution plan	**45,588**	2,321
Discretionary bonuses	**536,774**	—
	1,420,048	207,507

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

	2016 US$	2015 US$
Amount due to an associate	**349,989**	374,008
Amount due (from)/to a related company *(Note)*	**(3,558)**	2,413,636
Amounts due to related companies	**346,431**	2,787,644
Loan to an associate *(Note 14)*	**2,867,178**	3,045,299

Note: The amount due to a related company at 31 December 2015 represented management fee and performance bonus payable to CAIML.

27. Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2016 US$	2015 US$
ASSETS			
Non-current assets			
Investments in subsidiaries		**17,023,956**	16,521,673
Investments in associates		**13,857,026**	13,857,026
Available-for-sale financial assets		**56,033,646**	102,190,222
Total non-current assets		**86,914,628**	132,568,921
Current assets			
Other receivables, prepayments and deposits		**222,373**	286,728
Financial assets at fair value through profit or loss		**6,168,912**	5,055,595
Tax recoverable		**51,937**	—
Amount due from a related company		**2,540**	—
Cash and cash equivalents		**66,364,821**	40,074,841
Total current assets		**72,810,583**	45,417,164
Total assets		**159,725,211**	177,986,085
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**92,109,301**	76,783,698
Reserves	*a*	**63,939,100**	97,570,823
Total equity		**156,048,401**	174,354,521
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		**3,310,038**	763,745
Amounts due to subsidiaries and related companies		**350,009**	2,851,056
Current income tax liabilities		**16,763**	16,763
Total current liabilities		**3,676,810**	3,631,564
Total liabilities		**3,676,810**	3,631,564
Total equity and liabilities		**159,725,211**	177,986,085

The balance sheet of the Company was approved by the Board of Directors on 24 March 2017 and were signed on its behalf.

Lo Yuen Yat
Director

Cheng Sai Wai
Director

27. Balance sheet and reserve movement of the Company *(Continued)*

Note a Reserve movement of the Company

	Share-based compensation reserve	Investment revaluation reserve	(Accumulated losses)/ Retained earnings	Total
	US$	*US$*	*US$*	*US$*
Balance as at 1 January 2015	1,506,549	61,464,303	(1,820,047)	61,150,805
Profit for the year	—	—	13,030,455	13,030,455
Other comprehensive (loss)/income:				
Release of investment revaluation reserve upon disposal of an available-for sale financial asset	—	(14,705,492)	—	(14,705,492)
Fair value gains of available-for-sale financial assets	—	38,095,055	—	38,095,055
Total comprehensive income for the year	—	23,389,563	13,030,455	36,420,018
Balance as at 31 December 2015	1,506,549	84,853,866	11,210,408	97,570,823
Balance as at 1 January 2016	1,506,549	84,853,866	11,210,408	97,570,823
Profit for the year	—	—	13,361,852	13,361,852
Other comprehensive (loss)/income:				
Release of investment revaluation reserve upon disposal of an available-for sale financial asset	—	(18,264,283)	—	(18,264,283)
Fai value gains of available-for-sale financial assets	—	(28,729,292)	—	(28,729,292)
Total comprehensive loss for the year	—	(46,993,575)	13,361,852	(33,631,723)
Transfer of reserve upon lapse of share options	(1,506,549)	—	1,506,549	—
Balance as at 31 December 2016	—	37,860,291	26,078,809	63,939,100

28. Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(A) Directors' and chief executives' emoluments

The remuneration of each of the directors is set out below.

For the year ended 31 December 2016:

	Fees	Salary	Discretionary bonuses	Pension costs — defined contribution plan	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Mr. Lo Yuen Yat *(Chairman and chief executive officer)*	89,040	2,884,000	960,000	267,800	4,200,840
Mr. Cheng Sai Wai	89,040	729,400	1,000,000	67,730	1,886,170
Non-executive directors					
Mr. Yeung Wai Kin	143,640	—	600,000	—	743,640
Mr. Zhao Yu Qiao	89,040	—	—	—	89,040
Ms. Lao Yuan Yuan	89,040	—	600,000	—	689,040
Independent non-executive directors					
Mr. Fan Jia Yan	211,680	—	—	—	211,680
Mr. Wu Ming Yu	177,030	—	—	—	177,030
Dr. Davide William Maguire	122,430	—	—	—	122,430
Total	1,010,940	3,613,400	3,160,000	335,530	8,119,870
Equivalent to US$					1,047,302

28. Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) *(Continued)*

(A) Directors' and chief executives' emoluments *(Continued)*

For the year ended 31 December 2015:

	Fees	Total
	HK$	*HK$*
Executive directors		
Mr. Lo Yuen Yat *(Chairman and chief executive officer)*	89,040	89,040
Ms. Lao Yuan Yuan	89,040	89,040
Non-executive directors		
Mr. Yeung Wai Kin	143,640	143,640
Mr. Zhao Yu Qiao	89,040	89,040
Independent non-executive directors		
Mr. Fan Jia Yan	200,550	200,550
Mr. Wu Ming Yu	165,900	165,900
Dr. Davide William Maguire	111,300	111,300
Total	888,510	888,510
Equivalent to US$		114,610

(B) Directors' retirement benefits

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

(C) Directors' termination benefits

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

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

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

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

During the year ended 31 December 2016, there is no loan, quasi-loan and other dealing arrangement in favour of the directors, or controlled bodies corporate by and connected entities with such directors (2015: Nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Five-Year Financial Summary

	2016	2015	2014	2013	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Consolidated income statement					
Income	**847**	810	862	748	845
Profit/(loss) for the year attributable to equity holders of the Company	**12,364**	11,116	9,726	3,269	(20,815)
Consolidated balance sheet					
Interests in associates	**77,583**	78,006	72,342	65,922	64,995
Available-for-sale financial assets	**56,034**	102,190	80,709	57,634	49,713
Current assets	**74,700**	48,207	45,692	35,459	31,864
	208,317	228,403	198,743	159,015	146,572
Current liabilities	**(3,743)**	(3,569)	(2,115)	(619)	(2,154)
Deferred income tax liabilities	**—**	—	—	(89)	(2,909)
	204,574	224,834	196,628	158,307	141,509
Financed by:					
Share capital	**92,109**	76,784	76,784	7,676	7,676
Reserves	**112,465**	148,050	119,844	150,631	133,833
	204,574	224,834	196,628	158,307	141,509