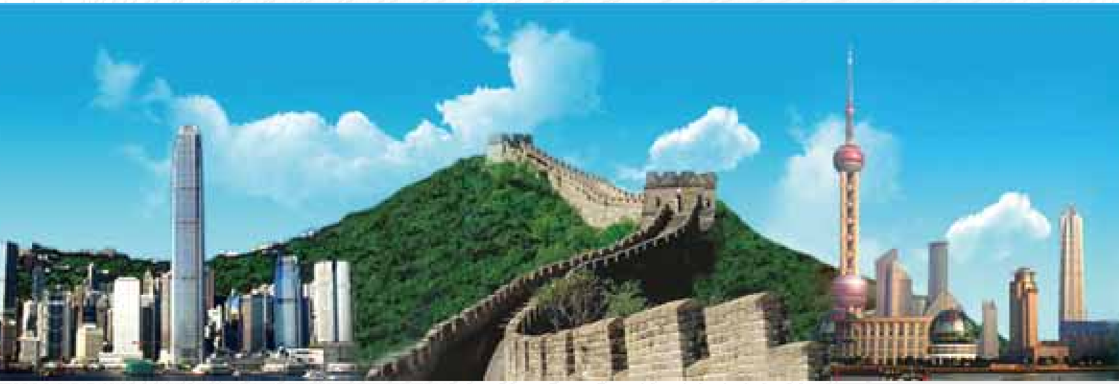
CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)



INTERIM REPORT

2010

Corporate Information

Board of Directors

Executive Directors

Mr. Lo Yuen Yat *(Chairman)*
Mr. Xu Xiao Feng
Ms. Lao Yuan Yuan

Non-executive Directors

Mr. Jiang Wei
Mr. Yeung Wai Kin
Mr. Zhao Yu Qiao

Independent Non-executive Directors

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

Company Secretary

Mr. Lau On Kwok

Audit Committee

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

Remuneration Committee

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

Solicitors

Victor Chu & Co.

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Bankers

Bank of China (Hong Kong) Limited
CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank

Custodian

Citibank, N.A., Hong Kong Branch

Registrars

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

Registered Office

19th Floor, Wing On House
71 Des Voeux Road Central
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E-mail address: info@chinaassets.com
Website: www.chinaassets.com

Stock Code

170

Unaudited Interim Results

The Board of Directors of China Assets (Holdings) Limited (the "Company") has pleasure in reporting the following unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010:

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

		Unaudited Six months ended 30 June	
	Note	**2010** **US$**	2009 US$
Income	2	**568,631**	459,190
Other gains – net	3	**1,718,764**	3,946,716
Other income	4	**323,840**	—
Impairment loss on loan and other receivables	5	**(6,906,738)**	—
Administrative expenses	6	**(1,008,870)**	(1,023,813)
Operating (loss)/profit		**(5,304,373)**	3,382,093
Share of profits of associates		**82,897**	917,989
(Loss)/profit before income tax		**(5,221,476)**	4,300,082
Income tax expenses	7	**(212,435)**	(25,720)
(Loss)/profit attributable to the equity holders of the Company		**(5,433,911)**	4,274,362
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period			
Basic	8	**(0.0710)**	0.0558
Diluted	8	**(0.0710)**	0.0556
Dividend	9	**—**	—

The notes on pages 6 to 12 form an integral part of this condensed consolidated financial statement.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June 2010 US$	2009 US$
(Loss)/profit for the period	**(5,433,911)**	4,274,362
Other comprehensive income		
Share of post-acquisition reserves of associates	**(1,025,516)**	1,614,000
Release of capital reserve upon deemed disposal of partial interests in an associate	—	(20,905)
Exchange differences arising on translation of associates and subsidiaries	**(440,223)**	(4,703)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(1,705,338)**	—
Fair value gain of available-for-sale financial assets, net of deferred income tax	**3,560,868**	19,241,450
Other comprehensive income for the period	**389,791**	20,829,842
Total comprehensive (loss)/income for the period	**(5,044,120)**	25,104,204
Attributable to:		
Equity holders of the Company	**(5,044,120)**	25,104,204

The notes on pages 6 to 12 form an integral part of this condensed consolidated financial statement.

Condensed Consolidated Balance Sheet

As at 30 June 2010

	Note	Unaudited 30 June 2010 US$	Audited 31 December 2009 US$
Non-current assets			
Investments in associates		**52,843,499**	54,379,517
Available-for-sale financial assets		**90,646,789**	85,601,256
Loan receivables		**3,283,756**	6,471,930
		146,774,044	146,452,703
Current assets			
Loan receivables		**2,094,586**	2,964,933
Other receivables, prepayments and deposits		**1,009,673**	751,486
Financial assets at fair value through profit or loss		**7,096,283**	7,093,943
Cash and cash equivalents	9	**27,657,263**	31,078,367
		37,857,805	41,888,729
Total assets		**184,631,849**	188,341,432
Equity attributable to the equity holders of the Company			
Share capital	10	**7,655,816**	7,655,816
Reserves		**170,778,770**	175,822,890
Total equity		**178,434,586**	183,478,706
Current liabilities			
Accounts payable		**18,837**	141,646
Accrued expenses		**14,447**	141,755
Amount due to a related company		**308,121**	309,598
Current income tax liabilities		**933,584**	756,344
		1,274,989	1,349,343
Non-current liabilities			
Deferred income tax liabilities		**4,922,274**	3,513,383
Total liabilities		**6,197,263**	4,862,726
Total liabilities and equity		**184,631,849**	188,341,432
Net current assets		**36,582,816**	40,539,386
Total assets less current liabilities		**183,356,860**	186,992,089

The notes on pages 6 to 12 form an integral part of this condensed consolidated financial statement.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	US$	*US$*
Cash flows used in operating activities	**(4,254,860)**	(182,460)
Cash flows generated from/(used in) investing activities	**879,290**	(2,146,218)
Decrease in cash and cash equivalents	**(3,375,570)**	(2,328,678)
Effect of foreign exchange rate changes	**(45,534)**	(28,998)
Cash and cash equivalents at 1 January	**31,078,367**	41,726,193
Cash and cash equivalents at 30 June	**27,657,263**	39,368,517
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**27,657,263**	39,368,517

The notes on pages 6 to 12 form an integral part of this condensed consolidated financial statement.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Unaudited							
	Share Capital *US$*	Share premium *US$*	Capital reserve *US$*	Exchange translation reserve *US$*	Share-based compensation reserve *US$*	Investment revaluation reserve *US$*	Retained earnings *US$*	Total *US$*
At 1 January 2010	**7,655,816**	**69,059,844**	**8,304,329**	**698,575**	**1,927,373**	**43,380,226**	**52,452,543**	**183,478,706**
Loss attributable to the equity holders of the company	**–**	**–**	**–**	**–**	**–**	**–**	**(5,433,911)**	**(5,433,911)**
Share of post-acquisition reserves of associates	**–**	**–**	**(1,025,516)**	**–**	**–**	**–**	**–**	**(1,025,516)**
Exchange differences arising on translation of associates and subsidiaries	**–**	**–**	**–**	**(440,223)**	**–**	**–**	**–**	**(440,223)**
Fair value gains of available-for-sale financial assets, net of deferred income tax	**–**	**–**	**–**	**–**	**–**	**3,560,868**	**–**	**3,560,868**
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(1,705,338)**	**–**	**(1,705,338)**
Total comprehensive loss for the period ended. 30 June 2010	**–**	**–**	**(1,025,516)**	**(440,223)**	**–**	**1,855,530**	**(5,433,911)**	**(5,044,120)**
At 30 June 2010	**7,655,816**	**69,059,844**	**7,278,813**	**258,352**	**1,927,373**	**45,235,756**	**47,018,632**	**178,434,586**
At 1 January 2009	7,655,816	69,059,844	6,944,017	734,474	1,927,373	8,329,658	44,823,659	139,474,841
Profit attributable to the equity holders of the Company	–	–	–	–	–	–	4,274,362	4,274,362
Share of post-acquisition reserves of associates	–	–	1,614,000	–	–	–	–	1,614,000
Release of capital reserve upon deemed disposal of partial interests in an associate	–	–	(20,905)	–	–	–	–	(20,905)
Exchange differences arising on translation of associates and subsidiaries	–	–	–	(4,703)	–	–	–	(4,703)
Fair value gains of available-for-sale financial assets, net of deferred income tax	–	–	–	–	–	19,241,450	–	19,241,450
Total comprehensive income for the period ended 30 June 2009	–	–	1,593,095	(4,703)	–	19,241,450	4,274,362	25,104,204
At 30 June 2009	7,655,816	69,059,844	8,537,112	729,771	1,927,373	27,571,108	49,098,021	164,579,045

The notes on pages 6 to 12 form an integral part of this condensed consolidated financial statement.

Notes to the Condensed Consolidated Financial Statement

1. Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and basis of preparation adopted in these condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The adoption of the new/revised HKFRS, which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to the Group and effective from the current period, did not have any significant effect on the financial position or performance of the Group.

(a) Amendments, revision and interpretation to existing standards effective in 2010 but not relevant to the Group:

- HKAS 17 (Amendment), "Leases" is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no lease.

- HKAS 39 (Amendment), "Eligible hedged items" is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging item.

- "Additional exemptions for first-time adopters" (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

- HKFRS 2 (Amendment), "Group cash-settled share-based payment transaction" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- HKFRS 3 (Revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has no business combination for which the acquisition date is on or after 1 July 2009.

1. Basis of preparation and accounting policies *(Continued)*

(a) *(Continued)*

- HK(IFRIC) – Int 17, "Distributions of non-cash assets to owners" is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- First improvements to IFRS (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to IFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(b) The following new standard, new interpretation, amendments and revision to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, "Financial instruments" addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 24 (Revised) "Related party disclosures" supersedes HKAS 24 "Related party disclosures" issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised HKAS 24 from 1 January 2011.

- Under "Classification of rights issues" (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted. This is not currently applicable to the Group.

1. Basis of preparation and accounting policies *(Continued)*

(b) *(Continued)*

- Amendments to HK(IFRIC) Int – 14 "Prepayments of a minimum funding requirement" corrects an unintended consequence of HK(IFRIC) Int-14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int – 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

- HK(IFRIC) – Int 19, "Extinguishing financial liabilities with equity instruments" clarifies the requirements of HKFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. This is not relevant to the Group as the Group does not have such arrangement.

- "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.

- Third improvements to IFRS (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

2. Income and segment information

The principal activity of the Group is investment holding in Hong Kong and the Mainland China. Income, which also represents the Group's turnover, recognised during the period is as follows:

	Unaudited Six months ended 30 June	
	2010	2009
	US$	*US$*
Income		
Bank interest income	**116,981**	149,731
Loan interest income	**379,505**	190,542
Dividend income from listed investments	**72,145**	118,917
	568,631	459,190

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 HKFRS financial statements.

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

3. Other gains — net

	Unaudited Six months ended 30 June	
	2010	2009
	US$	*US$*
Gain on disposal of available-for-sales financial assets	**1,893,061**	—
Unrealised fair value (losses)/gains on financial assets at fair value through profit or loss	**(396,921)**	2,763,240
Gains on disposal of financial assets at fair value through profit or loss	—	821,395
Profit on disposal of an associate	—	293,040
Loss on deemed disposal of partial interests of an associate	—	(44,195)
Net exchange gain/(loss)	**215,756**	(10,625)
Others	**6,868**	123,861
	1,718,764	3,946,716

4. Other income

	Unaudited Six months ended 30 June	
	2010	2009
	US$	*US$*
Reversal of provision for impairment of other receivable	**323,840**	—

5. Impairment loss on loan and other receivables

The Group has made a full provision against loan and other receivables, amounted to US$6,906,738 for the six months ended 30 June 2010.

6. Administrative expenses

Expense included in administrative expenses is analysed as follows:

	Unaudited Six months ended 30 June	
	2010	2009
	US$	*US$*
Management fees paid/payable to a related company	**812,266**	746,542

7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Income tax expense on overseas profits has been calculated on the estimated assessable profit for the period at the rates of income tax prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30 June	
	2010	2009
	US$	*US$*
Current income tax:		
— Overseas income tax	**212,435**	25,720
	212,435	25,720

8. (Losses)/earnings per share

The calculation of basic losses per share are based on the Group's loss attributable to the equity holders of the Company of US$5,433,911 (2009: earning of US$4,274,362) and the weighted average number of 76,558,160 (2009: 76,558,160) ordinary shares in issue during the period.

The Company has share options outstanding for the six months ended 30 June 2009 which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighed average number of ordinary shares outstanding to assume conversion of 300,894 dilutive potential ordinary shares.

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

9. Interim dividend

The directors do not recommend the payment of an interim dividend (2009: US$ Nil) for the six months ended 30 June 2010.

10. Cash and cash equivalents

Included in the cash and cash equivalents of the Group are Renminbi deposits and cash in the Mainland China of US$15,932,275 (31 December 2009: US$13,661,239). Renminbi is not a freely convertible currency.

11. Share capital

	30 June 2010 (Unaudited) ***US$***	31 December 2009 (Audited) *US$*
Authorised:		
160,000,000 shares of US$0.10 each	**16,000,000**	16,000,000

	Number of share US$0.10 each	**Ordinary share** *US$*
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	76,558,160	7,655,816
At 1 January 2010 and 30 June 2010	76,558,160	7,655,816

12. Capital commitments

As at 30 June 2010 and 31 December 2009, the Group's capital commitment for available-for-sale financial asset was as follows:

	30 June 2010 (Unaudited) *US$*	31 December 2009 (Audited) *US$*
Contracted but not provided for	**2,215,723**	—

As at 30 June 2010 and 31 December 2009, the Group's share of capital commitments of an associate was as follows:

	30 June 2010 (Unaudited) *US$*	31 December 2009 (Audited) *US$*
Contracted but not provided for	**5,820,601**	4,742,452
Authorised but not contracted for	**21,290,059**	25,340,996

13. Related party transactions

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

(a) During the period, the Company paid management fees totalling US$812,266 (2009: US$746,542) to China Assets Investment Management Limited ("CAIML") under the management agreement signed between the Company and CAIML.

CAIML is an associate of First Shanghai Investments Limited ("FSIL") which is an associate of the Company. Mr. Lo Yuen Yat ("Mr. Lo"), the Chairman and an executive director of the Company, Mr. Xu Xiao Feng ("Mr. Xu") and Ms. Lao Yuan Yuan ("Ms. Lao"), executive directors of the Company, and Mr. Yeung Wai Kin ("Mr. Yeung"), an non-executive director of the Company, are also the directors of CAIML. Mr. Yeung and Mr. Xu are the shareholders of CAIML. Mr. Lo and Mr. Yeung are the shareholders and directors of FSIL. Ms. Lao is a shareholder of FSIL.

(b) As at 30 June 2010, management fee payable to CAIML amounted to US$8,911 (31 December 2009: US$8,645) The balance is denominated in United States dollar, unsecured, interest-free and will be settled in the third quarter of 2010.

(c) The amount due to a related company is denominated in United States dollars, unsecured, interest-free and repayable on demand.

Net Asset Value

The unaudited consolidated net asset value per share of the Group at 30 June 2010 was US$2.3307 (31 December 2009: US$2.3966).

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

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Shares in the Company

	Number of shares held			% of the
Name of director	Personal interests	Corporate interests	Total	issued share capital
Lo Yuen Yat	100,000	0	100,000	0.13%
Fan Jia Yan	75,000	0	75,000	0.09%

Director's and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations *(Continued)*

Options in respect of shares in the Company

Details of the share options granted under the share option scheme approved on 19 May 2004 (the "Scheme") remain outstanding as at 30 June 2010 are as follows:

	Options held at 1 January 2010	Options exercised during the period	Options held at 30 June 2010	Exercise price *HK$*	Closing price before the date of grant *HK$*	Date of grant	Exercise period
Directors:							
Lo Yuen Yat	725,000	–	725,000	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	750,000	–	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Xu Xiao Feng	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
Jiang Wei	50,000	–	50,000	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	500,000	–	500,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Yeung Wai Kin	500,000	–	500,000	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	750,000	–	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Zhao Yu Qiao	305,000	–	305,000	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	750,000	–	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Wu Ming Yu	70,000	–	70,000	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	75,000	–	75,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Employees of CAIML	100,000	–	100,000	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	1,400,000	–	1,400,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
	7,475,000	–	7,475,000				

Apart from the above, as at 30 June 2010, none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

The register of substantial shareholders' interests maintained under section 336 of the SFO reveals that as at 30 June 2010, the Company had been notified of the following interests of the substantial shareholders of the Company, being 5% or more of the Company's issued shares that carry a right to vote at general meetings of the Company.

Name	Type of interest	Capacity	Number of ordinary shares held	Percentage of issued share capital
First Shanghai Investments Limited ("FSIL") *(Note 1)*	Corporate	Interest of Controlled Corporation	25,162,866	32.87%
First Shanghai Direct Investments Limited ("FSDI") *(Note 1)*	Corporate	Interest of Controlled Corporation	25,162,866	32.87%
Golad Resources Limited *(Note 1)*	Corporate	Beneficial Owner	25,162,866	32.87%
Deutsche Bank Aktiengesellschaft	Corporate	Security Interest Beneficial owner	16,738,918 3,176,082	21.86% 4.15%
QVT Financial LP *(Note 2)*	Corporate	Investment Manager	17,093,918	22.33%
QVT Financial GP LLC *(Note 2)*	Corporate	Interest of Controlled Corporation	17,093,918	22.33%
QVT Associates GP LLC *(Note 3)*	Corporate	Interest of Controlled Corporation	16,863,526	22.03%
QVT Fund LP *(Note 3)*	Corporate	Beneficial Owner	15,337,878	20.03%
Chen Dayou *(Note 4)*	Personal	Interest of Controlled Corporation	8,075,000	10.55%
Team Assets Group Limited *(Note 4)*	Corporate	Beneficial Owner	8,075,000	10.55%

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations *(Continued)*

Note:

(1) Both FSIL and FSDI had corporate interests in the issued share capital of the Company through their indirect or direct share interests in Golad Resources Limited. Golad Resources Limited is wholly-owned by FSDI, which is, in turn, wholly-owned by FSIL.

(2) QVT Financial GP LLC had interest in QVT Financial LP which is deemed to have interest in the issued share capital of the Company since QVT Financial LP acts in the capacity of an investment manager to QVT Fund LP.

(3) QVT Associates GP LLC had interest in the issued share capital of the Company through its interest in QVT Fund LP.

(4) Chen Dayou had 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 the interests described above represent 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 30 June 2010.

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.

Code on Corporate Governance Practices

The Code on Corporate Governance Practices setting out in Appendix 14 of the Listing Rules (the "CG Code") was introduced on 1 January 2005. Accordingly, the Company adopted the code provisions in the CG Code as its own code on corporate governance practices in January 2005.

During the six months ended 30 June 2010, the Company has complied with the code provisions in the CG Code.

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 interim accounts 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 2010.

Investment Review

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") reported a loss of approximately US$5.43 million for the six months ended 30 June 2010, comparing with a profit of US$4.27 million for the same period of 2009. The loss was mainly due to impairment loss on loan receivable and unrealised losses on financial assets at fair value through profit or loss.

Benefited from improved product mix and effective cost control, Shandong Lukang Pharmaceutical Co. Ltd. ("Lukang") reported an outstanding 2010 interim result with profit of RMB81.84 million (approximately US$12.09 million). The Company sold 1.6 million shares at an average price of over RMB9.00 per share during the period. A disposal profit of US$1.89 million was recorded as a result.

During the period, the Company made full provision of US$6.91 million on loan and interest receivable from UniMedia Ltd. ("UniMedia"). UniMedia is engaged in provision of outdoor media services by installing advertising poster frames at commercial buildings across China. UniMedia was unable to meet the budget and continued to record operating losses for the first half of 2010. Although UniMedia actively looked for new investors, it encountered serious difficulties in view of the negative outlook on the outdoor media industry in China.

Compared with the same period of 2009, First Shanghai Investments Ltd. ("FSIL") recorded stable growth from its stockbroking and corporate finance business amid the robust Hong Kong stock market. FSIL reported loss of HK$10.67 million (approximately US$1.37 million) for the period, mainly because of declined incomes from its property development and share of losses from its associates.

As at 30 June 2010, the consolidated net asset value of the Group was US$178.43 million, representing a 2.75% drop from US$183.48 million as at 31 December 2009. Apart from the factors mentioned above, unrealised fair value gains on available-for-sale financial assets of approximately US$3.56 million was also included in the consolidated balance sheet, mainly contributed by Lukang's share price increase.

China's economy continued to grow robustly for the first half of 2010, reporting a year-on-year GDP growth of 11.1%. Along with the strong GDP growth, the consumer price index started to pick up and recorded a rise of 2.6% year-on-year, of which the price of food went up by 5.5%. The producer price index and the purchaser prices for raw material, fuel and power further rose by 6.0% and 10.8% respectively. On the back of expansionary monetary policy, the real estate investment surged by 38.1%, compared with the overall growth of 25.0% on fixed assets investment for the same period. As the global economy is recovered better than expected, it is believed that the PRC government will gradually withdraw the loose monetary policy. More control measures will be implemented to slow down overheated sectors such as property market. Furthermore, new reforms are also expected to facilitate rural-urban integration and ensure sustainable economic growth.

A review of the Group's investment is set out below.

Major Long-Term Investments

Investments in associates

First Shanghai Investments Limited ("FSIL")

During the period, FSIL recorded stable growth from its stockbrokerage business. As a result of declined securities investment income and share of losses from its associates, FSIL reported loss of HK$10.67 million (approximately US$1.37 million) for the six months ended 30 June 2010.

During the period, FSIL announced further delay on completion of an asset disposal transaction from which FSIL was expected to record gain of HK$4 million (approximately US$0.5 million).

Major Long-Term Investments *(Continued)*

Available-for-sale financial assets

Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang")

During the period, Lukang reported profit of RMB81.84 million (approximately US$12.09 million), representing increase of more than 7 times over the same period of 2009. The increase was mainly due to improved cost control and product mix as well as higher products demand in the first quarter of 2010.

As a result of positive outlook, Lukang share price increased over the period and the Company disposed of 1.6 million shares with a profit of more than US$1.89 million. Lukang A-share closed at RMB7.37 on 30 June 2010, representing 8% increase over RMB6.82 as at 31 December 2009, after hitting one-year high of RMB9.68 per share.

As at 30 June 2010, the fair value of Lukang was stated as US$67.55 million and the unrealised fair value gain US$4.43 million was transferred to the investment revaluation reserve.

In June 2010, Lukang entered into strategic cooperation framework agreement with the government of Zoucheng City, Shandong to set up a bio-pharmaceutical industrial park. The project will be implemented in different phrases and expected total investment is up to RMB3.5 billion. The government of Zhoucheng City will provide various favorable terms to facilitate Lukang to develop its bio-pharmaceutical business in the new park.

PingAn Defeng Collective Fund Trust Plan ("PingAn Trust")
China Alpha Fund ("China Alpha")

As the negative effects of massive stimulus program surfaced, it was expected that the PRC government would start to withdraw the loose monetary policy and the stock market declined in both Mainland China and Hong Kong as a result.

During the period, PingAn Trust and China Alpha recorded unrealised fair value losses of US$0.73 million and US$0.24 million respectively, which were transferred to the investment revaluation reserve accordingly.

Red Stone Fund ("RS Fund")

During the period, the Company committed to invest indirectly a total of RMB30 million in RS Fund, which aimed to invest in mineral, energy or related industries in the PRC. Total fund size was RMB500 million and the first subscription of RMB15 million (approximately US$2.22 million) was paid by the Company in February 2010.

Major Long-Term Investments (Continued)

Financial assets at fair value through profit or loss

The Group did not dispose of any of its listed portfolio during the period. The financial assets held at 30 June 2010 had a fair value of US$5.38 million. Unrealised fair value loss of US$0.40 million was included in the consolidated income statement for the period.

Holygene Corporation ("Holygene")

During the period, Holygene continued its application process for EPO certification. Positive results were received from comparable studies but the whole application schedule was expected to be prolonged for 6 months as a result of production delay from its contractor.

In accordance with the independent valuation, the Group recorded a fair value gain of US$0.32 million on the convertible note, which was included in the consolidated income statement for the period.

Investments For Which Full Provision Had Been Made

Investments in associates

Smartbuy Group Holdings Ltd. ("Smartbuy")
iMedia Holdings Limited ("iMedia")

Both Smartbuy and iMedia were running out of financial resources and they might enter into liquidation if no new funding could be found.

Available-for-sale financial assets

Canton Property Investment Ltd. ("Canton Property")

During the period, the Company continued to follow up with the provisional liquidator about the latest development of Canton Property. No significant progress was reported but the Company would try different alternatives to recover any remaining assets from Canton Property.

Other investments

Loan receivables

UniMedia Limited ("UniMedia")

UniMedia is engaged in outdoor media business with a target of providing advertising poster frames at commercial buildings in major cities across China. After set-up in 2007, UniMedia expanded rapidly and installed nearly 70,000 frames in over 10 major cities in China. UniMedia encountered liquidity problem at the end of 2009 and the Group's investment of US$6.47 million was converted to loan after the Group decided not to provide additional funding to UniMedia. For the six months ended 30 June 2010, UniMedia failed to meet its budget and reported losses of RMB3.95 million (approximately US$0.58 million). Although UniMedia actively looked for new investors, it met difficulties as a result of the negative outlook on outdoor media industry in China. In view of its financial position and continuing losses, the Group made the full provision for the loan and interest receivable and incurred impairment losses of US$6.92 million in total.

Liquidity and Financial Resources

The financial position of the Group remained stable during the period. As at 30 June 2010, the Group had cash and cash equivalents of US$27.66 million (31 December 2009: US$31.08 million), of which US$15.93 million (31 December 2009: US$13.66 million) were held in RMB equivalent in form of the PRC banks' deposit held in Mainland China, and no debt. Most of the Group's investments are located in Mainland China. RMB is not a freely convertible currency and the RMB exchange rate against US dollar remained stable during the period.

Employees

The Company is managed by China Assets Investment Management Limited. A qualified accountant was employed by the Company. In addition to basic salary payments, other benefits include mandatory provident funds scheme and discretionary employee share option scheme.

Prospects

Entering into the third quarter, the China stock market declined across-the-board and Lukang was no exception. In July, Lukang announced a strong profit forecast for the first half of 2010 and its share price rebounded afterwards. As the PRC government continues to implement the healthcare reform, it is believed that Lukang, being one of the major antibiotic drugs suppliers in China, will benefit in the long term. The Company will continue to follow closely the development of Lukang.

By Order of the Board
Lo Yuen Yat
Chairman

Hong Kong, 27 August 2010