CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)

ANNUAL REPORT

2013

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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

Solicitor
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

Registrar
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
Telephone: (852) 2521 9888
Facsimile: (852) 2526 8781
E-mail address: info@chinaassets.com
Website: www.chinaassets.com

Stock Code
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Chairman's Statement

I am pleased to present the annual report of China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2013. The Group's consolidated net profit for the year was US$3.27 million and consolidated net asset value as at 31 December 2013 was US$158.31 million, representing US$2.06 per share.

Business Review

The global economy's uneven recovery inched forward in 2013, with fast-growing emerging markets losing pace while developed nations gained strength. After years of notching far slower growth than many emerging-market counterparts, some leading economies were at last showing strength. Despite the Eurozone remaining in recession for much of the year, the laggards had started to catch up and their long nightmare of recession and its aftermath began to recede. Central banks in the U.S., Japan and Europe showered money on their economies, held interest rates low and promised to continue to do so in a bid to stimulate a recovery that remains tepid almost five years after the worst recession since the Great Depression. In emerging markets such as Brazil and India, domestic demand softened and exports sagged as rates were boosted to stem inflation. The U.S. economy sped up, despite interruptions by political feuding over its budget, and has been creating jobs as its housing market recovers impressively. Supported by the improving economy and an unprecedented stimulus of easy money from the Federal Reserve, the U.S. stock market surged to its best return since 1995, the Dow Jones Industrial Average finishing at 16,576, up 26.5% for the year.

Growth in China, the largest emerging economy, was 7.7 per cent which might seem breathtakingly fast but is actually the slowest for 14 years. This deceleration crimped growth across the region but delivered assurance that the world's second-largest economy had avoided a hard landing. However, the Shanghai Composite was down 6.8% for 2013, making it the worst-performing market in Asia. The market had been long concerned about high levels of debt in China and the local banking system's exposure to bad debt due to its huge shadow banking. This year, in particular, rising money market rates shook confidence in the Chinese stock market and contributed to its fourth consecutive year of poor performance. This situation inevitably affected the performance of the Group's listed investment portfolio.

The Group recorded a profit of US$3.27 million for 2013, compared with a loss of US$20.82 million in 2012. The consolidated net asset value increased by US$16.80 million to US$158.31 million as at 31 December 2013. The positive result was mainly due to a profit of US$3.09 million realized 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 II Fund ("China Alpha").

In February 2013, the Company disposed of its majority holding in China Alpha for US$2.52 million, realizing the US$1.43 million profit. The Company still maintains certain holdings in China Alpha, with fair value of US$0.46 million, for longer-term investment.

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

The other major change in net asset value was mainly attributable to the market value increase of its investment in Shandong Lukang Pharmaceutical Co. Ltd. ("Lukang"). Lukang, the Company's major listed investment, reported a net loss of RMB52.21 million (approximately US$8.61 million) for the nine months ended 30 September 2013, compared with a net loss of RMB93.48 million (approximately US$15.00 million) in the corresponding period in 2012. Despite the loss being reduced for the first nine months of 2013, Lukang's situation remained difficult as various unfavorable factors hampering its operation lingered, resulting in a 7% decrease in turnover compared to the previous year. Nonetheless, Lukang's share price rose from RMB3.95 to RMB4.89 for the year, marking the fair value of the investment as US$46.81 million at end of year. This resulted in an unrealized fair value gain of US$10.03 million being transferred to the investment revaluation reserve.

First Shanghai Investments Ltd, the Company's major listed associated company, reported a net profit of HK$42.54 million (approximately US$5.49 million) for 2013, compared to 2012's loss of HK$98.27 million (approximately US$12.68 million). The profit was mainly due to the improved performance of its brokerage and corporate finance activities, profit on disposal of available-for-sale investments, and the absence of sharing of material losses of associated companies as compared to 2012.

In the second half of the year, the Company paid RMB1.60 million as the final subscription of its investment in Shanghai Moxing Environmental Science and Technology Co Ltd, and RMB0.3 million to Red Stone Fund in fulfilment of a capital call.

Economic Outlook

It is expected the developed world will lead an acceleration in global economic growth in 2014, driven by ongoing monetary easing, reduced fiscal drag, and moderation in the post-crisis de-leveraging of the private sector. In Europe, it is now certain that the euro will remain intact, the double-dip recession has ended and a sustained, but muted, expansion has begun. The pace of economic growth is likely to be modest, however, given a combination of high debt burdens, challenging demographics, and hesitant movement toward reducing north/south imbalances within the Eurozone. In the U.S., economic performance will benefit from the shale-energy revolution, improvement in labor and housing markets, and diffusion of the two-year budget deal in Congress.

The outlook for the Chinese economy in 2014 is one of crucial uncertainties. China has begun a transition from a double-digit trend growth rate in the past to a reduced rate near 7% in future years due to changing demographics and the need for greater discipline in its investment in infrastructure, property, plant and equipment. China is adopting a major long-term program to rebalance its economy toward consumption and away from excessive or misdirected investment. However, this should prove a complex multi-year process. A continuing crackdown on over-capacity and corruption will also hit short-term growth. These economic and structural measures are expected to soften the economy to a growth rate around 7% in 2014. Bond and interbank market rates will likely be higher than before. That could become a drag on the liquidity of the financial market and is likely to depress the performance of the stock market.

Liquidity and Financial Resources

The financial position of the Group was healthy throughout the year. As at 31 December 2013, the Group had cash and cash equivalents of US$25.18 million (2012: US$20.34 million), of which US$17.64 million (2012: US$16.87 million) was held in RMB equivalents in PRC bank deposits in Mainland China. 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 U.S. dollar remained stable during the year.

Chairman's Statement

Employees

The Group is managed by China Assets Investment Management Limited, and new arrangements effective from 1 January 2013 were approved by shareholders in a general meeting on 28 December 2012.

A company secretary is employed by the Company. In addition to basic salary, other benefits include a mandatory provident funds scheme and a discretionary employee share option scheme.

Prospects

The Group has disposed of investments over the past two years without significant replacement, the portfolio has become more concentrated on several major assets and management intends to reduce the weighting on existing major investments and rebalance the portfolio. In February 2014, the Group disposed of its 5% indirect equity in Shanghai International Medical Centre Investment Management Company Limited and its related shareholder loan for a sum of RMB42.5 million. With this cash and other proceeds from disposal of investments available, the Group has been reviewing and investigating different investment opportunities. The focus is mainly on companies in the domestic consumption industry, in particular those relating to health services and pharmaceuticals as well as IT areas, industries which are supported by the policies of China's central government and are less susceptible to business cycles. It is understood that China's economy is complex and intertwined with political and economic factors, so the Group will continue to take a cautious approach to assessing new investment opportunities.

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

By Order of the Board
Lo Yuen Yat
Chairman
Hong Kong, 21 March 2014

Discussion and Analysis of Performance

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

The Group's performance for 2013 improved measurably in difficult economic circumstances but remains short of the expectations of management. Most of the Group's investment portfolio, being mainly equity investments or indirectly-related investments in China, was inevitably affected by the lackluster economy and performance of the financial market in China. The mainland stock market performed poorly in 2013, down 6.8%, and this had a compounding effect on the valuation and fair market value of the Group's listed investment portfolio.

Ragentek Technology Group Limited ("Ragentek") was a pre-IPO stage investment made in 2011 but its listing application was subsequently withdrawn due to poor market conditions. Due to the illiquid nature of the investment and fierce competition in the cell phone market, the Group disposed of nearly half of its interest in Ragentek. The disposal helped the Group partially withdraw from an asset which faced a significantly tough operating environment dominated by global players. The sell-down also realized a profit of US$3.09 million which included a reversal of a portion of the provision previously made on the investment.

Similarly due to the average performance of China Alpha II Fund ("China Alpha") in the past two years, the Group also disposed of its majority holding, resulting in a profit of US$1.43 million. The Group retains a minor stake in China Alpha for longer-term investment purposes.

The operating performance of the Group's major listed investment in China, Shandong Lukang Pharmaceutical Co Ltd ("Lukang"), improved in 2013 compared with the corresponding first nine months of 2012. Nonetheless, it still incurred an unaudited loss of RMB52.21 million in the nine months ended 30 September 2013. In late January 2014, Lukang announced that, based on unaudited preliminary figures, it could achieve a net profit attributable to shareholders for the year 2013 in the range of RMB7 million to RMB11 million. This estimated result was helped by substantial cost cutting, investment incomes from disposal of certain equity investments, and grants made by the local government. Despite the improvement, the Group is still closely monitoring Lukang's operating performance as various unfavorable lingering factors are dragging on its development. The management is concerned about the ability of Lukang's management to overcome the underlying weak operating situation and has been considering various alternative development strategies for the investment in response to the changing environment.

First Shanghai Investments Limited ("FSIL"), an associated company listed in Hong Kong, reported a profit of approx. US$5.49 million for the year, of which the Group shared US$0.96 million. FSIL is one of the core assets of the investment portfolio. Its performance in recent years has been affected by the slow down in PRC property market and the share of loss of the Company. The management is concerned that FSIL's financial services operation is highly affected by the volatile stock market condition.

Discussion and Analysis of Performance

Details of other investments are outlined in the Investments Section on page 8 to page 13.

The Group took a conservative approach in 2013 during which no new investment was made. This reflected management's reservations about the uneven growth trends in China's economy which saw a positive start in 2013 give way to a slowdown and widespread gloom before a third-quarter rebound brought things full circle. It also reflected the conditions of the past two years when investment flows into private sector companies in China dropped significantly, the IPO market disappeared and private equity firms went into hibernation.

China announced new social and economic policies in its Third Plenum in November 2013, paving the way for much greater reliance on market forces than in the past and inviting private-sector participation and foreign competition in industries long-previously controlled by the central government. It also relaxed its one-child policy. If the policies are followed by an equally aggressive program of implementation, the growth pattern should start to become more sustainable and consistent with higher income levels. It is expected these policies will lead to both national and local governments investing in more technology-driven sectors, including advanced agriculture, transportation, medicine, environmental management and other sectors.

As the Group disposed of investments over the past two years without significant replacement, the portfolio has become more concentrated on several major assets. Management believes this concentration, necessitated in response to investment performance and economic conditions, is not without risk and strategically unsustainable in the medium-to-long term. It intends to reduce the weighting on existing major investments and rebalance the portfolio with new projects to mitigate risk through diversification.

The Group has maintained in recent years a relatively significant amount of surplus cash in time deposit. It is anticipated this situation will change, as the Group has a pipeline of investment prospects under review and in due diligence which involve businesses aligned to the medical, pharmaceutical and health care sectors as well as IT industry. The management believes the relative certainties in these areas due to China's expanding ageing population will support a consistent growth trend which will not be seriously disrupted even if China's economy slows.

Going forward, the Group believes there are still vast investment opportunities in China, and is confident that it can generate value over the longer term with undue risks minimized to a manageable and tolerable level.

Investments

Major Long-term Investments as at 31 December 2013

Name	Nature of business	% of total issued capital %	Invested amount US$	Impair-ment loss US$	Carrying value US$	% of total asset value %	Investee's underlying earnings/ (losses) US$	Attributable net assets to the Group US$	Dividend received US$
Investment in associates									
First Shanghai Investments Limited	Investment holding	17.71	13,770,330	0	56,215,602	35.35	5,397,759	62,729,852	0
Shanghai International Medical Centre Investment Management Company Limited	Provision of medical services	*25.00	9,869,982	0	8,842,938	5.56	(5,304,336)	8,840,140	0
Goldeneye Interactive Limited	Provision of web portal for online real estate information	22.37	3,850,000	2,900,776	172,081	0.11	(766,000)	279,235	0
Shanghai Moxing Environmental Science and Technology Co Ltd	Provision of waste oil recycling service	29.86	745,912	0	691,585	0.43	(219,993)	142,734	0
Available-for-sale financial assets									
Shandong Lukang Pharmaceutical Co Ltd	Manufacture and sale of pharmaceutical products	9.98	8,748,854	0	46,814,408#	29.44	(14,365,162)**	25,924,234##	0
China Pacific Insurance (Group) Co Ltd.	Provision of insurance service and management of insurance funds	0.02	5,427,472	0	5,834,046#	3.67	1,549,409,592	2,718,816	75,894
Red Stone Fund	Investment holding	*6.05	3,627,469	0	4,521,476#	2.84	(2,010,034)	3,558,740	0
China Alpha II Fund	Investment fund	N/A	192,066	0	458,304#	0.29	18,669,322***	458,304	0
Total			**46,232,085**	**2,900,776**	**123,550,440**	**77.69**			**75,894**

* indirect interest
\# also represent their fair values
** unaudited figure for the nine months ended 30 September 2013
\## unaudited figure as at 30 September 2013
*** based on annual financial statements ended other than 31 December 2013

Major Long-term Investments as at 31 December 2012

Name	Nature of business	% of total issued capital %	Invested amount US$	Impairment loss US$	Carrying value US$	% of total asset value %	Investee's underlying earnings/ (losses) US$	Attributable net assets to the Group US$	Dividend received US$
Investment in associates									
First Shanghai Investments Limited	Investment holding	17.71	13,770,330	0	54,294,872	37.04	(12,676,213)	59,860,349	0
Shanghai International Medical Centre Investment Management Company Limited	Provision of medical services	*25.00	9,869,982	0	9,891,856	6.75	(394,183)	10,026,470	0
Goldeneye Interactive Limited	Provision of web portal for online real estate information	22.37	3,850,000	2,900,776	343,435	0.23	(1,436,773)	440,751	0
Shanghai Moxing Environmental Science and Technology Co Ltd	Provision of waste oil recycling service	22.07	482,042	0	464,675	0.32	(216,670)	87,923	0
Available-for-sale financial assets									
Shandong Lukang Pharmaceutical Co Ltd	Manufacture and sale of pharmaceutical products	9.98	8,748,854	0	36,784,627#	25.10	(21,470,162)	25,727,820	163,736
China Pacific Insurance (Group) Co Ltd.	Provision of insurance service and management of insurance funds	0.02	5,427,472	0	5,500,119#	3.75	814,470,201	2,952,997	74,644
Red Stone Fund	Investment holding	*6.00	3,578,254	0	4,628,088#	3.16	(1,955,249)	3,515,808	0
China Alpha II Fund	Investment fund	N/A	1,280,443	0	2,788,516#	1.90	(14,786,827)***	2,600,652	0
Total			**47,007,377**	**2,900,776**	**114,696,188**	**78.25**	**761,534,124**	**105,212,770**	**238,380**

* indirect interest

\# also represent their fair values

*** based on annual financial statements ended other than 31 December 2013

Investments

Other Major Investments as at 31 December 2013

Name	Nature of business	Number of shares held	% of total issued capital %	Cost US$	Impairment loss US$	Carrying value US$	% of total asset value %	Investee's underlying earnings/(losses) US$	Attributable net assets to the Group US$	Dividend received US$
Financial assets at fair value through profit and loss										
Ragentek Technology Group Limited	Manufacturer of original design mobile phone	648,726	3.37	3,717,542	2,339,086	1,749,762	1.10	10,390,332	1,749,762	0
Industrial and Commercial Bank of China Ltd	Provision of personal and corporate commercial banking services in China	1,709,650	0.00	725,421	0	1,155,243	0.73	43,367,801,306	1,029,704	59,736
HSBC Holdings PLC	Provision of international banking and financial services	114,833	0.00	1,188,553	0	1,246,108	0.78	16,204,000	2,322,993	55,127
China Telecom Corporation Ltd	Provision of wireline and mobile communications services	1,800,000	0.00	1,285,825	0	909,900	0.57	2,913,450,755	1,022,117	17,756
Total				**6,917,341**	**2,339,086**	**5,061,013**	**3.18**			**132,619**

Other Major Investments as at 31 December 2012

Name	Nature of business	Number of shares held	% of total issued capital %	Cost US$	Impairment loss US$	Carrying value US$	% of total asset value %	Investee's underlying earnings/(losses) US$	Attributable net assets to the Group US$	Dividend received US$
Financial assets at fair value through profit and loss										
Ragentek Technology Group Limited	Manufacturer of original design mobile phone	1,276,943	6.63	7,317,557	4,604,224	2,713,333	1.85	(234,278)	2,713,333	0
Holygene Corporation	Provision of pharmaceutical research and development services	Convertible note	N/A	2,200,000	2,401,538	0	0	N/A	N/A	0
Industrial and Commercial Bank of China Ltd	Provision of personal and corporate commercial banking services in China	1,709,650	0.00	725,421	0	1,212,987	0.80	38,266,142,617	885,248	49,354
HSBC Holdings PLC	Provision of international banking and financial services	114,833	0.00	1,188,553	0	1,204,342	0.80	14,027,000,000	1,138,192	57,430
Total				**11,431,531**	**7,005,762**	**5,130,662**	**3.45**			**106,784**

Investments

Major Long-Term Investments

Investments in associates

First Shanghai Investments Limited ("FSIL")

FSIL reported a net profit of HK$42.54 million (approx. US$5.49 million) for the year ended 31 December 2013 compared to a net loss of HK$98.27 million (approx. US$12.68 million) for the year ended 31 December 2012. FSIL has business interests that span out from its core brokerage operation, including property development and investment, hotels and manufacturing. This year's improvement was mainly derived from its brokerage operation while other operations were stable.

Shanghai International Medical Centre Investment Management Company Limited ("SIMC")

SIMC 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 Shanghai International Medical Zone. It will provide high-end medical services to foreign expatriates in Shanghai and adjacent regions as well as local high-income residents. The zone has been specifically reserved for development of all medical-related services in Pudong New Area.

As at 31 December 2013, the Group owned a 25% indirect interest in SIMC for a total investment of RMB62.75 million (approx. US$9.87 million). The Group also granted SIMC a RMB25 million loan in December 2012, an amount in proportion to its shareholding.

Construction of the hospital was near completion at the end of 2013 and preparation is underway for a soft opening expected to occur at the end of first quarter of 2014. Parkway (Shanghai) Hospital Management Ltd is the appointed manager.

Goldeneye Interactive Limited ("Goldeneye")

The Group entered into an agreement to invest US$5.5 million in two tranches for an ultimate 28.48% Preferred B shareholding in Goldeneye. The first tranche of US$3.85 million was made in April 2011; the second tranche of US$1.65 million is to be invested upon satisfactory achievement of agreed performance milestones. Goldeneye and its affiliated companies operate the portal www.fangjia.com, a vertical search-engine specializing in online real estate information in the secondary market. It undertakes data mining and sophisticated analysis through its self-developed and patented technology. Due to the portal's continuing extremely weak viewer traffic, the operating result was substantially behind budget. Goldeneye has significantly reduced staffing and overhead expenses in order to survive the difficult situation, and is exploring new sources of revenue through, for example, providing data mining services for interested parties. It incurred in the year an unaudited loss of US$0.77 million of which the Group shared US$0.17 million. In view of its disappointing revenue and sluggish portal traffic, the Group decided not to invest the second tranche and made a provision of US$2.90 million for impairment loss in 2012.

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

SMECT, a PRC-incorporated company, is an early-stage technology and services company that provides waste oil recycling for transportation and industrial customers. It has developed a proprietary, patented oil-filtration technology that recycles waste oil without any degradation in quality. The Group has invested a total of RMB4.65 million in two tranches for a total equity interest of 29.86%. A consortium of six individuals (including Mr. Yeung Wai Kin, a director of the Company) also invested on similar terms and conditions at RMB800,000 for a total equity interest of 5.137% (each investor's share being RMB133,333, or an equity interest of 0.856%). During the year, SMECT delivered and installed for a customer a trial-run waste oil recycling system but various issues caused the trial to be stopped. This resulted in a loss of budgeted revenue and increased costs due to further delay in planned promotion of the system. In 2013, SMECT incurred a loss of RMB1.33 million, of which the Group shared US$0.05 million.

Available-for-sale financial assets

Shandong Lukang Pharmaceutical Co Ltd ("Lukang")

Since 2011, Lukang has been adversely affected by the operating environment caused by various government policies, including mandated drug price reduction measures, the start of provincial drug tendering, restrictions on the use of antibiotics, and the implementation of new Good Manufacturing Practice ("GMP") standards. These factors have either driven down the selling prices of Lukang's products or increased the overall costs of its operation. To aggravate the situation, the new facility set up in Zoucheng to provide for expansion was substantially under-utilized, resulting in significant idle wastage and disrupting financial recovery in 2013. Despite this, Lukang's share price rose from RMB3.95 to RMB4.89 for the year, marking the fair value of the investment at US$46.81 million at end of year and resulting in an unrealized fair value gain of US$10.03 million being transferred to the investment revaluation reserve.

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

The Group had 1,488,200 shares in China Pacific, a PRC general insurer, at end of year. As at 31 December 2013, the fair value of China Pacific was stated as US$5.83 million and an unrealised fair value gain of US$0.33 million was transferred to the investment revaluation reserve.

Red Stone Fund ("RS Fund")

The Red Stone Fund was set up in Ganzhou, Jiangxi Province, in January 2010 as a limited partnership in accordance with PRC Limited Partnership Law. The aim of RS Fund, whose size is RMB500 million, is to invest in minerals, energy or related industries in the PRC.

The Group has a 6.05% indirect interest in RS Fund. It has paid RMB24 million for its first and second capital calls in recent years and a third call of RMB0.3 million in the second half of the year. The Group is committed to pay RMB5.7 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 ("GSNM"), and 12.5% in equity in Ganzhou Chenguang Rare Earths New Material Company Limited. In 2011, RS Fund advanced an entrusted loan of RMB180 million to 太重煤機有限公司 (Tai Chong Coal Machinery Company Limited, "TCC") whose main businesses are the manufacture and sale of coal washing equipment, coking coal equipment and coal devices (scrapers, belt machines, etc.). TCC has been under reorganization and certain assets are being injected into it by its controlling shareholder. RS Fund has an option to convert all, or a portion, of the entrusted loan in the range of RMB150 million to RMB 180 million for 11.2%-14.07% equity in TCC.

In November 2013, since GSNM failed to achieve the agreed profit target, the controlling shareholders of GSNM transferred a 5.65% equity stake in GSNM without any cost to RS Fund as compensation. This was done within the terms of the Valuation Adjustment Mechanism stipulated in the agreement relating to equity investment in GSNM by RS Fund. As a result, RS Fund's equity interest in GSNM increased from 14.4% to 20.05%.

The fair value of the RS Fund is stated as US$4.52 million, resulting in a fair value deficit of US$0.16 million being debited to the investment revaluation reserve for the year.

China Alpha II Fund ("China Alpha")

The Group disposed of its majority holding in China Alpha in the first half year, resulting in a profit of US$1.43 million. The Group still holds 300 units of China Alpha with a fair value of US$0.46 million as at end of year.

Financial assets at fair value through profit or loss

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 smart phone 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 a related provision made in the previous year.

In 2013, despite market competition remaining fierce, Ragentek was able to recover mildly and generate an unaudited profit of RMB63.00 million. The fair value of the remaining 3.37% equity in Ragentek was stated as US$1.75 million at end of year.

Investment For Which Full Provision Had Been Made

Junhui International Holdings Limited ("Junhui")

In September 2009, the Group entered into a set of secured loan and warrant agreements with Junhui, pursuant to which the Group committed to provide a total of RMB50 million to finance part of the construction cost of a dredging ship for projects in China. Up to August 2010, the Group had, from time to time, advanced sums amounting to a total of RMB43 million to Junhui for interim payments to the shipyard. Around July 2010, Junhui informed the Group that it was exploring the opportunity of a dredging project in Indonesia and intended to move the dredging ship, upon construction completion, to operate there. Having considered the political and commercial factors involved, both the Group and Junhui agreed all principal and interest be prepaid, irrespective of the scheduled repayment dates. Agreement was reached that full repayment had to be made no later than June 2012. Due to its repeated failure to repay the loan, the Group made a full provision of US$9.01 million in 2012. At a recent meeting between the Group and the shipyard to resolve the matter, the Group suggested a proposal to the shipyard and awaits its response.

Holygene Corporation ("Holygene")

In 2012, the Group called Holygene for redemption of a convertible note of US$2.2 million upon its maturity. Holygene failed to honor and the Group made a full provision on the investment. During the year, it was noted that Holygene failed to raise funds and ceased operation. The Group decided to write off the investment in the year.

Biographical Details of Directors

Mr. LO Yuen Yat, aged 68, was a director from 1991 to 1993 and was re-elected in 1995. He is the chairman of the Company and China Assets Investment Management Limited ("CAIML", the Company's investment manager) and a director of various subsidiaries of the Company. He is also the chairman and managing director of First Shanghai Investments Limited which is a substantial shareholder and an associated company of the Company and a director of Golad Resources Limited. Also, he is the chairman of Public Holdings (Australia) Limited, which is a listed company in Australia. Previously, Mr. Lo was a senior policy researcher at China's National Research Centre for Science and Technology and Social Development and worked at the PRC State Science and Technology Commission, Ministry of Communications of the People's Republic of China and the PRC Railway Ministry. Mr. Lo graduated from Fudan University in Shanghai and obtained his master's degree from Harvard University.

Ms. LAO Yuan Yuan, aged 35, has been a director since 2005. Ms. Lao is presently a vice-president of business development of Crimson Pharmaceutical (Hong Kong) Limited ("Crimson"), a subsidiary of First Shanghai Investments Limited. Prior to joining Crimson, Ms. Lao worked in the investment banking division at Merrill Lynch & Co in New York City. Ms. Lao graduated magna cum laude from Columbia University where she studied Engineering Management Systems. Ms. Lao is the daughter of Mr. Lo Yuen Yat.

Mr. JIANG Wei, aged 51, has been a director since 1996. He is currently a director and vice president of China Resources (Holdings) Company Limited and China Resources National Corporation. Mr. Jiang is an executive director of Cosmos Machinery Enterprises Limited and an independent non-executive director of Greentown China Holdings Limited. He has extensive experience in financial and business planning, budgeting and controlling, legal and statutory tax planning, risk management and investment feasibility studies, and decision-making. He obtained both his bachelor's degree in International Trade and master's degree in International Business and Finance from the University of International Business and Economics in Beijing, China.

Mr. YEUNG Wai Kin, aged 52, has been a director since 1997. He is a director of various subsidiaries of the Company and also a shareholder of CAIML. Mr. Yeung is the chief financial officer and a director of First Shanghai Investments Limited. He is also a director of First Shanghai Direct Investments Limited and Golad Resources Limited. Also, he is the deputy chairman of Public Holdings (Australia) Limited, which is a listed company in Australia. He has over 25 years of experience in auditing, finance and management positions. Mr. Yeung possesses professional memberships of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

Mr. ZHAO Yu Qiao, aged 69, has been a director since 2000. He has a bachelor's degree from Qinghua University, China, and a diploma in engineering from Rul University, Germany. He is an indirect shareholder of CAIML.

Mr. FAN Jia Yan, aged 67, has been a director since 1999. Mr. Fan is an independent non-executive director of the Company. He is a special adviser of CITIC Bank International Limited. He worked for CITIC Industrial Bank in Beijing for more than 10 years and is well versed in all aspects of China's banking business.

Biographical Details of Directors

Mr. WU Ming Yu, aged 82, has been a director since 2002. Mr. Wu is an independent non-executive director of the Company. Mr. Wu is a renowned scientific policy researcher in China. He is an honorary president of the China Association for Scientific and Economic Research and the China Association for Scientific and Technology Research. At present, he is a director of Creat Group. Mr. Wu was an independent director of Beijing Shougang Company Limited and an independent non-executive director of Venturepharm Laboratories Limited. He has been a vice-director of the Development Research Center of the State Council, vice-director of the State Science and Technology Commission and a part-time professor at the University of Science and Technology of China, Zhongqing University and the Beijing Institute of Technology. He has published numerous research papers and was instrumental in formulating China's policy on science and technology.

Dr. David William Maguire, aged 61, has been a director since July 2008. Dr. Maguire is an independent non-executive director of the Company. Over a continuing career of more than 30 years in the media sector he has held senior management positions in Shanghai, Hong Kong and Australia, been a university media academic, and served as chairman and director of a number of corporate and NFP entities. He is a Ph.D. (Murdoch University, Perth) and Doctor of Business Administration (Edith Cowan University, Perth), as well as a Master of Business Administration (James Cook University, Cairns) and holder of Masters degrees in regional development (University of Western Australia, Perth) and tourism management (Southern Cross University). He is a graduate of the Australian Institute of Company Directors.

Corporate Governance Report

This Corporate Governance Report contains information for the year ended 31 December 2013 and was prepared in accordance with Appendix 23 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company is committed to maintain a sound standard of corporate governance in protecting the interests of its shareholders based on the principles of integrity, fairness, independence and transparency.

The Company continues to review the effectiveness of the corporate structure in order to assess whether changes are necessary and appropriate to improve its corporate governance practices.

Corporate Governance Practices

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

The Board is committed to maintain a high standard of corporate governance in the best interests of the shareholders. For the year ended 31 December 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.

Director's Securities Transactions

The Company has adopted Appendix 10 of the Listing Rules "Model Code for Securities Transactions by Directors of Listed Issuers" as rules for securities transactions initiated by the directors of the Company. After specifically inquiring with all directors of the Company, the Company confirms that its directors' securities transactions fully complied with the standard laid down in the said rules during the year ended 31 December 2013.

Board of Directors

The board of directors (the "Board") is responsible for providing leadership and oversight of the management and operations of the Company. The Board lays down strategies for achieving the business objectives so as to enhance the shareholders' value. The Board regularly reviews the Company's corporate governance principles and standard.

As disclosed below, the Board maintains a balanced composition of executive and non-executive directors. There is a strong independent element on the Board which can effectively bring independent judgment to the Company. In addition, the Board has a balance of skills and experience appropriate for the Company. Biographical details of the directors are set out on pages 14 to 15. The Company has entered into a management agreement with China Assets Investment Management Limited ("CAIML") whereby CAIML was appointed to act as the investment manager of the Company and agreed to provide management services to the Company.

Board of Directors *(Continued)*

In compliance with rules 3.10 (1) and (2) of the Listing Rules, the Company has three independent non-executive directors who have appropriate professional qualifications or accounting or related financial management expertise. The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board considers that the existing independent non-executive directors are independent in accordance with the guidelines set out in rule 3.13 of the Listing Rules.

When deemed necessary, any director upon reasonable request may seek independent professional advice at the Company's expense.

Composition

During 2013, the Board composed of eight directors, of whom two were Executive Directors, three were Non-executive Directors and three were Independent Non-executive Directors.

The members of the Board during the year ended 31 December 2013 and up to the date of this report are set out as follows:

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

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

The Chairman of the Board is Mr. Lo Yuen Yat who provides leadership and supervision for the Board and oversees the overall business and investment strategy. There is no individual performing the role of chief executive officer. With the assistance of the company secretary, the Chairman ensures that adequate information, which is complete and reliable, can be received by all the directors in a timely manner and the directors are properly briefed on issues arising at board meetings.

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

The Board held four board meetings during the year ended 31 December 2013. Notice of at least 14 days was given for a regular board meeting to which all directors were given an opportunity to attend.

Board of Directors *(Continued)*

Composition *(Continued)*

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

The individual attendance of each director at the four board meetings for the year ended 31 December 2013 is set out as follows:

Name of Director	Attendance
Mr. Lo Yuen Yat	4/4
Ms. Lao Yuan Yuan	4/4
Mr. Jiang Wei	2/4
Mr. Yeung Wai Kin	4/4
Mr. Zhao Yu Qiao	2/4
Mr. Fan Jia Yan	4/4
Mr. Wu Ming Yu	4/4
Dr. David William Maguire	4/4

Directors' Professional Development

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

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

Remuneration Committee

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

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

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

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

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

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

During 2013, the Remuneration Committee was composed of three members of whom one is an Executive Director, Mr. Lo Yuen Yat, and two are Independent Non-executive Directors, Mr. Fan Jia Yan and Dr. David William Maguire. The Chairman of the Remuneration Committee is Mr. Fan Jia Yan.

Audit Committee

The Company has set up an Audit Committee with written terms of reference since December 1998.

The Audit Committee is a committee of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the shareholders and others, the systems of internal controls which management and the Board have established, and the external audit process.

Full minutes of audit committee meetings are kept by a duly appointed secretary of the meeting. Draft and final versions of the minutes of audit committee meetings are sent to members of the committee for comment and record within a reasonable time after the meeting.

Since 22 March 2008, the Audit Committee has comprised three members of whom two are Independent Non-executive Directors, Mr. Fan Jia Yan and Mr. Wu Ming Yu, and one is a Non-Executive Director, Mr. Yeung Wai Kin. Mr. Fan is the chairman of the Audit Committee. Pursuant to rule 3.21 of the Listing Rules, the majority of the audit committee members are independent non-executive directors and the committee is chaired by an independent non-executive director. The Audit Committee comprises a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications.

Audit Committee *(Continued)*

The Audit Committee held three meetings during the year ended 31 December 2013. The individual attendance of each member at the committee meetings for the year ended 31 December 2013 is set out as follows:

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

Nomination Committee

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

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

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

(iii) assesses the independence of independent non-executive directors; and

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

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

Auditor's Remuneration

The following is a schedule setting out the remuneration in respect of the audit and non-audit services provided by the external auditors, PricewaterhouseCoopers to the Company and the Group during the year ended 31 December 2013.

	US$
Annual audit fee	178,562
Non-audit fee	278,471
	457,033

Internal Control

The directors acknowledge their responsibility to ensure a sound and effective internal control system which is designed to provide reasonable, but not absolute, assurance that material mis-statement or loss can be avoided, and to manage and minimise risks of failure in achieving Company's objectives. The Audit Committee is delegated by the board to review the internal control system on an ongoing basis.

The Audit Committee was satisfied that the internal control system during the year under review had been in place and functioned effectively.

Directors' Responsibility for Preparing the Consolidated Financial Statements

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

The statement of the external auditor of the Company and the Group, PricewaterhouseCoopers, in connection with their reporting responsibilities on the consolidated financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 29 and 30.

Investment Committee

The Board has established an Investment Committee with power to make investment decisions and to approve the valuations of the Company's investments prepared by the Investment Manager.

The Investment Committee comprised of three members, of whom two are Executive Directors, Mr. Lo Yuen Yat and Ms. Lao Yuan Yuan, and one Non-executive Director, Mr. Yeung Wai Kin.

Communication with Shareholders

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

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

Report of the Directors

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other relevant details of the subsidiaries and associates are set out in Notes 13 and 14 to the consolidated financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 6 to the consolidated financial statements.

The Company, being an investment holding company, has no supplier or customer. All the subsidiaries are either investment holding companies or dormant companies and have no supplier or customer.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 31.

The directors do not recommend the payment of a dividend for the year ended 31 December 2013.

Reserves

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

Share Capital

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

Distributable Reserve

There was no distributable reserve of the Company as at 31 December 2013 (2012: US$Nil).

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 80.

Purchase, Sale or Redemption of Shares

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

Directors

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

Mr. Lo Yuen Yat
Ms. Lao Yuan Yuan
\# Mr. Jiang Wei
\# Mr. Yeung Wai Kin
\# Mr. Zhao Yu Qiao
* Mr. Fan Jia Yan
* Mr. Wu Ming Yu
* Dr. David William Maguire

\# *Non-executive directors*
* *Independent non-executive directors*

Directors *(Continued)*

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

Directors' Service Contracts

No director (whether or not he/she is proposed for re-election at the forthcoming annual general meeting) has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation (if any).

Biographical Details of Directors

Brief biographical details of directors are set out on pages 14 and 15.

Continuing Connected Transaction

New Agreement Supplemental to Amended Management Agreement

The Company entered into an agreement (the "Management Agreement") on 28 March 1991 with China Assets Investment Management Limited ("CAIML") for provision of management and advisory services to the Company. The Management Agreement was subsequently amended on 8 April 1992 and a supplemental agreement (as from time to time amended, the "Amended Management Agreement") was signed on 11 October 2004 in which the term of the Management Agreement was fixed to continue to 31 December 2006. The Amended Management Agreement was subsequently renewed bi-annually on the same terms and conditions until 31 December 2012.

On 28 December 2012 a new agreement dated 25 September 2012 (the "New Supplemental Agreement") to supplement the Amended Management Agreement for provision of management and advisory services to the Company by CAIML, effective 1 January 2013 to 31 December 2015, was approved by shareholders in general meeting.

The Amended Management Agreement and the New Supplemental Agreement (collectively the "New Amended Management Agreement") may be terminated by either party by serving not less than six months' written notice to the other party provided that the Company is required to have approval of its shareholders (by way of ordinary resolution) before giving such notice.

Under the New Amended Management Agreement, CAIML is entitled to receive from the Company a basic management fee at the rates of (i) 2.75% per annum on the aggregate cost to the Company of the investment (less any provisions in respect thereof) held by it from time to time; and (ii) 1% per annum on the value of the uninvested net assets of the Company. In addition, CAIML is entitled to a performance bonus based on a specified formula and the return on net assets and net capital gains of the Company subject to the net asset value of the Company for the relevant year being greater than the greatest of all previous net asset values. The annual management fee (including performance bonus, if any) is also subject to the relevant annual cap as approved by shareholders in general meeting.

The directors of the Company confirm that none of them has any equity interest in CAIML or had at any material time any interest in the Amended Management Agreement or the New Amended Management Agreement except that (a) Mr. Lo Yuen Yat is a director of CAIML; (b) Mr. Yeung Wai Kin is a shareholder of CAIML; and (c) Mr. Zhao Yu Qiao is an indirect shareholder of CAIML.

Continuing Connected Transaction *(Continued)*

New Agreement Supplemental to Amended Management Agreement *(Continued)*

The Independent Non-executive Directors have reviewed the above continuing connected transaction and have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of the business of the Company and its subsidiaries;

(2) on normal commercial terms, or on terms no less favorable to the Company than terms available to, or from, independent third parties; and

(3) in accordance with the relevant agreement governing them, on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Company's continuing connected transaction in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Company in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Further details of the above transaction are disclosed in Note 25(a) to the consolidated financial statements.

Share Options

Options in respect of shares in the Company

At the Annual General Meeting of the Company held on 19 May 2004, the shareholders of the Company approved adoption of a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Company to grant options for the subscription of shares in the Company to selected participants as incentives or rewards for their contribution to the Group. Pursuant to the terms of the Scheme, the Directors may at their discretion offer any employee, proposed employee or director of the Company, any of its subsidiaries, its investment manager, CAIML (the "Manager") or any invested entity in which the Group holds not less than 20% of its equity interest to take up options to subscribe for shares in the Company. The Scheme shall expire on 19 May 2014.

Share Options *(Continued)*

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

Details of the share options granted under the Scheme and that remain outstanding as at 31 December 2013 are as follows:

	Options held at 1 January 2013	Options lapsed during the year	Options exercised during the year	Options held at 31 December 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	—	—	—	—	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
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				

Directors' Interests in Contracts of Significance

Save as disclosed above in the section headed New Agreement Supplemental to Amended Management Agreement, no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

Save as disclosed above in the section headed New Agreement Supplemental to Amended Management Agreement, no contracts concerning the management and administration of the whole, or any substantial part, of the business of the Company were entered into or existed during the year.

Directors' and Chief Executive's Interest and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2013, the interests and short positions of the Directors and the chief executive 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 were as follows:

Shares in the Company

	Number of shares held			% of
Name of director	**Personal interests**	**Corporate interests**	**Total**	**the issued share capital**
Lo Yuen Yat	225,000	0	225,000	0.29%
Yeung Wai Kin	100,000	0	100,000	0.13%
Fan Jia Yan	75,000	0	75,000	0.10%

Apart from the New Agreement Supplemental to Amended Management Agreement and the Scheme stated above, at no time during the year had the Company, its subsidiaries, its associates, its fellow subsidiaries or its holding company been a party to any arrangement to enable the directors and/or chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Apart from the above, as at 31 December 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 corporation (within the meaning of Part XV of the SFO).

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

The register of substantial shareholders' interests maintained under section 336 of the SFO reveals that as at 31 December 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 2,086,082	22.27% 2.72%
QVT Financial LP *(Note 2)*	Corporate	Investment Manager	17,093,918	22.27%
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%

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.

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

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 a long position in the shares of the Company and no short positions, deemed interests or derivative interests were recorded in the register maintained by the Company as at 31 December 2013.

Sufficiency of Public Float

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

Auditor

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

On behalf of the Board
Lo Yuen Yat
Chairman
Hong Kong, 21 March 2014

羅兵咸永道

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

We have audited the consolidated financial statements of China Assets (Holdings) Limited (the 'Company') and its subsidiaries (together, the 'Group') set out on pages 31 to 79, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

Auditor's Responsibility *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2014

Consolidated Income Statement

For the Year Ended 31 December 2013

	Note	2013 US$	2012 US$
Income	6	**747,698**	845,377
Other gains/(losses) — net	7	**4,596,001**	(13,692,061)
Administrative expenses	8	**(2,781,219)**	(2,737,992)
Operating profit/(loss)		**2,562,480**	(15,584,676)
Share of losses of associates		**(752,393)**	(2,261,480)
Provision for impairment of investment in an associate		**—**	(2,900,776)
Profit/(loss) before income tax		**1,810,087**	(20,746,932)
Income tax credit/(expense)	10	**1,458,599**	(68,328)
Profit/(loss) for the year attributable to equity holders of the Company		**3,268,686**	(20,815,260)
Earnings/(losses) per share attributable to the equity holders of the Company during the year	12		
— Basic		**0.043**	(0.271)
— Diluted		**0.043**	(0.271)

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

	2013	2012
Dividend	**—**	—

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2013

	2013 *US$*	2012 *US$*
Profit/(loss) for the year	**3,268,686**	(20,815,260)
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Over provision of deferred income tax on fair value gain of an available-for-sale financial asset in prior years	**2,803,577**	—
Items that may be reclassified to profit or loss		
Share of post-acquisition reserves of associates	**1,144,609**	660,489
Exchange differences arising on translation of associates and subsidiaries	**604,726**	279,184
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**(1,451,021)**	986,794
Fair value gains/(losses) of available-for-sale financial assets, net of deferred income tax	**10,427,186**	(8,193,169)
Other comprehensive income/(loss) for the year, net of tax	**13,529,077**	(6,266,702)
Total comprehensive income/(loss) for the year attributable to equity holders of the Company	**16,797,763**	(27,081,962)

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 US$	2012 US$
ASSETS			
Non-current assets			
Investments in associates	14	**65,922,206**	64,994,838
Available-for-sale financial assets	15	**57,634,496**	49,713,074
Total non-current assets		**123,556,702**	114,707,912
Current assets			
Loans receivable	16	**4,122,963**	4,360,588
Other receivables, prepayments and deposits	17	**181,448**	126,133
Financial assets at fair value through profit or loss	18	**5,902,284**	7,040,033
Tax recoverable		**70,252**	—
Cash and cash equivalents	19	**25,181,872**	20,337,805
Total current assets		**35,458,819**	31,864,559
Total assets		**159,015,521**	146,572,471
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**7,675,816**	7,675,816
Reserves	21	**150,631,421**	133,833,658
Total equity		**158,307,237**	141,509,474
LIABILITIES			
Non-current liability			
Deferred income tax liabilities	22	**89,401**	2,908,560
Current liabilities			
Accounts payable		**139,919**	160,272
Accrued expenses		**155,825**	298,986
Amounts due to related companies	25(c)	**306,376**	312,037
Current income tax liabilities		**16,763**	1,383,142
Total current liabilities		**618,883**	2,154,437
Total liabilities		**708,284**	5,062,997
Total equity and liabilities		**159,015,521**	146,572,471
Net current assets		**34,839,936**	29,710,122
Total assets less current liabilities		**158,396,638**	144,418,034

Lo Yuen Yat
Director

Lao Yuan Yuan
Director

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2013

	Note	2013 US$	2012 US$
ASSETS			
Non-current assets			
Investments in subsidiaries	13	**18,199,893**	17,220,153
Investments in associates	14	**14,719,554**	14,719,554
Available-for-sale financial assets	15	**57,634,496**	49,713,074
Total non-current assets		**90,553,943**	81,652,781
Current assets			
Loans receivable	16	**—**	350,000
Other receivables, prepayments and deposits	17	**77,604**	55,865
Financial assets at fair value through profit or loss	18	**5,902,284**	7,040,033
Tax recoverable		**70,252**	—
Cash and cash equivalents	19	**16,491,027**	12,236,051
Total current assets		**22,541,167**	19,681,949
Total assets		**113,095,110**	101,334,730
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**7,675,816**	7,675,816
Reserves	21	**104,649,725**	89,256,327
Total equity		**112,325,541**	96,932,143
LIABILITIES			
Non-current liability			
Deferred income tax liabilities	22	**89,401**	2,908,560
Current liabilities			
Accounts payable		**139,919**	160,272
Accrued expenses		**155,000**	298,986
Amounts due to subsidiaries and related companies	25(c)	**368,486**	374,147
Current income tax liabilities		**16,763**	660,622
Total current liabilities		**680,168**	1,494,027
Total liabilities		**769,569**	4,402,587
Total equity and liabilities		**113,095,110**	101,334,730
Net current assets		**21,860,999**	18,187,922
Total assets less current liabilities		**112,414,942**	99,840,703

Lo Yuen Yat
Director

Lao Yuan Yuan
Director

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2013

	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$*	Total *US$*
Balance as 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 year attributable to equity holders of the Company	–	–	–	–	–	–	3,268,686	3,268,686
Other comprehensive income/(loss)								
Share of post-acquisition reserves of associates	–	–	1,144,609	–	–	–	–	1,144,609
Exchange differences arising on translation of associates and subsidiaries	–	–	–	604,726	–	–	–	604,726
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	–	–	–	–	–	(1,451,021)	–	(1,451,021)
Fair value gain of available-for-sale financial assets — net	–	–	–	–	–	10,411,604	–	10,411,604
Deferred income tax on fair value loss of available-for-sale financial assets	–	–	–	–	–	15,582	–	15,582
Over provision of deferred income tax on fair value gain of an available-for-sale financial asset in prior years	–	–	–	–	–	2,803,577	–	2,803,577
Total other comprehensive income for the year, net of tax	–	–	1,144,609	604,726	–	11,779,742	–	13,529,077
Total comprehensive income for the year ended 31 December 2013	–	–	1,144,609	604,726	–	11,779,742	3,268,686	16,797,763
Balance as at 31 December 2013	7,675,816	69,107,882	9,172,478	3,546,913	1,573,881	29,513,148	37,717,119	158,307,237

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2013

	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$
Balance as 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 year attributable to equity holders of the Company	—	—	—	—	—	—	(20,815,260)	(20,815,260)
Other comprehensive (loss)/income								
Share of post-acquisition reserves of associates	—	—	660,489	—	—	—	—	660,489
Exchange differences arising on translation of associates and subsidiaries	—	—	—	279,184	—	—	—	279,184
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	—	—	—	—	—	(9,223,193)	—	(9,223,193)
Deferred income tax on fair value losses of available-for-sale financial assets	—	—	—	—	—	1,030,024	—	1,030,024
Total other comprehensive (loss)/income for the year, net of tax	—	—	660,489	279,184	—	(7,206,375)	—	(6,266,702)
Total comprehensive (loss)/income for the year ended 31 December 2012	—	—	660,489	279,184	—	(7,206,375)	(20,815,260)	(27,081,962)
Total contributions by and distributions to equity holders of the Company recognised directly in equity								
Employees share option scheme:								
— transfer of reserve upon lapse of share options	—	—	—	—	(252,494)	—	252,494	—
Total contributions by and distribution to equity holders of the Company	—	—	—	—	(252,494)	—	252,494	—
Balance as at 31 December 2012	7,675,816	69,107,882	8,027,869	2,942,187	1,573,881	17,733,406	34,448,433	141,509,474

The notes on pages 38 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2013

		Year ended 31 December	
		2013	2012
	Note	***US$***	*US$*
Cash flows from operating activities			
Cash used in operations	*23*	**(2,783,676)**	(2,359,218)
Hong Kong profits tax paid		**—**	(97,487)
Overseas profit tax paid		**—**	(20,935)
Net cash used in operating activities		**(2,783,676)**	(2,477,640)
Cash flows from investing activities			
Loan repayment received		**—**	150,000
Loan granted to an associate		**—**	(4,010,588)
Interest received		**517,920**	463,443
Dividends received from listed investments		**229,778**	381,934
Investments in associates		**(263,870)**	(2,447,544)
Purchase of available-for-sale financial assets		**(49,215)**	—
Net proceed from disposals of available-for-sale financial assets		**2,523,373**	9,564,706
Net proceed from disposals of financial assets at fair value through profit or loss		**4,426,720**	—
Net cash generated from investing activities		**7,384,706**	4,101,951
Net increase in cash and cash equivalents		**4,601,030**	1,624,311
Cash and cash equivalents at beginning of year		**20,337,805**	18,681,992
Exchange gains on cash and cash equivalents		**243,037**	31,502
Cash and cash equivalents at end of year	*19*	**25,181,872**	20,337,805

The notes on pages 38 to 79 are an integral part of these 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 Mainland China.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in United States dollars ('US$'), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21 March 2014.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements of China Assets (Holdings) Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRSs'). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(i) Changes in accounting policy and disclosures

Effect of adopting new accounting standards, and amendments and interpretation to existing standards

- HKAS 1 (Amendment), "Financial Statement Presentation" requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The effect of this amended standard on the Group's financial statements is presentational.

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures" on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

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

(a) Basis of preparation *(Continued)*

(i) Changes in accounting policy and disclosures *(Continued)*

Effect of adopting new accounting standards, and amendments and interpretation to existing standards (Continued)

- HKFRS 12, "Disclosure of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements and associates, structured entities and other off balance sheet vehicles.

- HKFRS 13, "Fair Value Measurements". It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other Standards within HKFRSs.

The following new accounting standards, and amendments and interpretation to existing standards are also mandatory to the Group for accounting periods beginning on or after 1 January 2013 but they did not result in any significant impact on the results and financial position of the Group.

HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to HKFRS 1	First-time Adoption of HKFRS — Government Loans
Amendment to HKFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual improvement projects	Improvements to HKASs and HKFRSs 2011

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

(a) Basis of preparation *(Continued)*

(i) Changes in accounting policy and disclosures *(Continued)*

New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Defined benefit plans	1 July 2014
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
HKAS 39 (Amendment)	Financial instruments: Recognition and measurements — Novation of derivatives	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
HKFRS 14	Regulatory deferral accounts	1 January 2016
HK(IFRIC) — Int 21	Levies	1 January 2014
Annual improvement projects	Improvements to HKASs and HKFRSs 2012 and 2013	1 July 2014

The Group has already commenced an assessment of the related impact of adopting the above new and amended standards to the Group. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(b) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

(b) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

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

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

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Separate financial statements

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

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

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

(d) Segment reporting

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the consolidated income statement within 'other gains/(losses) — net'.

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

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

(iii) Group companies

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

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

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

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

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

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

(f) Impairment of non-financial assets

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

(g) Financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

(g) Financial assets *(Continued)*

Recognition and measurement

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

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

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

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

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

(h) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

(i) Assets carried at amortised cost *(Continued)*

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

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

(ii) Assets classified as available-for-sale

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

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

(i) Loans receivable and other receivables

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

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

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

(j) Cash and cash equivalents

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

(k) Share capital

Ordinary shares are classified as equity.

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

(l) Accounts payable

Accounts payable are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(m) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

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

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

(ii) Deferred income tax

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

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

(n) Provisions

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

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

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

(o) Employee benefits

(i) Pension obligations

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

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

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

(o) Employee benefits *(Continued)*

(ii) Share-based compensation

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

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

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

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

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

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates when the Group can no longer withdraw the offer of those benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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

(p) Income recognition

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

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

(q) Dividend distribution

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

3. Financial risk management

(a) Financial risk factors

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

(i) Market risk

(1) Foreign exchange risk

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

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

Majority of other Group's monetary assets and liabilities are denominated in the respective entities' functional currencies, US$ and RMB. Based on a sensitivity analysis performed by management, the impact to the Group would not be significant if the US$ and RMB strengthened or weakened against the relevant currencies by less than 5%.

3. Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk *(Continued)*

(2) Price risk

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

If the securities price of the respective investments held by the Group as available-for-sale financial assets and financial assets at fair value through profit or loss were higher or lower by 15% as at 31 December 2013 (2012: 15%), the Group's investment revaluation reserve would increase or decrease by approximately US$8,645,000 (2012: US$7,457,000) and 'other gains/(losses) — net' in the consolidated income statement for the year ended 31 December 2013 would increase or decrease by US$885,000 (2012: US$1,056,000) respectively.

(3) Cash flow and fair value interest rate risk

The Group's significant interest-bearing assets are loans receivable. Loans receivable issued at fixed rates expose the Group to fair value interest risk. Group policy is to maintain all of its loans receivable in fixed rate instruments.

The Group's interest rate risk arises from cash deposits which carry floating interest rate. Assuming the balance as 31 December 2013 was the amount for the whole year, if the interest rate was 20 (2012: 20) basis points higher or lower and all other variables were held constant, the Group's profit or loss would increase or decrease by approximately US$39,000 (2012: US$9,000).

(ii) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that money lending transactions are made to borrowers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any borrower.

The carrying amounts of cash and cash equivalents, loans and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2012 and 2013, all the bank deposits are deposited with major banks in Hong Kong and the Mainland China. The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

In respect of loans and other receivables, the Group considers that adequate provision for unrecoverable loans and other receivables has been made in the relevant accounting period after considering the Group's experience in collection of loans and other receivables.

3. Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk

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

The Group considers that the exposure to liquidity risk is insignificant as the Group does not have any material current liabilities.

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

As at 31 December 2012 and 2013, the Group had no bank borrowings and, accordingly, the gearing ratio for both years is 0%.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

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

3. Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value at 31 December 2013.

	Level 1	**Level 3**	**Total**
	US$	***US$***	***US$***
Financial assets at fair value through profit or loss			
— listed equity securities	**4,152,522**	**—**	**4,152,522**
— unlisted equity securities	**—**	**1,749,762**	**1,749,762**
Available-for-sale financial assets			
— listed equity securities	**52,654,714**	**—**	**52,654,714**
— unlisted, quoted equity securities	**458,304**	**—**	**458,304**
— private investment fund	**—**	**4,521,478**	**4,521,478**
	57,265,540	**6,271,240**	**63,536,780**

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

	Level 1	Level 3	Total
	US$	*US$*	*US$*
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

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

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

3. Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

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

Specific valuation techniques used to value financial instruments include:

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

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Private investment fund *US$*	**Unlisted equity securities** *US$*	**Convertible bond** *US$*	**Total** *US$*
Opening balance	**4,628,088**	**2,713,333**	**—**	**7,341,421**
Addition during the year	**49,215**	**—**	**—**	**49,215**
Loss recognised in the investment revaluation reserve	**(155,825)**	**—**	**—**	**(155,825)**
Disposal during the year	**—**	**(1,334,877)**	**—**	**(1,334,877)**
Gain recognised in the consolidated income statement	**—**	**371,306**	**—**	**371,306**
Closing balance	**4,521,478**	**1,749,762**	**—**	**6,271,240**

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Private investment fund *US$*	Unlisted equity securities *US$*	Convertible bond *US$*	Total *US$*
Opening balance	6,814,015	7,317,557	2,401,538	16,533,110
Loss recognised in the investment revaluation reserve	(2,185,927)	—	—	(2,185,927)
Loss recognised in the consolidated income statement	—	(4,604,224)	(2,401,538)	(7,005,762)
Closing balance	4,628,088	2,713,333	—	7,341,421

4. Critical accounting estimates and judgements

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

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

(a) Estimated impairment of loans and other receivables

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

(b) Estimated impairment of investments in associates

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

(c) Fair value of financial instruments

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

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

(d) Income taxes

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

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

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

5. Investment management fee

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

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

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

Management fee paid to CAIML for the year ended 31 December 2013 amounted to US$1,654,345 (2012: US$1,828,041).

CAIML is also entitled to receive a performance bonus, subject to conditions, based on a specified formula as defined in the Management Agreement and the New Supplemental Agreement. No performance bonus had been paid for the year ended 31 December 2013 (2012: Nil).

6. Income and segment information

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

	2013	2012
	US$	*US$*
Income		
Bank interest income	**345,975**	432,762
Loan interest income	**171,945**	30,681
Dividend income from listed investments	**229,778**	381,934
	747,698	845,377

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

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

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

6. Income and segment information *(Continued)*

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

	2013	2012
	US$	*US$*
Income		
Hong Kong	**402,403**	522,947
Mainland China	**345,295**	322,430
	747,698	845,377

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

	2013	2012
	US$	*US$*
Non-current assets, other than available-for-sale financial assets		
Hong Kong	**56,215,602**	54,294,872
Mainland China	**9,706,604**	10,699,966
	65,922,206	64,994,838

7. Other gains/(losses) — net

	2013	2012
	US$	*US$*
Net gains on disposals of available-for-sale financial assets	**1,434,997**	1,458,588
Net gains on disposals of financial assets at fair value through profit or loss	**3,091,843**	—
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**197,128**	(6,268,376)
Provision for impairment of loans and other receivables	**(376,458)**	(9,014,947)
Net exchange gains	**248,491**	132,674
	4,596,001	(13,692,061)

7. Other gains/(losses) — net *(Continued)*

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

	2013 US$	2012 US$
Net gains on disposals of available-for-sale financial assets	**1,434,997**	1,458,588
Net gains on disposals of financial assets at fair value through profit or loss	**3,091,843**	—
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**197,128**	(6,268,376)
	4,723,968	(4,809,788)

Represented by:

	2013 US$	2012 US$
Listed investments		
Realised gains	**—**	16,872
Unrealised (losses)/gains	**(174,178)**	720,514
	(174,178)	737,386
Unlisted investments		
Realised gains	**4,526,840**	1,458,588
Unrealised gains/(losses)	**371,306**	(7,005,762)
	4,898,146	(5,547,174)
	4,723,968	(4,809,788)

8. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

	2013 US$	2012 US$
Investment management fee *(Note 5)*	**1,654,345**	1,828,041
Employee benefit expenses (including directors' remuneration) *(Note 9)*	**186,358**	191,598
Auditor's remuneration	**178,562**	185,050
Other expenses	**761,954**	533,303
	2,781,219	2,737,992

9. Employee benefit expenses (including directors' remuneration)

	2013	2012
	US$	*US$*
Wages and salaries	**184,424**	189,825
Pension costs — defined contribution plan	**1,934**	1,773
	186,358	191,598

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2013 and 2012 is set out below:

	2013	2012
	Directors' fee	Directors' fee
	HK$	*HK$*
Executive directors		
Mr. Lo Yuen Yat	**89,040**	89,040
Ms. Lao Yuan Yuan	**89,040**	89,040
Mr. Chan Suit Khown (resigned on 17 October 2012)	**—**	74,200
Non-executive directors		
Mr. Jiang Wei	**89,040**	89,040
Mr. Yeung Wai Kin	**143,640**	143,640
Mr. Zhao Yu Qiao	**89,040**	89,040
Independent non-executive directors		
Mr. Fan Jia Yan	**200,550**	200,550
Mr. Wu Ming Yu	**165,900**	165,900
Dr. David William Maguire	**111,300**	111,300
	977,550	1,051,750
Equivalent to US$	**125,584**	135,675

9. Employee benefit expenses (including directors' remuneration) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2012: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2012: one) individual during the year are as follows:

	2013	2012
	US$	*US$*
Basic salaries, housing allowances, other allowances and benefits in kind	**58,840**	54,150
Pension costs — defined contribution plan	**1,934**	1,773
	60,774	55,923

The emoluments payable to this employee in 2013 and 2012 fell within the band of HK$nil to HK$1,000,000.

10. Income tax credit/(expense)

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013	2012
	US$	*US$*
Current tax:		
— Current tax on profits for the year	**—**	(56,763)
— Adjustments in respect of prior years	**1,458,599**	(11,565)
Income tax credit/(expense)	**1,458,599**	(68,328)

10. Income tax credit/(expense) *(Continued)*

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/(losses) of the consolidated entities as follows:

	2013	2012
	US$	US$
Profit/(loss) before income tax	**1,810,087**	(20,746,932)
Share of loss of associates	**752,393**	2,261,480
	2,562,480	(18,485,452)
Calculated at income tax rate of 16.5% (2012: 16.5%)	**(422,809)**	3,050,100
Effect of different income tax rates in other countries	**—**	(10,643)
Income not subject to tax	**401,936**	522,895
Expenses not deductible for tax purposes	**(264,869)**	(3,619,115)
Utilisation of previously unrecognised tax losses	**285,742**	—
Adjustments in respect of prior years	**1,458,599**	(11,565)
Tax credit/(charge)	**1,458,599**	(68,328)

11. Profit/(loss) for the year attributable to equity holders of the Company

The profit for the year attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$3,120,751 (2012: loss for US$17,753,608).

12. Earnings/(losses) per share

The calculation of basic and diluted earnings/(losses) per share is calculated by dividing the Group's profit for the year attributable to equity holders of the Company of US$3,268,686 (2012: loss of US$20,815,260). The basic earnings/(losses) per share is based on the weighted average number of 76,758,160 (2012: 76,758,160) ordinary shares in issue during the year.

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

13. Investments in subsidiaries

	Company	
	2013	2012
	US$	*US$*
Unlisted shares, at cost *(Note c)*	**140,151**	140,151
Amounts due from subsidiaries *(Note a)*	**33,017,721**	32,037,981
Less: provision for impairment *(Note b)*	**(14,957,979)**	(14,957,979)
	18,059,742	17,080,002
	18,199,893	17,220,153

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	Company	
	2013	2012
	US$	*US$*
As at 1 January	**(14,957,979)**	(12,759,269)
Provision for impairment	**—**	(2,198,710)
As at 31 December	**(14,957,979)**	(14,957,979)

(a) The amounts due from subsidiaries are unsecured, interest-free, quasi-equity in nature and denominated in the following currencies:

	2013	2012
	US$	*US$*
Renminbi	**18,049,752**	17,080,012
US Dollars	**14,967,969**	14,957,969
	33,017,721	32,037,981

(b) The amounts due from subsidiaries were past due and were fully impaired in 2007, 2008 and 2012.

13. Investments in subsidiaries *(Continued)*

(c) The following is a list of subsidiaries held directly by the Company at 31 December 2013:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held 2013	Interest held 2012
Global Lead Technology Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Global Record Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Promise Keep Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Runway Wish Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Shining Avenue Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Winner Strength Investments Limited	British Virgin Islands	Investment holding	10 shares of US$1 each	**100%**	100%
Zhong Guan Business Consultancy (Shanghai) Co. Ltd.	People's Republic of China	Investment holding	Registered capital of US$140,000	**100%**	100%

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note: The subsidiaries operate principally in their places of incorporation. The kind of legal entity of all subsidiaries are limited liability company.

14. Investments in associates

	Group	
	2013	2012
	US$	*US$*
As at 1 January	**67,895,614**	66,859,008
Increase in investments in associates	**263,870**	2,447,544
Share of associates' losses	**(752,393)**	(2,261,480)
Share of post-acquisition reserves of associates	**1,144,609**	660,489
Exchange differences	**271,282**	190,053
As at 31 December	**68,822,982**	67,895,614
Provision for impairment of investment in an associate	**(2,900,776)**	(2,900,776)
	65,922,206	64,994,838

	Company	
	2013	2012
	US$	*US$*
Shares listed in Hong Kong, at cost	**13,770,330**	13,770,330
Unlisted investments, at cost	**4,585,627**	4,585,627
	18,355,957	18,355,957
Provision for impairment	**(3,636,403)**	(3,636,403)
	14,719,554	14,719,554

Movements in the provision for impairment of investment in associates are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
As at 1 January	**(2,900,776)**	—	**(3,636,403)**	(735,627)
Provision for impairment	**—**	(2,900,776)	**—**	(2,900,776)
As at 31 December	**(2,900,776)**	(2,900,776)	**(3,636,403)**	(3,636,403)

As at 31 December 2013, provision for impairment of investment in associates of US$2,900,776 (2012: US$2,900,776) was made by the Group after taking into account of the associate's business developments, financial positions and other factors.

14. Investments in associates *(Continued)*

(a) Set out below are the associates of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group:

Name	Particulars of issued shares held	Place of incorporation	Principal activities	Interest held 2013	Interest held 2012
First Shanghai Investments Limited ('FSIL') *(See note i below)*	Ordinary shares of 247,674,500 of HK$0.2 each	Hong Kong	Investment holding	**17.705%**	17.705%
Hong Kong Strong Profit Limited ('HKSP') *(See note ii below)*	Ordinary shares of 4,900 of HK$1 each	Hong Kong	Dormant	**49%**	49%
Shanghai International Medical Center Investment Management Company Limited ('SIMC') *(See note iii below)*	RMB62,500,000	People's Republic of China	Provision of medical service	**25%**[1]	25%[1]
Goldeneye Interactive Limited ('Goldeneye') *(See note iv below)*	Series B Preferred shares of 9,574,330 of US$0.001 each	Cayman Islands	Provision of online real estate information	**22.37%**	22.37%
Shanghai Moxing Environmental Science and Technology Co Ltd ('SMECT') *(See note v below)*	RMB4,650,000 (2012: RMB3,050,000)	People's Republic of China	Provision of waste oil recycling	**29.86%**[1]	22.07%[1]

1 Held indirectly by the Company

Notes:

(i) FSIL is a company listed on The Stock Exchange of Hong Kong Limited with issued share capital of HK$279,782,601 (2012: HK$279,782,601). Notwithstanding interest in FSIL is less than 20%, FSIL is considered as an associate of the Company because there are two common directors on the board of FSIL who can exercise significant influence over FSIL's operations and management decisions. As at 31 December 2013, the market value of the Group's interest in FSIL was approximately US$21,718,000 (2012: US$23,643,000) and the carrying amount of the Group's interest was approximately US$56,216,000 (2012: US$54,295,000).

(ii) HKSP is in the liquidation process. Full provision for impairment losses was made against the investment in HKSP in prior years.

14. Investments in associates *(Continued)*

(a) Set out below are the associates of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group: *(Continued)*

Notes: (Continued)

(iii) SIMC is a company registered in the People's Republic of China with a total authorised capital of RMB250,000,000. As at 31 December 2013, the carrying amount of the Group's interest was approximately US$8,843,000 (2012: US$9,892,000).

(iv) Goldeneye is a company registered in the Cayman Islands with a total authorised capital of US$80,000 divided into 54,428,862 ordinary shares, 8,163,265 Series A preferred shares and 17,407,873 Series B preferred shares of a par value of US$0.001 each, respectively.

(v) SMECT is a company registered in the People's Republic of China with a total authorised capital of RMB896,510 (2012: RMB795,770).

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

Summarised balance sheet

	FSIL		SIMC	
	2013	2012	**2013**	2012
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current assets	**414,268**	403,671	**2,088**	13,232
Current liabilities	**(233,932)**	(206,012)	**(17,309)**	(11,246)
Non-current assets	**190,813**	165,424	**107,246**	37,571
Non-current liabilities	**(49,605)**	(53,066)	**(56,665)**	—

Summarised statement of comprehensive income

	FSIL		SIMC	
	2013	2012	**2013**	2012
	US$'000	*US$'000*	***US$'000***	*US$'000*
Revenue	**59,265**	45,032	**—**	—
Profit/(loss) after tax	**5,398**	(13,588)	**(5,304)**	(394)
Other comprehensive income	**11,060**	1,583	**—**	—
Total comprehensive income/ (loss)	**16,458**	(12,005)	**(5,304)**	(394)
Dividends received from associates	**—**	—	**—**	—

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

15. Available-for-sale financial assets

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
As at 1 January	**50,694,908**	74,082,421	**50,694,908**	67,057,477
Additions	**49,215**	—	**49,215**	—
Disposals	**(2,539,397)**	(7,178,953)	**(2,539,397)**	—
Fair value change transfer to other comprehensive income	**10,411,604**	(9,223,193)	**10,411,604**	(9,377,202)
Written off	**—**	(6,999,499)	**—**	(6,999,499)
Exchange difference	**68,672**	14,132	**68,672**	14,132
As at 31 December	**58,685,002**	50,694,908	**58,685,002**	50,694,908
Provision for impairment of avaiable-for-sale financial assets	**(1,050,506)**	(981,834)	**(1,050,506)**	(981,834)
	57,634,496	49,713,074	**57,634,496**	49,713,074

Available-for-sale financial assets include the following:

	Group and Company	
	2013	2012
	US$	*US$*
Listed equity securities		
— Canada	**6,261**	11,724
— Mainland China	**46,814,408**	36,784,627
— Hong Kong	**5,834,045**	5,500,119
Unlisted equity securities	**458,304**	2,788,516
Private investment fund	**4,521,478**	4,628,088
	57,634,496	49,713,074
Market value of listed securities	**52,654,714**	42,296,470

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

	Group and Company	
	2013	2012
	US$	*US$*
Canadian dollars	**6,261**	11,724
HK dollars	**6,292,349**	8,288,635
Renminbi	**51,335,886**	41,412,715
	57,634,496	49,713,074

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

The fair value of unlisted equity securities is determined by reference to published price quotations in an active market.

Movements in the provision for impairment of available-for-sale financial assets are as follows:

	Group and Company	
	2013	2012
	US$	*US$*
As at 1 January	**981,834**	7,967,201
Written off	**—**	(6,999,499)
Exchange difference	**68,672**	14,132
As at 31 December	**1,050,506**	981,834

As at 31 December 2013, provision for impairment of available-for-sale financial assets of US$1,050,506 (2012: US$981,834) was made by the Group for an equity investment as a result of the significant or prolonged decline in the fair value of the security below its cost.

At 31 December 2013, the carrying amount of interest in the following company exceeded 10% of total assets of the Company and the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital held	Interest held 2013	Interest held 2012
Shandong Lukang Pharmaceutical Co., Ltd. ('Lukang')	People's Republic of China	Manufacture and sale of pharmaceutical products	58,049,866 foreign legal person shares	**9.98%**	9.98%

16. Loans receivable

Loans receivable are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
Independent third parties *(Note a)*:				
Renminbi	**7,091,497**	6,898,211	**7,091,497**	6,898,211
US dollars	**350,000**	350,000	**350,000**	350,000
	7,441,497	7,248,211	**7,441,497**	7,248,211
An associate *(Note b)*:				
Renminbi	**4,122,963**	4,010,588	**—**	—
Loans receivable — gross	**11,564,460**	11,258,799	**7,441,497**	7,248,211
Provision for impairment	**(7,441,497)**	(6,898,211)	**(7,441,497)**	(6,898,211)
Loans receivable — net	**4,122,963**	4,360,588	**—**	350,000

The carrying amounts of loans receivable approximate to their fair values as at 31 December 2013. The maximum exposure to credit risk at the reporting date is the fair values (i.e. their carrying amounts) of the loans receivable.

Notes:

(a) The loans receivable from independent third parties were secured by certain assets of the borrowers as stipulated in the respective loan agreements. The effective interest rates of these loans receivable were as follows:

	Group and Company			
	2013		2012	
	RMB	***US$***	RMB	US$
Loans receivable from independent third parties	**—**	**—**	—	7.22%

(b) As at 31 December 2013, the loan receivable from an associate was unsecured, bearing an effective interest rate at 4.22% per annum. Since the loan was advanced in December 2012, the effective interest rate was 0% for the year ended 31 December 2012. As at 31 December 2013, the loan receivable from an associate was past due within 1 year and was not impaired.

16. Loans receivable *(Continued)*

As at 31 December 2013 and 2012, the ageing analysis of the loans receivable is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
Current	**—**	4,360,588	**—**	350,000
Past due within 1 year	**4,472,963**	—	**350,000**	—
Past due over 1 year	**7,091,497**	6,898,211	**7,091,497**	6,898,211
	11,564,460	11,258,799	**7,441,497**	7,248,211

As at 31 December 2013, loans receivable of US$7,441,497 were fully impaired. It is assessed that the loan receivable were not expected to be recovered.

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

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
As at 1 January	**(6,898,211)**	—	**(6,898,211)**	—
Provision for impairment	**(350,000)**	(6,897,069)	**(350,000)**	(6,897,069)
Exchange difference	**(193,286)**	(1,142)	**(193,286)**	(1,142)
As at 31 December	**(7,441,497)**	(6,898,211)	**(7,441,497)**	(6,898,211)

As at 31 December 2013, provision for impairment of loans receivable of US$7,441,497 (2012: US$6,898,211) was made by the Group and the Company after taking into account of the borrowers' business developments, financial positions and other factors.

The charge and release of provision for impairment of loans receivable have been included in 'other gains/(losses) — net' and in the consolidated income statement (Note 7).

17. Other receivables, prepayments and deposits

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
Other receivables	**5,039,531**	4,825,091	**2,296,991**	2,188,047
Prepayments and deposits	**25,436**	25,719	**25,436**	25,719
	5,064,967	4,850,810	**2,322,427**	2,213,766
Provision of impairment of other receivables	**(4,883,519)**	(4,724,677)	**(2,244,823)**	(2,157,901)
	181,448	126,133	**77,604**	55,865

Other receivables are interest-free. The balances are either past due or repayable on demand. Accordingly, the fair values of the Group's and the Company's other receivables approximate to their carrying amounts.

17. Other receivables, prepayments and deposits *(Continued)*

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

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
Renminbi	**5,009,320**	4,794,945	**2,267,030**	2,157,901
HK dollars	**29,189**	29,407	**28,939**	29,407
US dollars	**26,458**	26,458	**26,458**	26,458
	5,064,967	4,850,810	**2,322,427**	2,213,766

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

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
As at 1 January	**4,724,677**	2,542,104	**2,157,901**	—
Provision for impairment	**26,458**	2,117,878	**26,458**	2,117,878
Exchange difference	**132,384**	64,695	**60,464**	40,023
As at 31 December	**4,883,519**	4,724,677	**2,244,823**	2,157,901

As at 31 December 2013, provision for impairment of other receivables of US$4,883,519 (2012: US$4,724,677) and US$2,244,823 (2012: US$2,157,901) was made by the Group and the Company, respectively, after taking into account of the debtors' business developments, financial positions and other factors.

The charge and release of provision for impairment of other receivables have been included in 'other gain/(losses) — net' in the consolidated income statement (Note 7).

18. Financial assets at fair value through profit or loss

	Group and Company	
	2013	2012
	US$	*US$*
Listed equity securities held for trading:		
— Hong Kong	**4,152,522**	4,326,700
Unlisted equity securities	**1,749,762**	2,713,333
	5,902,284	7,040,033
Market value of listed equity securities	**4,152,522**	4,326,700

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

18. Financial assets at fair value through profit or loss *(Continued)*

Financial assets at fair value through profit or loss are presented within the section on 'operating activities' as part of changes in working capital in the consolidated statement of cash flows (Note 23).

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

19. Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
Cash at bank and on hand	**5,665,871**	15,603,404	**5,048,642**	10,012,417
Short-term bank deposits	**19,516,001**	4,734,401	**11,442,385**	2,223,634
	25,181,872	20,337,805	**16,491,027**	12,236,051
Maximum exposure to credit risk	**25,181,352**	20,336,376	**16,491,027**	12,236,051

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

	Group		Company	
	2013	2012	**2013**	2012
Short-term bank deposits	**0.08%-3.05%**	0.20%-2.85%	**0.08%-3.05%**	0.20%-0.30%

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

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
US dollars	**3,860,338**	207,378	**3,695,520**	43,402
HK dollars	**3,678,037**	3,263,635	**3,678,037**	3,263,634
Renminbi	**17,643,497**	16,866,792	**9,117,470**	8,929,015
	25,181,872	20,337,805	**16,491,027**	12,236,051

Renminbi is not a freely convertible currency.

20. Share capital and premium

	Company	
	2013	2012
	US$	*US$*
Authorised:		
160,000,000 shares of US$0.10 each	**16,000,000**	16,000,000

	Number of shares of US$0.10 each	Ordinary shares	Share premium	Total
		US$	*US$*	*US$*
Issued and fully paid:				
As at 1 January 2012, 31 December 2012 and 31 December 2013	76,758,160	7,675,816	69,107,882	76,783,698

Share options

Share options were granted to certain directors of the Company and employees of CAIML as incentives and rewards for their contributions to the Group. Each share option entitles the holder to subscribe for one share in the capital of the Company at an exercise price of either HK$2.65 or HK$5.74 per share, and is exercisable at any time from 25 May 2004 to 23 May 2014 or from 25 April 2007 to 24 April 2017 respectively.

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

	Average exercise price in HK$ per Share	Options (thousands)
As at 1 January 2012	5.05	6,975
Options lapsed	5.74	(750)
As at 31 December 2012	4.97	6,225
As at 31 December 2013	4.97	6,225

During the years ended 31 December 2013 and 2012, no share option was granted and exercised.

21. Reserves

Group

	Share premium US$	Capital reserve US$	Exchange translation reserve US$	Share-based compensation reserve US$	Investment revaluation reserve US$	Retained earnings US$	Total US$
Balance as at 1 January 2012	69,107,882	7,367,380	2,663,003	1,826,375	24,939,781	55,011,199	160,915,620
Comprehensive loss							
Loss for the year attributable to equity holders of the Company	—	—	—	—	—	(20,815,260)	(20,815,260)
Other comprehensive (loss)/ income							
Share of post-acquisition reserves of associates	—	660,489	—	—	—	—	660,489
Exchange differences arising on translation of associates and subsidiaries	—	—	279,184	—	—	—	279,184
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	—	—	—	—	(9,223,193)	—	(9,223,193)
Deferred income tax on fair value losses of available-for-sale financial assets	—	—	—	—	1,030,024	—	1,030,024
Total other comprehensive (loss)/income for the year, net of tax	—	660,489	279,184	—	(7,206,375)	—	(6,266,702)
Total comprehensive (loss)/ income for the year ended 31 December 2012	—	660,489	279,184	—	(7,206,375)	(20,815,260)	(27,081,962)
Total contributions by and distributions to equity holders of the Company recognised directly in equity							
Employees share option scheme:							
— transfer of reserve upon lapse of share options	—	—	—	(252,494)	—	252,494	—
Total contributions by and distribution to equity holders of the Company	—	—	—	(252,494)	—	252,494	—
Balance as at 31 December 2012	69,107,882	8,027,869	2,942,187	1,573,881	17,733,406	34,448,433	133,833,658

21. Reserves *(Continued)*

Group *(Continued)*

	Share premium US$	Capital reserve US$	Exchange translation reserve US$	Share-based compensation reserve US$	Investment revaluation reserve US$	Retained earnings US$	Total US$
Balance as at 1 January 2013	69,107,882	8,027,869	2,942,187	1,573,881	17,733,406	34,448,433	133,833,658
Comprehensive income							
Profit for the year attributable to equity holders of the Company	—	—	—	—	—	3,268,686	3,268,686
Other comprehensive income/(loss)							
Share of post-acquisition reserves of associates	—	1,144,609	—	—	—	—	1,144,609
Exchange differences arising on translation of associates and subsidiaries	—	—	604,726	—	—	—	604,726
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	—	—	—	—	(1,451,021)	—	(1,451,021)
Fair value gains of available-for-sale financial assets — net	—	—	—	—	10,411,604	—	10,411,604
Deferred income tax on fair value loss of available-for-sale financial assets	—	—	—	—	15,582	—	15,582
Over provision of deferred income tax on fair value gains of an available-for-sale financial asset in prior years	—	—	—	—	2,803,577	—	2,803,577
Total other comprehensive income for the year, net of tax	—	1,144,609	604,726	—	11,779,742	—	13,529,077
Total comprehensive income for the year ended 31 December 2013	—	1,144,609	604,726	—	11,779,742	3,268,686	16,797,763
Balance as at 31 December 2013	69,107,882	9,172,478	3,546,913	1,573,881	29,513,148	37,717,119	150,631,421

21. Reserves *(Continued)*

Company

	Share premium US$	Exchange translation reserves US$	Share-based compensation reserve US$	Investment revaluation reserve US$	Retained earnings/ (accumulated losses) US$	Total US$
Balance as at 1 January 2012	69,107,882	1,649,869	1,826,375	36,067,176	6,505,140	115,156,442
Loss for the year	—	—	—	—	(17,753,608)	(17,753,608)
Exchange difference arising on translation of subsidiaries	—	162,169	—	—	—	162,169
Fair value losses of available-for-sale financial asset	—	—	—	(9,377,202)	—	(9,377,202)
Deferred income tax on fair value losses of available-for-sale financial assets	—	—	—	1,068,526	—	1,068,526
Employees share option scheme: — transfer of reserve upon lapse of share options	—	—	(252,494)	—	252,494	—
Balance as at 31 December 2012	69,107,882	1,812,038	1,573,881	27,758,500	(10,995,974)	89,256,327
Balance as at 1 January 2013	**69,107,882**	**1,812,038**	**1,573,881**	**27,758,500**	**(10,995,974)**	**89,256,327**
Profit for the year	**—**	**—**	**—**	**—**	**3,120,751**	**3,120,751**
Exchange difference arising on translation of subsidiaries	**—**	**492,905**	**—**	**—**	**—**	**492,905**
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**—**	**—**	**—**	**(1,451,021)**	**—**	**(1,451,021)**
Fair value gains of available-for-sale financial assets — net	**—**	**—**	**—**	**10,411,604**	**—**	**10,411,604**
Deferred income tax on fair value loss of available-for-sale financial assets	**—**	**—**	**—**	**15,582**	**—**	**15,582**
Over provision of deferred income tax on fair value gains of an available-for-sale financial asset in prior years	**—**	**—**	**—**	**2,803,577**	**—**	**2,803,577**
Balance as at 31 December 2013	**69,107,882**	**2,304,943**	**1,573,881**	**39,538,242**	**(7,875,223)**	**104,649,725**

22. Deferred income tax liabilities

The gross movement in the deferred income tax liabilities are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	US$	*US$*	***US$***	*US$*
As at 1 January	**(2,908,560)**	(3,998,213)	**(2,908,560)**	(3,977,086)
Credited to investment revaluation reserve	**15,582**	1,030,024	**15,582**	1,068,526
Over provision of deferred income tax on fair value gains of an available-for-sale financial asset in prior years	**2,803,577**	—	**2,803,577**	—
Release of deferred income tax liabilities upon disposal of an available-for-sale financial asset	**—**	59,629	**—**	—
As at 31 December	**(89,401)**	(2,908,560)	**(89,401)**	(2,908,560)

Deferred income tax liabilities represent capital gain tax on unrealised fair value gains on available-for-sale financial assets.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of US$782,541 (2012: US$1,068,655) in respect of losses amounting to US$4,742,673 (2012: US$6,476,699) that can be carried forward against future taxable income.

Deferred income tax liabilities of US$33,205 (2012: US$26,992) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of a subsidiary in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2013, total unremitted earnings amounted to US$664,091 (2012: US$539,838).

23. Cash used in operations

	2013 US$	2012 US$
Profit/(loss) before income tax	**1,810,087**	(20,746,932)
Adjustments for:		
Share of losses of associates	**752,393**	2,261,480
Bank interest income	**(345,975)**	(432,762)
Loan interest income	**(171,945)**	(30,681)
Dividend income from listed investments	**(229,778)**	(381,934)
Net gains on disposals of available-for-sale financial assets	**(1,434,997)**	(1,458,588)
Net gains on disposals of financial assets at fair value through profit or loss	**(3,091,843)**	—
Provision for impairment of investment in an associate	**—**	2,900,776
Provision for impairment of loan receivable	**350,000**	—
Net fair value (gains)/losses of financial assets at fair value through profit or loss	**(197,128)**	6,268,376
Provision for impairment	**—**	9,014,947
Changes in working capital:		
Other receivables, prepayments and deposits	**(55,315)**	(14,173)
Financial assets at fair value through profit or loss	**—**	99,970
Accounts payable	**(20,353)**	15,589
Accrued expenses	**(143,161)**	143,286
Amounts due to related companies	**(5,661)**	1,428
Cash used in operations	**(2,783,676)**	(2,359,218)

24. Capital commitments

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

	Group and Company	
	2013 US$	2012 US$
Investments in associates	**—**	1,906,678
Available-for-sale financial asset	**940,036**	962,541
	940,036	2,869,219

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

	2013 US$	2012 US$
Contracted but not provided for	**10,756,342**	7,696,241
Authorised but not contracted	**18,358,053**	13,032,517

25. Related party transactions

(a) Transactions with related parties

	2013 US$	2012 US$
Management fee paid/payable to:		
China Assets Investment Management Limited ("CAIML")	**1,654,345**	1,828,041

Note: The Company has appointed China Assets Investment Management Limited ("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.

(b) Key management compensation

	2013 US$	2012 US$
Salaries and other short-term employee benefits	**184,424**	189,825
Pension costs — defined contribution plan	**1,934**	1,773
	186,358	191,598

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

	Group		Company	
	2013 US$	2012 US$	**2013 US$**	2012 US$
Amount due to an associate	**296,658**	297,663	**296,658**	297,663
Amount due to a related company *(Note)*	**9,718**	14,374	**9,718**	14,374
Amounts due to related companies	**306,376**	312,037	**306,376**	312,037
Amounts due to subsidiaries	**—**	—	**62,110**	62,110
	306,376	312,037	**368,486**	374,147
Loan receivable from an associate *(Note 16)*	**4,122,963**	4,010,588	**—**	—

Note: The amount due to a related company represents a management fee payable to CAIML.

Five Year Financial Summary

	2013	2012	2011	2010	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Consolidated income statement					
Income	**748**	845	2,421	1,512	1,168
Profit/(loss) for the year attributable to equity holders of the Company	**3,269**	(20,815)	(1,830)	4,098	7,629
Consolidated balance sheet					
Investments in associates	**65,922**	64,995	66,859	57,948	54,380
Available-for-sale financial assets	**57,634**	49,713	66,115	100,113	85,601
Other non-current assets	**—**	—	—	—	6,471
Current assets	**35,459**	31,864	41,652	48,448	41,889
	159,015	146,572	174,626	206,509	188,341
Current liabilities	**(619)**	(2,154)	(2,037)	(2,126)	(1,349)
Deferred income tax liabilities	**(89)**	(2,909)	(3,998)	(6,938)	(3,513)
	158,307	141,509	168,591	197,445	183,479
Financed by:					
Share capital	**7,676**	7,676	7,676	7,656	7,656
Reserves	**150,631**	133,833	160,915	189,789	175,823
	158,307	141,509	168,591	197,445	183,479