CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)

INTERIM REPORT

2014

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Company Secretary

Mr. Cheng Sai Wai

Audit Committee

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

Remuneration Committee

Mr. Fan Jia Yan
Mr. Lo Yuen Yat
Dr. David William Maguire

Nomination Committee

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

Solicitors

David Norman & Co.
Jennifer Cheung & Co.
ReedSmith Richards Butler

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Bankers

China CITIC Bank International Limited
Shanghai Pudong Development Bank Co. Ltd.
Agricultural Bank of China

Custodian

Citibank, N.A., Hong Kong Branch

Registrars

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
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Stock Code

170

UNAUDITED INTERIM RESULTS

The Board of Directors of China Assets (Holdings) Limited (the "Company") has pleasure in reporting the following unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014:

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

		Unaudited Six months ended 30 June	
		2014	2013
	Note	***US$***	*US$*
Income	*6*	**328,529**	332,843
Other gains — net	*7*	**4,531,670**	3,850,135
Administrative expenses	*8*	**(1,089,362)**	(1,128,567)
Operating profit		**3,770,837**	3,054,411
Share of losses of associates		**(749,649)**	(30,827)
Profit before income tax		**3,021,188**	3,023,584
Income tax expense	*9*	**(917,417)**	(2,120)
Profit for the period attributable to the equity holders of the Company		**2,103,771**	3,021,464
Earnings per share attributable to the equity holders of the Company — Basic	*10*	**0.0274**	0.0394
— Diluted	*10*	**0.0274**	0.0393

The notes on pages 8 to 21 form an integral part of these condensed consolidated financial statements.

Dividend	*11*	**—**	—

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June	
	2014	2013
	US$	*US$*
Profit for the period	**2,103,771**	3,021,464
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Share of post-acquisition reserves of associates	**(254,757)**	252,437
Exchange differences arising on translation of associates and subsidiaries	**(868,259)**	300,551
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**—**	(1,451,021)
Fair value losses of available-for-sale financial assets, net of deferred income tax	**(1,389,330)**	(1,921,628)
Other comprehensive loss for the period, net of tax	**(2,512,346)**	(2,819,661)
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	**(408,575)**	201,803

The notes on pages 8 to 21 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	**Unaudited 30 June 2014 US$**	Audited 31 December 2013 US$
ASSETS			
Non-current assets			
Investments in associates		**62,925,063**	65,922,206
Available-for-sale financial assets		**56,110,160**	57,634,496
Total non-current assets		**119,035,223**	123,556,702
Current assets			
Loans receivable	*12*	**3,218,746**	4,122,963
Other receivables, prepayments and deposits	*13*	**190,872**	181,448
Financial assets at fair value through profit or loss		**6,196,518**	5,902,284
Tax recoverable		**70,252**	70,252
Cash and cash equivalents	*14*	**30,580,917**	25,181,872
Total current assets		**40,257,305**	35,458,819
Total assets		**159,292,528**	159,015,521
EQUITY			
Equity attributable to equity holders of the Company			
Share capital: nominal value	*15*	**—**	7,675,816
Other statutory capital reserves	*15*	**—**	69,107,882
Share capital and other statutory capital reserves	*15*	**76,783,698**	76,783,698
Other reserves		**41,294,074**	43,806,420
Retained profits		**39,820,890**	37,717,119
Total equity		**157,898,662**	158,307,237

The notes on pages 8 to 21 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet *(Continued)*

As at 30 June 2014

	Note	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**12,276**	89,401
Current liabilities			
Accounts payable		**77,041**	139,919
Other payables and accrued expenses		**63,682**	155,825
Amounts due to related companies	*17(c)*	**306,687**	306,376
Current income tax liabilities		**934,180**	16,763
Total current liabilities		**1,381,590**	618,883
Total liabilities		**1,393,866**	708,284
Total liabilities and equity		**159,292,528**	159,015,521
Net current assets		**38,875,715**	34,839,936
Total assets less current liabilities		**157,910,938**	158,396,638

The notes on pages 8 to 21 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014 US$	 2013 US$
Cash flows generated from operating activities			
Cash used in operating activities		**(1,557,267)**	(1,224,928)
Cash flows from investing activities			
Interest received	6	**305,524**	140,162
Dividends received from listed investments	6	**23,005**	20,736
Loan repayment received		**1,179,119**	—
Proceed from disposal of investments in an associate		**6,218,389**	—
Net proceed from disposals of financial assets at fair value through profits or loss		**—**	4,426,719
Net proceed from disposals of available-for-sale financial assets		**—**	2,523,373
Cash flows from investing activities		**7,726,037**	7,110,990
Net increase in cash and cash equivalents		**6,168,770**	5,886,062
Cash and cash equivalents at beginning of the period		**25,181,872**	20,337,805
Exchange (losses)/gains on cash and cash equivalents		**(769,725)**	133,693
Cash and cash equivalents at end of the period	*14*	**30,580,917**	26,357,560

The notes on pages 8 to 21 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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$
				Unaudited				
Balance at 1 January 2014	7,675,816	69,107,882	9,172,478	3,546,913	1,573,881	29,513,148	37,717,119	158,307,237
Comprehensive income								
Profit for the period attributable to equity holders of the Company	–	–	–	–	–	–	2,103,771	2,103,771
Other comprehensive income/(loss)								
Share of post-acquisition reserves of associates	–	–	(254,757)	–	–	–	–	(254,757)
Exchange differences arising on translation of associates and subsidiaries	–	–	–	(868,259)	–	–	–	(868,259)
Fair value losses of available-for-sale financial assets	–	–	–	–	–	(1,466,455)	–	(1,466,455)
Deferred income tax on fair value gains of available-for-sale financial assets	–	–	–	–	–	77,125	–	77,125
Total other comprehensive loss for the period, net of tax	–	–	(254,757)	(868,259)	–	(1,389,330)	–	(2,512,346)
Total comprehensive loss for the period ended 30 June 2014	–	–	(254,757)	(868,259)	–	(1,389,330)	2,103,771	(408,575)
Total transactions with owners recognised directly in equity								
Transition to no-par value regime on 3 March 2014	69,107,882	(69,107,882)	–	–	–	–	–	–
Balance at 30 June 2014	76,783,698	–	8,917,721	2,678,654	1,573,881	28,123,818	39,820,890	157,898,662

The notes on pages 8 to 21 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2013

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

The notes on pages 8 to 21 form an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. General information

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

The Company is listed on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 August 2014. The condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Other amendments to HKFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

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

3. Accounting policies *(Continued)*

New and Amended Standards have been issued but are not effective for the Financial Year beginning 1 January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation;	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans;	1 July 2014
HKFRS 7 and 9 (Amendment)	Mandatory Effective Date and Transition Disclosures;	1 January 2015
HKFRS 9	Financial Instruments;	1 January 2018
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operation;	1 January 2016
HKFRS 14	Regulatory Deferral Accounts; and	1 January 2016
Annual Improvement Projects	Improvements to HKASs and HKFRSs 2012 and 2013	1 July 2014

The adoption of the above new and amended standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

There are no other new and amended standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Estimates

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

In preparing this unaudited condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

5. Financial risk management *(Continued)*

5.1 Financial risk factors *(Continued)*

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

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

5.2 Fair value estimation

Compared to 31 December 2013, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The different levels of financial instruments carried at fair value by valuation method are defined as follows:

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

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

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

The following table presents the Group's assets that are measured at fair value at 30 June 2014.

		Unaudited	
	Level 1	Level 3	Total
	US$	*US$*	*US$*
Financial assets at fair value through profit or loss			
— listed equity securities	4,446,756	—	4,446,756
— unlisted equity securities	—	1,749,762	1,749,762
Available-for-sale financial assets			
— listed equity securities	51,872,533	—	51,872,533
— unlisted, quoted equity securities	487,394	—	487,394
— private investment fund	—	3,750,233	3,750,233
	56,806,683	5,499,995	62,306,678

5. Financial risk management *(Continued)*

5.2 Fair value estimation *(Continued)*

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

	Audited		
	Level 1 US$	Level 3 US$	Total 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

For the period ended 30 June 2014, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the period ended 30 June 2014, there were no reclassifications of financial assets.

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

30 June 2014	Financial assets at fair value through profit or loss US$	Available-for-sale financial assets US$
Opening balance at 1 January 2014	**1,749,762**	**4,521,478**
Change in fair value recognised in other comprehensive income	**—**	**(771,245)**
Closing balance at 30 June 2014	**1,749,762**	**3,750,233**

5. Financial risk management *(Continued)*

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

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

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

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

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

The main Level 3 inputs used by the Group in estimating the fair value are price/equity ratio ("P/E ratio") or price/book value ratio ("P/B ratio"), and discount for lack of marketability ratio ("DLOM"). The external valuer prepares detailed valuation report based on the average P/E ratio (for profitable investments), or minimum PB ratios (for losses suffering investments) of listed comparable companies, and discounted by DLOM.

The key unobservable assumptions used in the valuation are:

Assumption	Range
Price/equity ratio	15.72 to 35.69
Price/book value ratio	1.33 to 4.25
Discount for lack of marketability ratio	40%

5. **Financial risk management** *(Continued)*

5.4 Group's valuation processes

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

6. **Income and segment information**

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	US$	*US$*
Income		
Bank interest income	**305,524**	140,162
Loan interest income — an associate	**—**	171,945
Dividend income from listed investments	**23,005**	20,736
	328,529	332,843

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

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

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

7. Other gains — net

	Unaudited Six months ended 30 June 2014 US$	2013 US$
Listed investments		
Unrealised fair value losses on financial assets at fair value through profit or loss	**(139,581)**	(438,031)
Unlisted investments		
Realised gain on disposal of an available for sales financial asset	—	1,434,997
Realised gain on disposal of a financial asset at fair value through profit or loss	—	3,091,843
Realised gain on partial disposal of investment in an associate	**4,541,206**	—
	4,541,206	4,526,840
Fair value gains on investments — net	**4,401,625**	4,088,809
Net exchange (losses)/gains	**(219,955)**	136,960
Reversal of provision for/(provision for) impairment of loan and other receivables	**350,000**	(376,458)
Others	—	824
	4,531,670	3,850,135

8. Administrative expenses

Expense included in administrative expenses is analysed as follows:

	Unaudited Six months ended 30 June 2014 US$	2013 US$
Investment management fee	**783,578**	865,420

9. Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2013: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	US$	*US$*
Current income tax:		
— Current income tax on profits for the period	**917,417**	2,120

10. Earnings per share

The basic earnings per share is calculated by dividing the Group's profit for the period attributable to equity holders of the Company of US$2,103,771 (2013: profit of US$3,021,464) by the weighted average number of 76,758,160 (2013: 76,758,160) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2014 is the same as the basic earnings per share as the potential additional ordinary shares are anti-dilutive.

For the six months ended 30 June 2013, the Company has share options outstanding which were dilutive potential ordinary shares. Calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 104,125 dilutive potential ordinary shares.

11. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

12. Loans receivable

Loans receivable are denominated in the following currencies:

	Unaudited 30 June 2014 *US$*	Audited 31 December 2013 *US$*
Independent third parties:		
Renminbi	**6,920,304**	7,091,497
US dollars	**—**	350,000
	6,920,304	7,441,497
An associate:		
Renminbi	**3,218,746**	4,122,963
Loans receivable — gross	**10,139,050**	11,564,460
Provision for impairment	**(6,920,304)**	(7,441,497)
Loans receivable — net	**3,218,746**	4,122,963

The carrying amounts of loans receivable approximate to their fair values as at 30 June 2014. The maximum exposure to credit risk at the reporting date is the fair values (i.e. their carrying amounts) of the loans receivable.

As at 30 June 2014 and 31 December 2013, the ageing analysis of the loans receivable is as follows:

	Unaudited 30 June 2014 *US$*	Audited 31 December 2013 *US$*
Current	**3,218,746**	4,472,963
Past due over 1 year	**6,920,304**	7,091,497
	10,139,050	11,564,460

12. Loans receivable *(Continued)*

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

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
At beginning of the period	**7,441,497**	6,898,211
Provision for impairment	**—**	350,000
Reversal of provision for impairment	**(350,000)**	—
Exchange difference	**(171,193)**	193,286
At end of the period	**6,920,304**	7,441,497

The reversal of provision for impairment of loan receivable has been included in "other gains — net" in the consolidated income statement.

13. Other receivables, prepayments and deposits

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
Other receivables	**4,997,941**	5,039,531
Prepayments and deposits	**11,632**	25,436
	5,009,573	5,064,967
Provision for impairment of other receivables	**(4,818,701)**	(4,883,519)
	190,872	181,448

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

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

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
At beginning of the period	**4,883,519**	4,724,677
Provision for impairment	**—**	26,458
Exchange difference	**(64,818)**	132,384
At end of the period	**4,818,701**	4,883,519

The charge of provision for impairment of other receivables has been included in "other gains — net" in the consolidated income statement.

14. Cash and cash equivalents

Included in the cash and cash equivalents of the Group are Renminbi deposits and cash in the Mainland China of US$24,340,705 (31 December 2013: US$17,643,497). The conversion of the RMB denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

15. Share capital

	Unaudited 30 June 2014 Number of ordinary shares	Unaudited 30 June 2014 Ordinary shares US$	Audited 31 December 2013 Number of ordinary shares	Audited 31 December 2013 Ordinary shares US$
Authorised: *(Note a)*				
Ordinary shares of US$0.1 each *(Note b)*	—	—	76,758,160	7,675,816

Ordinary shares, issued and fully paid:

	Number of shares	Share Capital US$
At 1 January 2014	76,758,160	7,675,816
Transaction to no-par value regime on 3 March 2014 *(Note c)*	—	69,107,882
At 30 June 2014	76,758,160	76,783,698
At 1 January 2013 and 30 June 2013	76,758,160	76,783,698

(a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

16. Capital commitments

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

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
Available-for-sale financial asset	**917,343**	940,036

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

	Unaudited 30 June 2014 US$	Audited 31 December 2013 US$
Contracted but not provided for	**10,550,766**	10,756,342
Authorised but not contracted	**17,477,772**	18,358,053

17. Related party transactions

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.

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

(a) During the period, the Company paid management fees totaling US$783,578 (2013: US$865,420) to CAIML under the management agreement signed between the Company and CAIML.

(b) As at 30 June 2014, management fee payable to CAIML amounted to US$10,554 (31 December 2013: US$9,718). The balance is denominated in United States dollar, unsecured, interest-free and will be settled in the third quarter of 2014.

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

(d) Key management compensation

	Unaudited Six months ended 30 June	
	2014	2013
	US$	*US$*
Salaries and other short-term employee benefits	**97,837**	98,037
Pension costs — defined contribution plan	**999**	967
	98,836	99,004

Net Asset Value

The unaudited consolidated net asset value per share of the Group at 30 June 2014 was US$2.06 (31 December 2013: US$2.06).

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

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Shares in the Company

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

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

Options in respect of shares in the Company

On 19 May 2004, the Company adopted a share option scheme (the "Old Scheme"). Under the Old Scheme, the Board shall be entitled at any time within ten years commencing on 19 May 2004 to make an offer for the grant of a share option to any director, employee or consultant of the Group or the Manager of the Company's affairs or any adviser whose service to the Group may contribute to the business and operation of the Group as the Board may in its absolute discretion select.

Due to the expiry of the Old Scheme on 19 May 2014 and in order to ensure continuity of a share option scheme for the Company to incentivize selected participants for their contribution to the Group, the Shareholders at the annual general meeting of the Company held on 23 May 2014 passed an ordinary resolution to approve the adoption of a new share option scheme (the "New Scheme"). Pursuant to the terms of the New Scheme, the Directors may at their discretion offer any director, employee or consultant of the Group, a company in which any company in the Group holds an equity interest or a subsidiary of such company or the Manager; or any adviser whose service to the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the Directors from time to time to subscribe for Shares in the Company. Following the termination of the Old Scheme on 19 May 2014, no further share options can be granted under the Old Scheme but the provisions of the Old Scheme remain in full force and effect in all other respects in relation to the share options granted under the Old Scheme. All outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid.

Under the New Scheme, no share options were granted during the half year ended 30 June 2014.

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

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

Details of the share options granted under the Old Scheme and remain outstanding as at 30 June 2014 are as follows:

	Options held at 1 January 2014	Options lapsed during the period	Options exercised during the period	Options held at 30 June 2014	Exercise price *HK$*	Closing price before the date of grant *HK$*	Date of grant	Exercise period
Directors:								
Lo Yuen Yat	725,000	725,000	—	—	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	750,000	—	—	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Lao Yuan Yuan	750,000	—	—	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Jiang Wei	50,000	50,000	—	—	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	500,000	—	—	500,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Yeung Wai Kin	400,000	400,000	—	—	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	750,000	—	—	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Zhao Yu Qiao	305,000	305,000	—	—	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	750,000	—	—	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Wu Ming Yu	70,000	70,000	—	—	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	75,000	—	—	75,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Employees of the Manager	—	—	—	—	2.65	2.50	21/05/2004	25/05/2004-23/05/2014
	1,100,000	—	—	1,100,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
	6,225,000	1,550,000	—	4,675,000				

Apart from the above, as at 30 June 2014, none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Substantial shareholders' interests and short positions in the shares, Underlying Shares and Debentures of the Company and its associated corporations

The register of substantial shareholders' interests maintained under section 336 of the SFO reveals that as at 30 June 2014, 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	17,093,918 421,082	22.27% 0.55%
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%

Substantial shareholders' interests and short positions in the shares, Underlying Shares and Debentures of the Company and its associated corporations *(Continued)*

Note:

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

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

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

(4) Chen Dayou had an interest in the issued share capital of the Company through its interest in Team Assets Group Limited. Save as disclosed above, no other shareholders of the Company had any beneficial or legal interests in 5% or more of the Company's issued shares that carry a right to vote in general meetings of the Company as recorded in the register maintained by the Company. All the interests described above represent long positions, in the shares of the Company and no short positions, or other deemed interests or derivative interests were recorded in the register maintained by the Company as at 30 June 2014.

Purchase, Sale or Redemption of Shares

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

Corporate Governance

The Board is committed to maintain a high standard of corporate governance in the best interests of the shareholders. For the six month ended 30 June 2014, 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 23 May 2014 due to overseas commitment.

Audit Committee

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

Model Code for Securities Transactions by the Directors

The Company has adopted Appendix 10 of the Listing Rules "Model Code for Securities Transactions by Directors of Listed Issuers" as rules for securities transactions initiated by the directors of the Company. Following specific enquiry by the Company, all directors have confirmed that they fully complied with the standard laid down in the said rules at any time during the period ended 30 June 2014.

Investment Review

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") reported a profit of approximately US$2.10 million for the six months ended 30 June 2014. This compared with a profit of US$3.02 million for the same period in 2013. The result was mainly due to a profit (net of taxation) of US$3.50 million arising from disposal of portion of its indirect equity in Shanghai International Medical Centre Co Ltd ("SIMC"), an associated company, while its remaining equity in SIMC accounted for a sharing of loss amounting to US$0.56 million for the period.

In February, the Company disposed of 5% of its then 25% aggregate indirect equity in SIMC and a shareholder loan of RMB5 million for a sum of RMB42.5 million. The Company still has 20% indirect equity in SIMC.

As at 30 June 2014, the consolidated net asset value of the Group was US$157.90 million, representing a 0.26% decrease from US$158.31 million as of 31 December 2013.

The global economy got off to a bumpy start this year. Global economic activity fell short of expectations, pushing global GDP growth down to an average quarterly pace of just 2.5% in the first two quarters, a rate usually regarded as the demarcation line between global expansion and recession. During the period, geo-political risks came to the fore, with tensions between Russia and Ukraine heating up and, of course, there was renewed fighting in Iraq which continued to escalate. These developments significantly affected the performance of the global economy.

In the US, growth driven by private-sector demand picked up speed as the year progressed. Fed policy makers have indicated they expect the benchmark interest rate, which has been near zero since December 2008, to remain low at least until next year. This ultra-low interest environment, coupled with an improving job market, mild inflation and a stable housing market, as well as encouraging economic data, rallied the Dow Industrial to a near all-time high of 16,827 points at the close in June. This was up from 15,373 points in February, the lowest level in the first half-year caused by dreadful winter weather and renewed Cold War tensions.

In Europe, the economy is still recovering from its debt crisis, with signals showing the revival of both consumer and business confidence and the return of investors to the troubled economies in peripheral Europe. The onset of disturbingly low inflation and the continuing fragility of over-indebted economies and their banks, however, still hinder an anemic recovery. In line with the characteristics of previous recoveries following deep financial crises, the current upturn is proving rather muted overall. This reflects the lasting, though fading, impact of the economic crisis in terms of deleveraging pressures, funding constraints, and internal and external adjustment needs. Although financing conditions are benign on average, there are still substantial differences between member states and between firms of different sizes. A recent crisis at Banco Espírito Santo (BES), one of Portugal's biggest banks, prompted a plunge in Portugal's stock market and provided an example both of how swiftly market nerves could return and how fragile the euro remains. Against this fragile recovery, the European Central Bank (ECB) announced further monetary easing measures, cut the main refinancing rate and forced the deposit rate into negative territory, effectively levying a charge on banks for parking money in the ECB and aiming to stimulate flagging bank lending levels and credit growth.

In China, economic growth slowed precipitously in the first quarter of the year. In response, the central government enacted a series of measured steps to reinvigorate the economy, including stepped-up spending on rail, nuclear energy and social housing projects, cutting taxes for small companies, and easing monetary policies to benefit farmers and entrepreneurs. Since April, China has selectively loosened reserve requirement ratios for certain banks to get more money into the real economy and bring forward spending on transformation of shanty-towns and railway infrastructure. These measures helped economic growth hit 7.5% year-on-year in April-June, compared with 7.4% in the first quarter. With the series of policy-easing measures taking effect, the economy is believed to have bottomed out. However, the stock market remains pessimistic given its persistent concern over the huge shadow banking debt as well as the troubled property market. The Shanghai Composite index, extending into its fifth year in bear territory, closed at 2,048 points, down 3.2% for the first half year. This trend inevitably depressed the performance of the Company's listed portfolio.

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

Major Long-Term Investments

Investments in associates

First Shanghai Investments Limited ("FSIL")

The Company's major associate, First Shanghai Investment Limited, reported a net profit of HK$2.77 million (approx. US$0.36 million) for the six months ended 30 June 2014, compared to a net profit of HK$24.00 million (approx. US$3.09 million) for the period ended 30 June 2013. The decline in profit was mainly due to a loss arising from securities investment of approximately HK$5 million, as compared with a profit of approximately HK$14 million in 2013.

Shanghai International Medical Centre Co. Ltd ("SIMC," previously known as Shanghai International Medical Centre Investment Management Company Limited)

SIMC was founded in 2010 by Shanghai International Medical Zone Group Company Limited, a wholly-owned local government entity, to establish a 500-bed, class-A hospital in Pudong New Area to provide high-end medical services to foreign expatriates and local high-income residents in Shanghai and adjacent regions ("the Hospital").

The Group sold 5% of its indirect equity in SIMC in February to realize a profit (net of taxation) on the disposal of approx. US$3.63 million.

As at 30 June 2014, it still owned a 20% indirect interest for an investment cost of RMB50.2 million (approx. US$7.90 million) and had advanced a shareholder loan in the sum of RMB20 million.

The official opening of the Hospital, the first private general hospital in Shanghai, took place on 28 May 2014. It has 118 outpatient rooms, 15 operating theaters and 50 post-surgery wards. The Hospital has signed cooperative agreements with eight local hospitals, including the famous Ruijin Hospital, Renji Hospital, Shanghai No. 9 People's Hospital and Shanghai No. 1 People's Hospital, etc. These agreements facilitate the provision of services to the Hospital by their experts and have helped ease the shortage of professional personnel at the start of operations. It is expected a financial loss will be reported in the initial period of the Hospital's operation.

Major Long-Term Investments *(Continued)*

Investments in associates *(Continued)*

Shanghai International Medical Centre Co. Ltd ("SIMC," previously known as Shanghai International Medical Centre Investment Management Company Limited) (Continued)

The Hospital is managed by Parkway (Shanghai) Hospital Management Ltd, a member of Parkway Group Healthcare, the largest private healthcare group in Asia.

The unaudited loss of SIMC, adjusted under the Hong Kong Accounting Standards, was RMB15.68 million of which the Group shared a loss of RMB3.51 million (approx. US$0.56 million) for the first half year.

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 services for transportation and industrial customers. It has developed a proprietary, patented oil-filtration technology that recycles waste oil without any degradation in quality. At the end of the period, the Group had invested RMB4.65 million for 29.86% equity. For the first half year 2014, SMECT's operations mainly addressed issues arising from the trial-run of a waste oil recycling system installed at the site of a potential customer. SMECT had also provided oil filtering services for income. The half-year result was a loss of RMB0.71 million of which the Group shared RMB0.21 million. In view of declining capital, SMECT has recently been discussing further capital injection with interested parties.

Goldeneye Interactive Limited ("Goldeneye")

The Company made a US$3.85 million investment in April 2011 for a 22.37% Preferred B-share holding in Goldeneye. Goldeneye and its affiliated companies operate a web portal — www.fangjia.com — which is a vertical search engine specializing in online real estate information in the secondary market. The information is gathered by data mining and undergoes sophisticated analysis using Goldeneye's self-developed, patented technology. Goldeneye recently discussed with financial institutions the provision of in-depth analysis of the property market using its data mining technology and, to achieve that end, lined up over 100 appraisal companies nationwide for cooperation. In the first half-year Goldeneye incurred a loss of US$0.33 million, of which the Company shared US$0.07 million, nonetheless it is believed that its worst period should be over.

Major Long-Term Investments *(Continued)*

Available-for-sale financial assets

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

Still adversely affected by fierce market competition and various other factors prevailing in the past two years, Lukang reported a 2014 first half-year loss of RMB52.38 million, compared with a loss of RMB24.14 million in the corresponding period in 2013. The significant increase in loss was due to a decrease in grant funding of around RMB28.04 million from local government. Lukang attributed the overall loss to a combination of factors, including vicious competition in the antibiotics industry, which depressed the selling prices of its products, the overall declining demand for veterinary antibiotics, and the inefficient utilization of its new facility in Zoucheng. Lukang's market price was relatively stable during the period and was RMB4.99 at the close of June, a performance mildly better than the market.

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

The Company held 1,488,200 shares in China Pacific, a PRC general insurer, at the end of the period. As at 30 June 2014, the fair value of China Pacific was stated as US$5.25 million and an unrealised fair value loss of US$0.58 million was transferred to the investment revaluation reserve.

Red Stone Fund ("RS Fund")

RS Fund was set up in Ganzhou, Jiangxi Province, in January 2010 as a limited partnership in accordance with PRC Limited Partnership Law. The aim of the Fund is to invest in mineral, energy or related industries in the PRC and its size is RMB500 million. The Group has paid RMB24.3 million for a 6% indirect interest in RS Fund and is committed to paying a further 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 March 2011, RS Fund advanced an entrusted loan of RMB180 million to 太重煤機有限公司 (Tai Chong Coal Machinery Limited Company, "TCC") whose main businesses are the manufacture and sale of coal washing equipment, coking coal equipment and coal devices (scrapers, belt machines). RS Fund has an option to convert all, or a portion, of the entrusted loan for equity in TCC. In view of significant delay in the reorganization of TCC, Red Stone has given notice to TCC of its termination of conversion and called for repayment of the entrusted loan, the full repayment being expected to be completed within 2014.

Major Long-Term Investments *(Continued)*

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

Red Stone Fund ("RS Fund") (Continued)

In February 2014, GSNM raised further capital of RMB624 million and as a result the equity interest in GSNM held by RS Fund has been diluted to 9.824%.

In June, RS Fund distributed RMB302,500 to the Company as a share of available excess cash. This distribution, together with any future similar distributions, is treated as an amount due to RS Fund and will be set-off against for final distribution by RS Fund upon its liquidation. During the period, the Company received RMB93,194 (net of tax) as a return from RS Fund. The fair value of the RS Fund is RMB23.30 million as at the end of the period, resulting in a fair value deficit of US$0.63 million being debited to the investment revaluation reserve for the period.

China Alpha Fund II ("China Alpha")

The Group holds 300 units in China Alpha with a fair value of US$0.49 million.

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 which had reported remarkable operating results and solid growth prior to 2011. Ragentek was founded in 2006 by a group of experts from the TMT (technology, media, and telecom) industry and mobile device manufacturers. It focused mainly on R&D and manufacture of ODM (original design manufacturer) mobile phone handsets, providing GSM/3G/WiFi and smart phone total solutions. In April 2012, Ragentek launched its self-branded 3G smartphone product lines. Due to fierce market competition and substantial research and development expenditure, Regentek incurred a loss in 2012 as a result of which the Company made a provision US$4.6 million on the investment.

In May 2013, the Group disposed of its half-equity interest (3.26%) in Ragentek for a profit of US$3.09 million which included a reversal of a related provision made in 2012.

During the first half year, Ragentek reported an unaudited profit of RMB49.41 million. The fair value of the remaining 3.37% equity was stated as US$1.75 million at end of the period.

Liquidity and Financial Resources

The Group's financial position remained stable during the period. As at 30 June 2014, it had cash and cash equivalents of US$30.58 million (31 December 2013: US$25.18 million), of which US$24.34 million (31 December 2013: US$17.64 million) was held in RMB equivalents in PRC bank deposits in Mainland China. The Group had no debt. Most of the Group's investments are located in Mainland China. RMB is not a freely convertible currency and the RMB exchange rate against the US dollar remained stable during the period.

Employees

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

Prospects

One of the key risks for continued global growth and financial stability is the possible shock to the world economy when the US Federal Reserve starts to increase interest rates which investors expect in mid-2015. Other risks include vulnerabilities in emerging economies, fragilities in European countries using the euro currency, geo-political tensions in many parts of the world, extreme climates, and environmental disasters. Nonetheless, moderate global growth of around 3% is still expected for 2014. Developed economies, led by the US, should add more to global growth, offsetting a slight growth deceleration in emerging markets. The euro zone recovery remains more muted, but is a recovery nonetheless.

Prospects *(Continued)*

After years of rapid growth left China dealing with spiraling debt and a degraded environment, Chinese leaders have talked of managing a transition to slower growth and to an economy more driven by consumer demand than investment. They believe that slower growth is good for the country as they try to reduce decades of over-reliance on huge, though often inefficient, investment projects that have girded expansion. They envision a new model in which the country's increasingly affluent consumers drive activity, generating slower but more sustainable growth in the long term. However, facing a variety of challenges — from worries about unemployment, corruption, terrorist events and geo-political tension with neighboring countries — Chinese leaders have recently stressed the importance of hitting the 7.5% growth target for this year. Premier Li Keqiang has vowed the government will deliver the 7.5% target, indicating the overall policy stance will become more growth-supportive in the second half. Looking to later this year, China will continue to further loosen monetary and fiscal policy, though there are still strong headwinds as a consequence of the anti-corruption campaign and property downturn. However our opinion is this return to investment-support measures aimed at helping protect GDP growth from slipping further will be insufficient in decisively altering China's trend toward structurally slowing growth. Despite the said reservation, we continue to believe that a slow landing is the most likely outcome for the economy. We expect the government to continue pushing forward with economic and market reforms, though at a slower pace. The property sector remains the wild card in the Chinese economy — housing and land prices have soared over the past decade although the relatively low leverage in Chinese households will likely help prevent a collapse. Overall, we believe that, after under-performing during the first half of 2014, the Chinese equity market could out-perform during the second half of the year.

As previously reported, the Company has been reviewing its existing portfolio and aiming to rebalance it to minimize concentration on its current investments. The process has been slow as any change is highly affected by the unfavorable conditions of the current sluggish economic and business environment in China. In this context, it is clear that any investment has to be made cautiously in a world of few bargains, and mainly in those sectors or industries that offer good value and downside protection, such as clean energy, health care and consumer discretionary spending. Given this, the Company has been engaged in advanced evaluation of certain investments which are related to the health care and pharmaceutical industries which we believe will not be affected by the structural slowdown in growth of the China economy.

By Order of the Board
Lo Yuen Yat
Chairman

Hong Kong, 29 August 2014