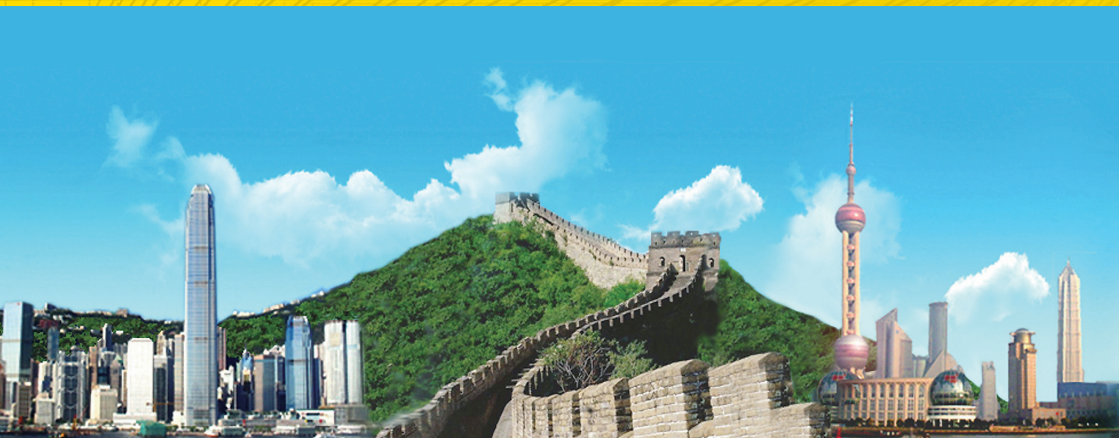


CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)



INTERIM REPORT

2013

Corporate Information

Board of Directors

Executive Directors

Mr. Lo Yuen Yat (*Chairman*)

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. Cheng Sai Wai

Audit Committee

Mr. Fan Jia Yan

Mr. Wu Ming Yu

Mr. Yeung Wai Kin

Remuneration Committee

Mr. Fan Jia Yan

Mr. Lo Yuen Yat

Dr. David William Maguire

Nomination Committee

Mr. Lo Yuen Yat

Mr. Fan Jia Yan

Mr. Wu Ming Yu

Solicitors

ReedSmith Richards Butler

David Norman & Co.

Auditor

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

Bankers

China CITIC Bank International Limited

Shanghai Pudong Development Bank

Co. Ltd.

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

Hong Kong

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E-mail address: info@chinaassets.com

Website: www.chinaassets.com

Stock Code

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 2013:

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2013	2012
		US\$	US\$
Income	6	332,843	353,571
Other gains/(losses) — net	7	3,850,135	(5,280,952)
Administrative expenses	8	(1,128,567)	(1,216,434)
Operating profit/(loss)		3,054,411	(6,143,815)
Share of losses of associates		(30,827)	(821,077)
Provision for impairment of investment in an associate		—	(2,900,776)
Profit/(loss) before income tax		3,023,584	(9,865,668)
Income tax expense	9	(2,120)	(2,352)
Profit/(loss) for the period attributable to the equity holders of the Company		3,021,464	(9,868,020)
Earnings/(losses) per share attributable to the equity holders of the Company			
Basic	10	0.0394	(0.1286)
Diluted	10	0.0393	(0.1286)
Dividend	11	—	—

The notes on pages 7 to 17 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	US\$	US\$
Profit/(loss) for the period	3,021,464	(9,868,020)
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss</i>		
Share of post-acquisition reserves of associates	252,437	348,625
Exchange differences arising on translation of associates and subsidiaries	300,551	(123,758)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	(1,451,021)	986,794
Fair value losses of available-for-sale financial assets, net of deferred income tax	(1,921,628)	(2,564,241)
Other comprehensive loss for the period, net of tax	(2,819,661)	(1,352,580)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company	201,803	(11,220,600)

The notes on pages 7 to 17 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at 30 June 2013

	Note	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
ASSETS			
Non-current assets			
Investments in associates		65,333,585	64,994,838
Available-for-sale financial assets		45,147,015	49,713,074
Total non-current assets		110,480,600	114,707,912
Current assets			
Loans receivable	12	4,072,391	4,360,588
Other receivables, prepayments and deposits	13	265,690	126,133
Financial assets at fair value through profit or loss		5,267,126	7,040,033
Cash and cash equivalents	14	26,357,560	20,337,805
Total current assets		35,962,767	31,864,559
Total assets		146,443,367	146,572,471
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	7,675,816	7,675,816
Reserves		134,035,461	133,833,658
Total equity		141,711,277	141,509,474
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		2,803,526	2,908,560
Current liabilities			
Accounts payable		80,276	160,272
Accrued expenses		143,987	298,986
Amounts due to related companies	17(b)	306,957	312,037
Current income tax liabilities		1,397,344	1,383,142
Total current liabilities		1,928,564	2,154,437
Total liabilities		4,732,090	5,062,997
Total equity and liabilities		146,443,367	146,572,471
Net current assets		34,034,203	29,710,122
Total assets less current liabilities		144,514,803	144,418,034

The notes on pages 7 to 17 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	US\$	US\$
Cash flows used in operating activities	(1,224,928)	(1,482,421)
Cash flows from investing activities	7,110,990	5,468,251
Net increase in cash and cash equivalents	5,886,062	3,985,830
Exchange gains/(losses) on cash and cash equivalents	133,693	(61,944)
Cash and cash equivalents at beginning of the period	20,337,805	18,681,992
Cash and cash equivalents at end of the period	26,357,560	22,605,878

The notes on pages 7 to 17 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Share capital	Share premium	Capital reserve	Unaudited		Investment revaluation reserve	Retained earnings	Total
				Exchange translation reserve	Share-based compensation reserve			
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2013	7,675,816	69,107,882	8,027,869	2,942,187	1,573,881	17,733,406	34,448,433	141,509,474
Comprehensive income								
Profit for the period attributable to equity holders of the Company	—	—	—	—	—	—	3,021,464	3,021,464
Other comprehensive income/(loss)								
Share of post-acquisition reserves of associates	—	—	252,437	—	—	—	—	252,437
Exchange differences arising on translation of associates and subsidiaries	—	—	—	300,551	—	—	—	300,551
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	—	—	—	—	—	(1,451,021)	—	(1,451,021)
Fair value losses of available-for-sale financial assets	—	—	—	—	—	(2,026,662)	—	(2,026,662)
Deferred income tax on fair value gains of available-for-sale financial assets	—	—	—	—	—	105,034	—	105,034
Total other comprehensive income/(loss) for the period, net of tax	—	—	252,437	300,551	—	(3,372,649)	—	(2,819,661)
Total comprehensive income/(loss) for the period ended 30 June 2013	—	—	252,437	300,551	—	(3,372,649)	3,021,464	201,803
Balance at 30 June 2013	7,675,816	69,107,882	8,280,306	3,242,738	1,573,881	14,360,757	37,469,897	141,711,277

The notes on pages 7 to 17 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2012

	Share capital US\$	Share premium US\$	Capital reserve US\$	Unaudited		Investment revaluation reserve US\$	Retained earnings US\$	Total US\$
				Exchange translation reserve US\$	Share-based compensation reserve US\$			
Balance at 1 January 2012	7,675,816	69,107,882	7,367,380	2,663,003	1,826,375	24,939,781	55,011,199	168,591,436
Comprehensive loss								
Loss for the period attributable to equity holders of the Company	—	—	—	—	—	—	(9,868,020)	(9,868,020)
Other comprehensive income/(loss)								
Share of post-acquisition reserves of associates	—	—	348,625	—	—	—	—	348,625
Exchange differences arising on translation of associates and subsidiaries	—	—	—	(123,758)	—	—	—	(123,758)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	—	—	—	—	—	986,794	—	986,794
Fair value losses of available-for-sale financial assets	—	—	—	—	—	(2,867,480)	—	(2,867,480)
Deferred income tax on fair value gains of available-for-sale financial assets	—	—	—	—	—	303,239	—	303,239
Total other comprehensive income/(loss) for the period, net of tax	—	—	348,625	(123,758)	—	(1,577,447)	—	(1,352,580)
Total comprehensive income/(loss) for the period ended 30 June 2012	—	—	348,625	(123,758)	—	(1,577,447)	(9,868,020)	(11,220,600)
Transaction with owners in their capacity as owners								
Employees share option scheme: — transfer of reserve upon lapse of share options	—	—	—	—	(252,494)	—	252,494	—
Total transactions with owners	—	—	—	—	(252,494)	—	252,494	—
Balance at 30 June 2012	7,675,816	69,107,882	7,716,005	2,539,245	1,573,881	23,362,334	45,395,673	157,370,836

The notes on pages 7 to 17 form an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. General information

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

The Company 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 23 August 2013. The condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

- (a) There are no amendments, revisions and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.
- (b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Financial Statements (Continued)

3. Accounting policies (Continued)

- (c) The following Standard and amendments to existing Standards have been issued but are not effective for financial year beginning 1 January 2013 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKFRS 7 and 9 (Amendment)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10,12 and HKAS 27 (2011) (Amendment)	Investment Entities	1 January 2014
HK(IFRIC)-Int 21	Levies	1 January 2014

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

4. Estimates

The preparation of unaudited condensed consolidated financial information requires management to make judgements, 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 unaudited condensed consolidated financial information, the significant judgements 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 2012.

Notes to the Condensed Consolidated Financial Statements (Continued)

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

There have been no changes in the risk management responsible departments since year end or in any risk management policies.

5.2 Fair value estimation

Compared to 31 December 2012, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The different levels of financial instruments carried at fair value by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 30 June 2013.

	Level 1 US\$	Unaudited Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss			
— listed equity securities	3,888,670	—	3,888,670
— unlisted equity securities	—	1,378,456	1,378,456
Available-for-sale financial assets			
— listed equity securities	41,539,647	—	41,539,647
— unlisted, quoted equity securities	435,730	—	435,730
— private investment fund	—	3,171,638	3,171,638
	45,864,047	4,550,094	50,414,141

Notes to the Condensed Consolidated Financial Statements (Continued)

5. Financial risk management (Continued)

5.2 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2012.

	Level 1 US\$	Audited Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss			
— listed equity securities	4,326,700	—	4,326,700
— unlisted equity securities	—	2,713,333	2,713,333
Available-for-sale financial assets			
— listed equity securities	42,296,470	—	42,296,470
— unlisted, quoted equity securities	2,788,516	—	2,788,516
— private investment fund	—	4,628,088	4,628,088
	49,411,686	7,341,421	56,753,107

For the six months ended 30 June 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2013, there were no reclassifications of financial assets.

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

	Financial assets at fair value through profit or loss US\$	Available-for-sale financial assets US\$
Opening balance at 1 January 2013	2,713,333	4,628,088
Disposal	(1,334,877)	—
Change in fair value recognised in other comprehensive income	—	(1,456,450)
Closing balance at 30 June 2013	1,378,456	3,171,638

The fair value of financial asset at fair value through profit or loss was based on the net asset value of the investment.

Notes to the Condensed Consolidated Financial Statements (Continued)

5. Financial risk management (Continued)

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

The fair value of available-for-sale financial asset was based on the fair value as assessed by an independent professional valuer.

There were no other changes in valuation techniques during the period.

5.4 Group's valuation processes

The Group's investment manager, China Assets Investment Management Limited ("CAIML"), performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values, and report and discuss directly to the Board of Directors. CAIML also explains the reasons for the fair value movements, at least for each reporting dates.

6. Income and segment information

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	US\$	US\$
Income		
Bank interest income	140,162	232,220
Loan interest income		
— an independent third party	—	17,577
— an associate	171,945	—
Dividend income from listed investments	20,736	103,774
	332,843	353,571

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

7. Other gains/(losses) — net

	Unaudited	
	Six months ended 30 June	
	2013	2012
	US\$	US\$
Listed investments		
Realised gain on disposal of a financial asset at fair value through profit or loss	—	16,872
Unrealised fair value losses on financial assets at fair value through profit or loss	(438,031)	(66,814)
	(438,031)	(49,942)
Unlisted investments		
Realised gain/(loss) on disposal of an available for sales financial asset	1,434,997	(895,772)
Realised gain on disposal of a financial asset at fair value through profit or loss	3,091,843	—
Unrealised fair value loss on a financial asset at fair value through profit or loss	—	(135,478)
	4,526,840	(1,031,250)
Net exchange gains/(losses)	136,960	(159,803)
Provision for impairment of loan and other receivables	(376,458)	(4,041,894)
Others	824	1,937
	3,850,135	(5,280,952)

Notes to the Condensed Consolidated Financial Statements (Continued)

8. Administrative expenses

Expense included in administrative expenses is analysed as follows:

	Unaudited Six months ended 30 June	
	2013	2012
	US\$	US\$
Investment management fee (Note 17(a))	865,420	950,418

9. Income tax expense

Hong Kong and overseas profits tax has been provided for at the rate of 16.5% (2012: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

No provision for Hong Kong profits tax has been made in the financial statements as the Group has tax losses brought-forward to offset the assessable profit for the current period.

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

	Unaudited Six months ended 30 June	
	2013	2012
	US\$	US\$
Current income tax:		
— Overseas taxation	2,120	2,352

10. Earnings/(losses) per share

The basic earnings/(losses) per share is calculated by dividing the Group's profit for the year attributable to equity holders of the Company of US\$3,021,464 (2012: loss of US\$9,868,020) by the weighted average number of 76,758,160 (2012: 76,758,160) ordinary shares in issue during the period.

For the six months ended 30 June 2013, the Company has share options outstanding which were dilutive potential ordinary shares. Calculation was done 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 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 104,125 dilutive potential ordinary shares.

For the six months ended 30 June 2012, the conversion of all potential ordinary shares from the share options granted by the Company would have an anti-dilutive effect on the losses per share.

Notes to the Condensed Consolidated Financial Statements (Continued)

11. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

12. Loans receivable

Loans receivable are denominated in the following currencies:

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
Independent third parties:		
Renminbi	7,004,512	6,898,211
US dollars	350,000	350,000
	7,354,512	7,248,211
An associate:		
Renminbi	4,072,391	4,010,588
Loans receivable — gross	11,426,903	11,258,799
Provision for impairment	(7,354,512)	(6,898,211)
Loans receivable — net	4,072,391	4,360,588

The carrying amounts of loans receivable approximate to their fair values as at 30 June 2013. The maximum exposure to credit risk at the reporting date is the fair values (i.e. their carrying amounts) of the loans receivable.

As at 30 June 2013 and 31 December 2012, the ageing analysis of the loans receivable from its original maturity date is as follows:

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
Current	4,072,391	4,360,588
Past due over 1 year	7,354,512	6,898,211
	11,426,903	11,258,799

As of 30 June 2013, loans receivable of US\$7,354,512 are fully impaired. It is assessed that the loans receivable are not expected to be recovered.

Notes to the Condensed Consolidated Financial Statements (Continued)

12. Loans receivable (Continued)

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

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
At beginning of the period	6,898,211	—
Provision for impairment	350,000	6,897,069
Exchange difference	106,301	1,142
At end of the period	7,354,512	6,898,211

The charge of provision for impairment of loan receivable has been included in “other gains/(losses) — net” in the consolidated income statement.

13. Other receivables, prepayments and deposits

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
Other receivables	5,077,905	4,825,091
Prepayments and deposits	11,727	25,719
Other receivables, prepayments and deposits — gross	5,089,632	4,850,810
Provision for impairment	(4,823,942)	(4,724,677)
Other receivables, prepayments and deposits — net	265,690	126,133

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

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
At beginning of the period	4,724,677	2,542,104
Provision for impairment	26,458	2,117,878
Exchange difference	72,807	64,695
At end of the period	4,823,942	4,724,677

The charge of provision for impairment of other receivables has been included in “other gains/(losses) — net” in the consolidated income statement.

Notes to the Condensed Consolidated Financial Statements (Continued)

14. Cash and cash equivalents

Included in the cash and cash equivalents of the Group are Renminbi deposits and cash in the Mainland China of US\$17,803,223 (31 December 2012: US\$16,866,792). The conversion of the RMB denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

15. Share Capital

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
Authorised:		
160,000,000 (2012: 160,000,000) ordinary shares of US\$0.10 each	16,000,000	16,000,000

	Unaudited 30 June 2013		Audited 31 December 2012	
	Number of ordinary shares of US\$0.10 each	Ordinary shares US\$	Number of ordinary shares of US\$0.10 each	Ordinary shares US\$
Issued and fully paid:				
At beginning and end of period	76,758,160	7,675,816	76,758,160	7,675,816

16. Capital commitments

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

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
Investments in associates	1,910,633	1,906,678
Available-for-sale financial asset	977,374	962,541
	2,888,007	2,869,219

Notes to the Condensed Consolidated Financial Statements (Continued)

16. Capital commitments (Continued)

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

	Unaudited 30 June 2013 US\$	Audited 31 December 2012 US\$
Contracted but not provided for	7,838,218	7,696,241
Authorised but not contracted	13,191,640	13,032,517

17. Related party transactions

The Company has appointed CAIML as the investment manager for all investments. 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.

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

- (a) During the period, the Company paid management fees totaling US\$865,420 (2012: US\$950,418) to CAIML under the management agreement signed between the Company and CAIML.
- (b) As at 30 June 2013, management fee payable to CAIML amounted to US\$9,793 (31 December 2012: US\$14,374). The balance is denominated in United States dollars, unsecured, interest-free and will be settled in the third quarter of 2013.
- (c) Key management compensation

	Unaudited Six months ended 30 June 2013 US\$	2012 US\$
Salaries and other short-term employee benefits	98,037	92,652
Pension costs — defined contribution plan	967	806
	99,004	93,458

Net Asset Value

The unaudited consolidated net asset value per share of the Group at 30 June 2013 was US\$1.85 (31 December 2012: US\$1.84).

Directors' 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 2013, 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

Name of director	Number of shares held			% of the issued share capital
	Personal interests	Corporate interests	Total	
Lo Yuen Yat	225,000	—	225,000	0.29%
Yeung Wai Kin	100,000	—	100,000	0.13%
Fan Jia Yan	75,000	—	75,000	0.10%

Directors' 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 2013 are as follows:

	Options held at 1 January 2013	Options lapsed during the period	Options exercised during the period	Options held at 30 June 2013	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
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	400,000	—	—	400,000	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 the Manager	1,100,000	—	—	1,100,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
	6,225,000	—	—	6,225,000				

Apart from the above, as at 30 June 2013, 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 2013, 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	32.78%
First Shanghai Direct Investments Limited ("FSDI") (Note 1)	Corporate	Interest of Controlled Corporation	25,162,866	32.78%
Golad Resources Limited (Note 1)	Corporate	Beneficial Owner	25,162,866	32.78%
Deutsche Bank Aktiengesellschaft	Corporate	Security Interest Beneficial Owner	17,093,918	22.27%
QVT Financial LP (Note 2)	Corporate	Investment Manager	2,656,082	3.46%
QVT Financial GP LLC (Note 2)	Corporate	Interest of Controlled Corporation	17,093,918	22.27%
QVT Associates GP LLC (Note 3)	Corporate	Interest of Controlled Corporation	16,863,526	21.97%
QVT Fund LP (Note 3)	Corporate	Beneficial Owner	15,337,878	19.98%
Chen Dayou (Note 4)	Personal	Interest of Controlled Corporation	8,075,000	10.52%
Team Assets Group Limited (Note 4)	Corporate	Beneficial Owner	8,075,000	10.52%

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 an 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 an interest in the issued share capital of the Company through its interest in QVT Fund LP.
- (4) Chen Dayou had an 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 positions, in the shares of the Company and no short positions, or other deemed interests or derivative interests were recorded in the register maintained by the Company as at 30 June 2013.

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 Board is committed to maintain a high standard of corporate governance in the best interests of the shareholders. For the six month ended 30 June 2013, the Company has complied with the code provisions set out in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") save for a deviation from the code provision of A.6.7 that one non-executive director was unable to attend the annual general meeting of the Company held on 24 May 2013 due to overseas commitment.

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 2013.

Investment Review

China Assets (Holdings) Limited (the “Company”) and its subsidiaries (together, the “Group”) reported a profit of approximately US\$3.02 million for the six months ended 30 June 2013, compared with a loss of US\$9.87 million for the same period in 2012. The profit was mainly due to a profit of US\$3.09 million arising from disposal of nearly half of its equity interest in Ragentek Technology Group Limited (“Ragentek”) and a profit of US\$1.43 million on disposal of its majority holding in China Alpha Fund (“China Alpha”).

In February 2013, the Company disposed of its majority holding in China Alpha for US\$2.52 million, realising a profit of US\$1.43 million.

In May 2013, the Company disposed of nearly half of its equity interest in Ragentek for US\$4.43 million, resulting in a profit of US\$3.09 million which included a reversal of the related provision made in the previous year.

As at 30 June 2013, the consolidated net asset value of the Group was US\$141.71 million, representing a US\$0.20 million increase from US\$141.51 million as of 31 December 2012.

Investment Review *(Continued)*

In the first half-year, global stock, bond, commodity and precious metals markets were highly volatile, particularly after Federal Reserve Chairman Ben Bernanke suggested that the Fed would soon cut the pace of its highly unorthodox money printing and bond buying. Gold and silver had a torrid half-year and significantly underperformed the vast majority of equity and bond markets. Gold prices fell 23% for the second quarter, their largest quarterly fall since gold began trading in 1971, and its 27% fall in the first half-year was the worst first-half performance since 1981. The global benchmark MSCI World Equity Index was up 7% in the first half-year due to cheap money and hopes of a continuing global economic recovery. The Dow Jones Industrial Average was up 13.8% for the period, the best first-half performance for any year since the technology-stock-driven bull market of 1999 which was followed by the stock market crash of the early 2000s. However, concerns about China and other emerging markets and geopolitical unrest saw that the MSCI Emerging Market stock index drop 9.1% for the period.

Economic growth in China slowed in the first half-year, reflecting poor export performance and increasing signs that credit-driven growth might have run its course. Expansion of China's gross domestic product decelerated to 7.5% in the second quarter from 7.7% in the first, representing the slowest pace since the third quarter of 2012. China's exporters have been hit hard by a generally weak global environment. Exports grew 3.3% in June compared with a year earlier, a figure down from past double-digit growth rates. The result was also a reflection of the re-alignment of export data after Chinese authorities cracked down on companies overstating exports to claim tax rebates and avoid capital controls. With export sales looking weak, incentive to invest in new plants was put on hold, dragging down capital investment in the manufacturing sector. Further compounding the result was a drop in the official manufacturing purchasing managers' index to 50.1 in June from 50.8 in May, a reading that barely indicates expansion. The separate HSBC index fell to 48.2 in June from 49.2 in May, also indicating an economic contraction.

In June 2013, due to seasonal demand for cash for the end of the first-half reporting period, turmoil in the China interbank lending market drove the interbank interest rates to an unprecedented level when the central bank unexpectedly declined to add liquidity to the market. This sharply hammered down the stock market in response to the high interest rates. The China stock market, despite the country's GDP figures being relatively stronger than most others, turned out to be a very poor performer, if not the worst. The Shanghai Composite Index ended at 1,979 points at the end of June, its lowest closing level in more than four years, and a decline of 12.78% over the half-year, resulting in an unsatisfactory performance for the Group's listed investments.

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

Investment Review *(Continued)*

Major Long-Term Investments

Investments in associates

First Shanghai Investments Limited (“FSIL”)

The Company’s major associate, FSIL, reported a net profit of HK\$23.10 million (approx. US\$2.98 million) for the six months ended 30 June, 2013, compared to a net loss of HK\$42.76 million (approx. US\$5.51 million) for the period ended 30 June, 2012. The profit was primarily attributable to an increase in contribution from financial services business, as well as a profit on disposal of an investment.

Shanghai International Medical Centre Investment Management Company Limited (“SIMC”)

SIMC, in which the Group holds a 25% indirect interest, was founded by Shanghai International Medical Zone Group Company Limited, a wholly-owned local government entity, to establish a 500-bed, class-A hospital in Pudong New Area to provide high-end medical services to foreign expatriates and local high-income residents in Shanghai and adjacent regions.

Construction of the hospital started in December 2011 and is expected to be completed in 2013 for a soft opening in the first quarter in 2014. Parkway (Shanghai) Hospital Management Ltd has been appointed to manage the hospital and recruitment of key personnel has begun.

Shanghai Moxing Environmental Science and Technology Co., Ltd (“SMEST”)

SMEST, a PRC-incorporated company, is an early-stage technology and services company that provides waste oil recycling services for transportation and industrial customers. As at the end of period, the Group had invested RMB 3.05 million (approx. US\$0.48 million) and will commit the final balance of RMB 1.60 million when its performance milestones are reached. For the first half-year, SMECT’s operations were mainly contained to testing phases of its for-sale equipment with ad hoc service contracts. No meaningful revenue was earned. The half-year result was a loss of RMB0.58 million, of which the Group shared RMB0.09 million.

Investment Review *(Continued)*

Major Long-Term Investments *(Continued)*

Investments in associates *(Continued)*

Goldeneye Interactive Limited (“Goldeneye”)

The Company made a US\$3.85 million investment in 2011 for a 22.37% Preferred B-share holding interest in Goldeneye. Goldeneye and its affiliated companies operate a web portal — www.fangjia.com — which is a vertical search engine specialising in online real estate information in the secondary market. As a result of the portal’s poor traffic, Goldeneye’s operating result has been substantially behind budget. In the first half-year Goldeneye incurred a loss of US\$0.41 million, of which the Company shared US\$0.09 million. A provision of US\$2.90 million for impairment loss was made in 2012.

Available-for-sale financial assets

Shandong Lukang Pharmaceutical Co., Ltd. (“Lukang”)

Still adversely affected by fierce market competition and various measures imposed on the pharmaceutical industry in 2011 by the National Development and Reform Commission, Lukang reported a 2013 first-quarter operating loss of RMB17.12 million. This was relatively better than the loss of RMB27.81 million in the corresponding quarter in 2012. However, Lukang ultimately was able to book a net profit of RMB2.63 million for 2013’s first quarter after a significant increase in grants from local government. Its net loss for the corresponding quarter in 2012 was RMB29.46 million. The market price of Lukang fluctuated wildly during the period and at one point reached RMB5.97 in early April but settled at RMB3.89 at the close of June. The share price performance was nonetheless relatively better than the market.

China Pacific Insurance (Group) Co., Ltd. (“China Pacific”)

The Company held 1,488,200 shares in China Pacific, a PRC general insurer, at the end of the period. As at 30 June, 2013, the fair value of China Pacific was stated as US\$4.75 million and an unrealised fair value loss of US\$0.75 million was transferred to the investment revaluation reserve.

Investment Review *(Continued)*

Major Long-Term Investments *(Continued)*

Available-for-sale financial assets (Continued)

Red Stone Fund (“RS Fund”)

RS 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 is to invest in mineral, energy or related industries in the PRC and its size is RMB500 million. The Group has a 6% indirect interest in RS Fund and has paid RMB24 million for its first and second capital call. The Group is committed to paying a further RMB6 million as the balance of its investment.

In 2010, RS Fund made investments, respectively, of 14.4% in equity in Ganxian Shirui New Material Company Limited, and 12.5% in equity in Ganzhou Chenguang Rare Earths New Material Company Limited. In March 2011, RS Fund advanced an entrusted loan of RMB180 million to (Tai Chong Coal Machinery Limited Company, “TCC”) whose main businesses are the manufacture and sale of coal washing equipment, coking coal equipment and coal devices (scrapers, belt machines). RS Fund has an option to convert all, or a portion, of the entrusted loan in the range of RMB150 million to RMB180 million for 11.2%-14.07% equity in TCC. The conversion will be based on the appraised value of TCC’s net assets upon completion of the reorganisation.

As a result of unsatisfactory performance of the underlying investments of RS Fund in the first half year, its fair value as at end of June is appraised at RMB19.47 million, resulting in a deficit of RMB8.44 million being debited to the capital revaluation reserves for the period .

China Alpha Fund II (“China Alpha”)

The Group disposed of its majority holding in China Alpha, resulting in a profit of US\$1.43 million. The Group still holds 300 units in China Alpha with a fair value of US\$0.44 million as at end of June 2013.

RagenteK Technology Group Limited (“RagenteK”)

In February 2011, the Company invested US\$7.3 million for a 6.6% common equity stake in RagenteK, a Chinese mobile phone handset design and development company. In April 2012, RagenteK launched its self-branded 3G smartphone product lines. Due to fierce market competition and substantial research and development expenditure, RagenteK incurred a loss in 2012, as a result of which the Company made a provision of US\$4.6 million on the investment.

In May 2013, the Company disposed of nearly half of its equity interest (3.26%) in RagenteK for US\$4.43 million, resulting in a profit of US\$3.09 million which included a reversal of related provision made in the previous year.

Liquidity And Financial Resources

The Group's financial position remained stable during the period. As at 30 June 2013, it had cash and cash equivalents of US\$26.36 million (31 December 2012: US\$20.33 million), of which US\$17.80 million (31 December 2012: US\$16.87 million) was held in RMB equivalents in PRC bank deposits in Mainland China. The Group had 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 the US dollar remained stable during the period.

Employees

The Company's investments are managed by China Assets Investment Management Limited. A company secretary is employed by the Company. In addition to basic salary payments, other benefits include participation in a mandatory provident fund scheme and a discretionary employee share option scheme.

Prospects

The global economic recovery remains very tentative. The risks posed to the European Monetary Union due to a potential sovereign debt default, though abating, still remain, and the Eurozone debt crisis could rear its ugly head at any stage in the future. In the United States, a robust rebound in housing prices and a rise in equity prices has lifted consumers' net wealth and confidence levels, with continued job growth helping the economy. However, there is still uncertainty that political gridlock may result in a failure to raise the debt ceiling and sequestration may continue into 2014 and beyond. There is also a risk that the private sector will prove to be less resilient than expected to the sequestration. In Japan, the bold expansionary policy actions adopted by monetary and fiscal authorities are expected to provide some support for economic activity in the short run but may also create heightened medium-term uncertainties about the sustainability of public debt. In its report published in July, the International Monetary Fund cut its forecast for 2013 global economic growth to 3.1% from 3.3%, citing slowdowns in some large developing economies as well as the euro zone's struggle to emerge from the region's longest postwar contraction.

Prospects *(Continued)*

In China, economic activity moderated again in the second quarter of 2013, with growth slowing to 7.5% year-on-year. While the baseline forecast projects growth to stabilise between 7-8% in the coming years, the possibility of a slowdown to below the baseline cannot be ruled out. The major risks for China's economy are associated with the housing bubble, the surge in shadow banking activities, lack of transparency in local government debt, excess capacity in many key industrial sectors, and challenges in economic restructuring and reforms. China has so far made only limited progress in addressing these interconnected challenges despite continuing policy efforts. Despite all this, it is likely that Premier Li will try to achieve the 7.5% growth target for 2013 to avoid a growth hard-landing and a financial crisis; hence, measures would be introduced to cushion the slowdown of growth in the second half of the year.

Despite the slowdown in China's economy, the Company has actively engaged in soliciting investment opportunities in consumer-driven sectors toward which the Central Government is reorienting its economic growth. Nonetheless, the Company will be skeptical and conservative when committing to new investment projects to prevent undue risks under the current economic environment in China.

By Order of the Board

Lo Yuen Yat

Chairman

Hong Kong, 23 August 2013