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CHINA ASSETS (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 170)

ANNOUNCEMENT OF 2017 INTERIM RESULTS

UNAUDITED INTERIM RESULTS

The Board of Directors of China Assets (Holdings) Limited (the "Company") has pleasure in reporting the following unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017:

Condensed Consolidated Income Statement
For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***US$***	*US$*
Income	*4*	**483,475**	287,515
Other gains — net	*5*	**6,664,647**	93,239
Administrative expenses	*6*	**(1,478,909)**	(1,244,056)
Operating profit/(loss)		**5,669,213**	(863,302)
Share of loss of associates		**(453,470)**	(353,710)
Profit/(loss) before income tax		**5,215,743**	(1,217,012)
Income tax expense	*7*	**(7,367)**	(106,544)
Profit/(loss) for the period attributable to equity holders of the Company		**5,208,376**	(1,323,556)
Earnings/(loss) per share attributable to equity holders of the Company			
Basic	*8*	**0.0485**	(0.0172)
Diluted	*8*	**0.0485**	(0.0172)
Dividend	*9*	**—**	—

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Unaudited	
	Six months ended 30 June	
	2017	2016
	US$	*US$*
Profit/(loss) for the period	**5,208,376**	(1,323,556)
Other comprehensive loss:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Share of post-acquisition reserves of an associate	**240,167**	(125,161)
Release of post-acquisition reserve upon deemed disposal of an associate	**—**	(36,161)
Exchange differences arising on translation of associates and subsidiaries	**300,280**	(327,146)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**(4,651,885)**	—
Fair value losses of available-for-sale financial assets	**(3,595,468)**	(30,094,729)
Other comprehensive loss for the period, net of tax	**(7,706,906)**	(30,583,197)
Total comprehensive loss for the period attributable to equity holders of the Company	**(2,498,530)**	(31,906,753)

Condensed Consolidated Balance Sheet

As at 30 June 2017

	Unaudited 30 June 2017 *US$*	Audited 31 December 2016 *US$*
ASSETS		
Non-current assets		
Interests in associates	**77,619,174**	77,582,945
Available-for-sale financial assets	**47,492,650**	56,033,646
Total non-current assets	**125,111,824**	133,616,591
Current assets		
Loan receivable	**—**	—
Other receivables, prepayments and deposits	**311,947**	224,245
Amount due from a related company	**21,507**	3,558
Financial assets at fair value through profit or loss	**7,115,690**	6,168,912
Tax recoverable	**51,937**	51,937
Cash and cash equivalents	**72,332,892**	68,252,321
Total current assets	**79,833,973**	74,700,973
Total assets	**204,945,797**	208,317,564
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**92,109,301**	92,109,301
Reserves	**109,966,273**	112,464,803
Total equity	**202,075,574**	204,574,104
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	**2,485,695**	3,376,708
Amount due to a related company	**360,398**	349,989
Current income tax liabilities	**24,130**	16,763
Total current liabilities	**2,870,223**	3,743,460
Total liabilities	**2,870,223**	3,743,460
Total equity and liabilities	**204,945,797**	208,317,564

Notes:

1. General information

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the 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. This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 25 August 2017. The condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622).

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

2. Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

New and amended standards and interpretations that have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

		Effective for the Group for annual periods beginning on or after
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 4 (amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKAS 28 (amendments)	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined

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

3. Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4. Income and segment information

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

	Unaudited Six months ended 30 June **2017** ***US$***	 2016 *US$*
Income		
Bank interest income	**369,351**	244,495
Dividend income from listed investments	**114,124**	43,020
	483,475	287,515

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

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

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

5. Other gains — net

	Unaudited	
	Six months ended 30 June	
	2017	2016
	US$	*US$*
Listed investments		
Unrealised fair value gains/(losses) on financial assets at fair value through profit or loss	**946,778**	(296,106)
Net gain on disposal of an available-for-sale financial asset	**4,511,659**	—
Net loss on deemed disposal of interest in an associate	**—**	(118,487)
	5,458,437	(414,593)
Unlisted investments		
Net gain on disposal of interest in an associate	**—**	885,239
Net gain on deemed disposal of interest in an associate	**—**	16,139
	—	901,378
	5,458,437	486,785
Sundry income	**82,452**	—
Net exchange gains/(losses)	**1,123,758**	(393,546)
	6,664,647	93,239

6. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	US$	*US$*
Legal and professional fee	**133,701**	131,989
Staff costs, including directors' remuneration	**756,683**	736,526
Operating lease rental payments	**98,071**	92,470

7. Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2016: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

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

	Unaudited Six months ended 30 June	
	2017	2016
	US$	*US$*
Current income tax:		
— Overseas profits tax	**7,367**	106,544

8. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is calculated by dividing the Group's profit/(loss) for the period attributable to equity holders of the Company of US$5,208,376 (2016: loss of US$1,323,556). The basic earnings per share is based on the weighted average number of 107,461,424 (2016: 76,758,160) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 June 2017 and 2016 are the same as the basic earnings/(loss) per share as there were no potential dilutive shares outstanding.

9. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

10. Capital commitments

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

	Unaudited 30 June 2017	Audited 31 December 2016
	US$	*US$*
Contracted but not provided for:		
An available-for-sale financial asset	**—**	1,000,000
Interest in an associate	**2,944,727**	2,867,178
	2,944,727	3,867,178

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

	Unaudited 30 June 2017 ***US$***	Audited 31 December 2016 *US$*
Contracted but not provided for	**12,657,345**	11,355,863

11. Subsequent events

On 26 June 2017, New Synergies Investments Company Limited (the "Offeror") approached the Board about a proposal which, if implemented, will result in the Company becoming wholly-owned by the Offeror. The proposal will be implemented by way of a scheme of arrangement under Section 673 of the Companies Ordinance (the "Scheme").

Under the Scheme, the total consideration payable of HK$335,512,000 will be payable by the Offeror to the shareholders at HK$6.8 per share. This transaction is subject to approval of the disinterested shareholders at a court meeting and an Extraordinary General Meeting of the Company's shareholders.

NET ASSET VALUE

The unaudited consolidated net asset value per share of the Group at 30 June 2017 was US$1.88 (31 December 2016: US$1.90).

INVESTMENT REVIEW

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") reported a profit of approximately US$5.21 million for the six months ended 30 June 2017 compared with a loss of US$1.32 million for the same period in 2016.

The result was mainly due to profit arising from disposal of 4 million shares in Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang").

During the first half year, other than the disposal of 4 million shares in Lukang and an additional investment of US$1 million in Tianfeng Healthcare Fund I, L.P., the Group did not make any material investments nor disposals.

As at 30 June 2017, the consolidated net asset value of the Group was US$202.08 million, representing a US$2.49 million decrease from US$204.57 million as of 31 December 2016, mainly due to the change of fair market value of Lukang during the period.

Stock markets around the world collectively had their best first half in years. In the U.S., the tech-heavy Nasdaq Composite surged 14%, its best first half since 2009. The Dow Jones Industrial Average and S&P 500 each rose 8%, but the U.S. wasn't alone. Stock benchmarks from South Korea to India and Spain were among the biggest risers over the first six months, all registering double-digit percentage gains. The broad breadth of the rally was attributed to strengthening corporate earnings, improving economies and continued support from central banks. Europe, in particular, has been the beneficiary of surprisingly stronger-than-expected economic conditions. Sentiment reading of Eurozone businesses and consumers jumped to its highest level since before the financial crisis. In the U.S., strong earnings growth has been a crucial underpinning of the market's performance. A resilient tech sector led by U.S. and Chinese giants has had an increasing influence on markets in the U.S. and in Asia. The five largest U.S. companies by market capitalization are tech- and consumer-related companies, led by Apple Inc. China's tech behemoths fared even better. Tencent Holdings Ltd, the world's largest videogame publisher by revenue, and China's largest social network, WeChat, jumped more than 47% in the first half year. Alibaba Group Holding Ltd, the online marketplace, surged roughly 60%, pushing the MSCI Asia Ex Japan Index up more than 20% for the period.

One irony is that this period's market gains have come about for different reasons than many expected at the start of the period. It was then expected that Donald Trump's election victory would trigger lower taxes, less regulation and more infrastructure spending. Many believed U.S. interest rates would rise, the dollar would strengthen and oil would keep rising. There were worries Mr. Trump's presidency would spark trade tensions that might hit emerging markets. A close French presidential election loomed over Europe's prospects.

So far, though, Mr. Trump hasn't enacted major changes to fiscal policy or taken significant protectionist measures. In France, pro-Europe Emmanuel Macron eventually romped to election victory, allaying fears about the rise of anti-European Union sentiment.

Through it all, the market's focus has remained on central banks. While the U.S. has raised short-term interest rates four times since the end of 2015, the European Central Bank and Bank of Japan have mostly remained accommodative, helping juice asset prices. U.S. government bond yields have fallen, the dollar has weakened and oil prices have declined.

During the first half year, China made it a priority to rein in crippling debt levels and property speculation. Government measures to restrict home purchases in many cities have dampened investment in the real-estate sector while the regulatory crackdown on financial leverage in recent months has pushed up borrowers' lending costs, curtailing investment demand. These measures have resulted in Chinese consumers not spending as fast as their wages rise, indicating households have become more financially strapped as increasing portions of income are used for higher mortgage payments. Nonetheless, exports and imports both came in stronger than expected in the first half year, reflecting resilience in the world's second-largest economy amid the central government's effort to reduce debt and boding well for overall growth.

Lukang's share performance was disappointing in the first half year, dropping from RMB 9.71 at the closing of 2016 to RMB 7.91 at the end of the period, a drop of nearly 18.5% compared with the 2.9% rise of Shanghai Composite Index. The China Securities Regulatory Commission issued new rules in May 2017 to replace the rules issued in January 2016 that restrict sale of shares in A-share listed companies by their shareholders, directors, supervisors and senior management. Under the new rules, the Company has been barred from selling more than 1% of Lukang's total outstanding shares during any 90 consecutive days through open market on the Shanghai Stock Exchange. These rules have hampered the flexibility of disposition of the Company's holding in Lukang.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained stable during the period. As at 30 June 2017, it had cash and cash equivalents of US$72.33 million (31 December 2016: US$68.25 million), of which US$53.54 million (31 December 2016: US$46.06 million) was held in RMB equivalents in PRC bank deposits in Mainland China. The Group had no debt.

EMPLOYEES

As at 30 June 2017, the Company employed 10 staffs. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other benefits include discretionary bonus, medical schemes, defined benefit contribution provident fund schemes, and an employee share option scheme. Training courses are provided to staff where necessary. The Group's staff costs for the six months ended 30 June 2017 amounted to approximately US$0.69 million (2016: US$0.67 million).

PROSPECTS

Armed with a more stable yuan and reduced capital outflows, China has been able to tighten credit without causing market panic or affecting headline growth. In fact, with solid growth in the property market, it will have little problem reaching its full-year growth target of about 6.5% while maintaining stability ahead of a leadership reshuffle later this year. Data for second-quarter gross domestic product showed its economy expanded at a respectable clip of 6.9%, well ahead of market expectations. The details of the data also revealed some encouraging signs. Household consumption accounted for close to 70% of GDP expansion in the second quarter. Its share has risen by 13.5% over the past two years while the investment share in the economy has fallen from 35.8% to 32.6%, suggesting a clear rebalancing from investment to consumption has taken hold. Progressing hand-in-hand with rising consumption, the economy has also become more services-oriented, and its growth has continued to outpace that of the manufacturing and agricultural sectors. Not only is services-sector growth more self-sustaining as it tailors itself to domestic consumption, it also tends to be capital-light and hence requires less investment and debt. Moreover, the services sector tends to be dominated by private-sector businesses which are generally more productive and less indebted than state-owned companies. This improvement in the structure will help economic growth be less affected by the external environment and become more sustainable.

China's exports should continue to do well given the relatively positive outlook for its main trading partners though there is concern that the current pace of imports can be sustained given the increasing headwinds to China's economy from policy tightening. However, it is anticipated that, should growth weaken, the People's Bank of China is likely to gradually decrease short-term interest rates and ease liquidity constraints on the country's financial system.

The U.S. economy has been the standard bearer for the modestly expanding global economy since the 2008 financial crisis. It has grown at a stable, if unspectacular, rate that has been enough to propel U.S. equity outperformance. However, weak growth in the first half year and the outlook that fiscal policy will be less expansionary than previously expected has caused the International Monetary Fund ("IMF") to cut its growth projection to 2.1% from 2.3% for 2017. The current macro backdrop — low unemployment, reasonable wage growth, and a stable-to-weak U.S. dollar — also provides the Federal Reserve the cover it needs to continue to raise interest rates. Tighter monetary policy, barring an unlikely sizeable fiscal expansion, will slow the economy.

The IMF also projected the slowdown in the U.S. would be offset by increased forecasts for the rest of the world. In Europe, a much-anticipated credit and earnings cycle is underway and the growth of many euro area countries, including Germany and France, have largely beaten expectations. Also, voters have overwhelmingly favored pro-Europe candidates over Eurosceptic contenders. The German federal election in September 2017 is likely to continue the trend and produce market-friendly results. A significantly-weakened but now relatively stable Euro has provided a nice tailwind to the profitability of Europe's many multi-national businesses. In emerging markets, growth continues to exceed expectations since bottoming out in 2016. Massive policy support from China helped boost global demand for commodities, providing a tailwind and a path out of recession for emerging economies like Russia and Brazil. Leading indicators of emerging markets, as represented by the Purchasing Managers' Index, continue to point higher, providing a potential tailwind for financial markets. Overall, it is anticipated global growth will be stable or accelerating for the rest of the year.

Looking ahead, the China stock market will benefit from additional liquidity generated by fund flows from the Stock Connect schemes between it and Hong Kong as well as through inclusion of A-shares in the MSCI Emerging Markets Index. However, tightening of China's property market and the uncertainty of protectionist measures by the Trump administration could potentially pose headwinds to the market. In Hong Kong, the continued drop in mainland Chinese tourists is still having a knock-on impact on economic growth. Nevertheless, from a valuation perspective, the domestic bank and commercial property sectors and diversified regional and global conglomerates look attractive from a longer-term view. Balance sheets for Hong Kong blue chips are typically very conservative, franchises robust, and management teams are well known to investors over many years. With these relative merits, mainland investors have been pouring money into the market via trading links with Shanghai and Shenzhen, building ownership of more than 10% of the issued share capital of 45 Hong Kong-listed companies by end of June. With this trend expected to be sustained, it is anticipated the Hong Kong market will continue to perform well for the rest of the year.

The pace of new investments by the Group has remained slow due to a combination of various factors, including the restrictive regulations in China on hospital investments by foreigner entities, the current focus investment strategy of the Group, and the Company's restricted use of renminbi balance under certain foreign exchange regulations applicable to its holdings in Lukang. It is unavoidable that the China investment process, which involves mainland bureaucracy, will incur extra time than that in Hong Kong. The Group has been reviewing and investigating various investment opportunities related to the health industry in China to strengthen its portfolio for long term capital appreciation. However, as has been reiterated in the past, investment will be proceeded with on a very cautious basis, bearing in mind the evolving economic situations in mainland China and other major economies which could have reverberating effects on existing and potential investments.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Appendix 10 of the Listing Rules "Model Code for Securities Transactions by Directors of Listed Issuers" as rules for securities transactions initiated by the directors of the Company. Following specific enquiry by the Company, all directors have confirmed that they fully complied with the standard laid down in the said rules at any time during the period ended 30 June 2017.

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

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

LIST OF DIRECTORS

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

By Order of the Board
Lo Yuen Yat
Chairman

Hong Kong, 25 August 2017