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If you have sold or transferred all your shares in China Assets (Holdings) Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA ASSETS (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 170)

**POSSIBLE DISPOSAL OF SHARES IN
SHANDONG LUKANG PHARMACEUTICAL CO LTD
VERY SUBSTANTIAL DISPOSAL**

A notice convening an extraordinary general meeting of the Company to be held at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong on 30th November, 2015 at 4:00 p.m. is set out on page 37 of this circular. A form of proxy for the extraordinary general meeting is also enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company at its registered office at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting at the meeting should you so wish.

30th July, 2015

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“First Announcement”	the announcement by the Company of the Possible Disposal published on 22nd June, 2015;
“associate”	the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Company”	China Assets (Holdings) Limited, a company incorporated in Hong Kong with limited liability and an investment company whose issued shares are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Disposal”	the Recent Disposal, the Subsequent Disposal and the Possible Disposal;
“EGM”	the extraordinary general meeting of the Company to be held at 4:00 p.m. on 30th November, 2015, at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong to consider, and if thought fit approve, the Possible Disposal;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	a party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) and that is not a connected person (as defined in the Listing Rules) of the Company;
“Latest Practicable Date”	27th July, 2015 being the latest practicable date before the printing of this circular for ascertaining certain information herein;
“LuKang”	Shandong LuKang Pharmaceutical Co Ltd, a company incorporated in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange, PRC;
“LuKang Group”	LuKang and its subsidiaries;
“LuKang Shares”	ordinary shares of RMB1.00 each in the share capital of LuKang;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Manager” or “CAIML”	China Assets Investment Management Limited, a company incorporated in Hong Kong with limited liability;

DEFINITIONS

“Possible Disposal”	the possible disposal of up to 44,334,600 LuKang Shares referred to in this circular;
“PRC”	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Recent Disposal”	disposals of in aggregate 7,970,566 LuKang Shares at prices in the range of RMB9.10 to RMB24.50 per LuKang Share and during the period from 1st January, 2015 to the date of the First Announcement;
“Remaining Group”	the Group excluding its investment in Lukang;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Announcement”	the announcement made by the Company on 6th July, 2015 relating to a reduction in the minimum price for the Possible Disposal;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shareholders”	holders of Shares;
“Subsequent Disposal”	disposals of in aggregate 110,000 LuKang Shares at prices in the range of RMB18.03 to RMB18.60 per LuKang Share during the period from the date of the First Announcement to the Latest Practicable Date;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	the meaning ascribed thereto in the Listing Rules;
“Third Announcement”	the announcement made by the Company on 8th July, 2015 relating to a reduction in the minimum price of the Possible Disposal;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

Sums expressed in RMB in this circular have been translated into US dollars at the rate US\$1 – RMB6.20 and vice versa. No representation is made that any amounts in US\$ or RMB were or could have been converted at that rate or at any other rate.

LETTER FROM THE BOARD

CHINA ASSETS (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 170)

Board of Directors:

Executive Directors:

Lo Yuen Yat (*Chairman*)

Lao Yuan Yuan

Registered office:

19th Floor, Wing On House

71 Des Voeux Road Central

Hong Kong

Non-executive Directors:

Yeung Wai Kin

Zhao Yu Qiao

Independent Non-executive Directors:

Fan Jia Yan

Wu Ming Yu

David William Maguire

30th July, 2015

To the Shareholders,

Dear Sir or Madam,

INTRODUCTION

The Company announced in the First Announcement that the Company had disposed of some, and was considering the Possible Disposal, of its shares in LuKang, one of its investee companies. In the Second Announcement and in the Third Announcement it disclosed reductions in the minimum price for the Possible Disposal. No contracts have been entered into in connection with the Possible Disposal and the China Securities Regulatory Commission announced on 8th July, 2015 that investors with stakes exceeding 5% in PRC listed companies must maintain their positions. This requirement is likely to remain in place at least early January, 2016 and applies to the Company holding of LuKang Shares. However as a necessary preliminary to being able to effect it when permitted, the Directors are seeking the requisite approval of Shareholders for the Disposal of shares in LuKang which may constitute a “very substantial disposal” for the Company under the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information about the Possible Disposal and certain financial and general information of the Group, and to set out the notice of the EGM.

THE POSSIBLE DISPOSAL OF LUKANG SHARES

At the Latest Practicable Date the Company held 44,334,600 LuKang Shares representing some 7.62% of the existing issued LuKang Shares.

The audited consolidated total assets and net asset value of the LuKang Group as at 31st December, 2014 were about RMB4,085 million (approx. US\$659 million) and RMB1,504 million (approx. US\$243 million) respectively. The following is a summary of the consolidated results of LuKang Group for the years ended 31st December, 2014 and 2013 which were prepared under PRC accounting standards:

	Year ended 31st December 2014	Year ended 31st December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Turnover	<u>2,312,103</u>	<u>2,210,685</u>
(Loss)/profit before taxation	(132,093)	8,127
Income tax expenses	<u>(4,597)</u>	<u>(4,019)</u>
(Loss)/profit after taxation	<u><u>(136,690)</u></u>	<u><u>4,108</u></u>

LuKang's audited consolidated statements of comprehensive income and consolidated balance sheets for the years ended 31st December 2012, 2013 and 2014, extracted from published annual reports of LuKang, on which no qualified opinion was given, are shown in Appendix II.

Between 1st January, 2015 and 22nd June, 2015, being the date of the First Announcement, the Company disposed of a total of 7,970,566 shares in LuKang at prices in the range of RMB9.10 to RMB24.50, and an aggregate price of about RMB114.90 million (before expenses). Since then and up to the Latest Practicable Date it further disposed of a total of 110,000 shares in LuKang at prices in the range of RMB18.03 to RMB18.60 per share realising a further RMB2.01 million in aggregate (before expenses). The aggregate sales since 1st January, 2015 have realised RMB116.91 million in aggregate, before expenses.

LETTER FROM THE BOARD

At the Latest Practicable Date no contracts had been entered into by the Company in relation to the Possible Disposal of LuKang Shares and it is at present prevented from selling due to the temporary restrictions imposed by the China Securities Regulatory Commission but the Directors consider that because the disposal may be a very substantial disposal the Company should first obtain its Shareholders' approval for the disposal so that the Possible Disposal can be effected expeditiously if and when the restriction is lifted and market conditions are favourable. The possible future disposal of its LuKang Shares when aggregated with the Recent Disposal and the Subsequent Disposal may constitute a very substantial disposal for the Company under the Listing Rules, for which Shareholders' approval is required and on which any Shareholder and its associates with a material interest in the transaction must abstain from voting. The Directors were not aware at the Latest Practicable Date of any Shareholder or associate of a Shareholder that is required to abstain from voting or that any connected person (as defined in the Listing Rules) of the Company holds any LuKang Shares.

The Possible Disposal is likely to be either through the open market or by way of placing and will be effected only if:

- it is completed within twelve months from the date on which approval of Shareholders is given, which the Directors consider to be a reasonable period to conduct such a disposal of LuKang Shares; and
- the Manager of the Company recommends such disposal to the Directors and the Directors are then of the view that the disposal is in the interest of the Company.

If LuKang Shares are disposed of through the open market they will be disposed of at the prevailing market price at the time of disposal but whether a disposal is to be effected by way of open market sale or by placing the LuKang Shares will be sold at a minimum price of RMB6.09 per share, being a 20% discount to RMB7.61, which is the average closing price of the LuKang Shares in the last 480 trading days immediately before the day of the Third Announcement.

If a disposal is to be effected by way of placing:

- the placing price shall be agreed with the placing agent and payable in cash and be subject to a maximum 20% discount to the prevailing market price at the time of placement, and the minimum price mentioned above; and
- the LuKang Shares will be placed with parties who themselves and whose beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

Any placing agent appointed in Hong Kong will be a reputable investment bank licensed under the SFO to carry on the regulated activity of dealing in securities. Any placing agent appointed in PRC will be a reputable institution appropriately licensed in the PRC. No placing agent for a disposal has yet been appointed.

At the Latest Applicable Date no decision had been made on whether to dispose of any further LuKang Shares or, in the event they are to be disposed of, on whether to dispose of LuKang Shares through the market or through a placing agent. If the Company decides to proceed with any such disposal it will decide at the relevant time whether to sell the relevant LuKang Shares through the market or through a placing agent by reference to the circumstances at the time, including but not limited to the liquidity of LuKang Shares generally, the risk of the disposal creating a disorderly market or depressing market prices, and the number of LuKang Shares to be sold. In general, the larger the number of LuKang Shares to be disposed of at any given time, the more likely that a placing agent will be used.

The Directors consider that rapid disposal of up to all the Company's LuKang Shares through the open market may negatively affect the share price of LuKang. To remain flexible and depending on the market conditions at the time of disposal, the Company may dispose of its LuKang Shares through the open market and/or by way of placing. Since the actual placing price has not been determined and the market price for any possible disposal through open market is unknown, it is not possible to calculate the profit or loss that will arise on the Possible Disposal. The price of any disposal is not yet known, but by way of illustration only, on the basis of a price of RMB6.09 per LuKang Share (being a price calculated at a 20% discount to the average closing price of LuKang Shares in the last 480 trading days prior to the day of the Third Announcement) and a total number of 44,334,600 LuKang Shares are disposed of, the disposal would result in the Group reporting an estimated gross profit of approximately RMB181.10 million (approx. US\$29.21 million) based on the original investment cost (without taking into account the increase of the fair value of the assets recognised in its books).

At 31 December 2014, the Group's investments in LuKang Shares were classified as "available-for-sale financial assets" in the consolidated balance sheet of the Group and were stated at US\$66.76 million.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's consolidated net profit (audited) for the year ended 31st December, 2014 was US\$9,725,717. Its consolidated net asset value (audited) as at 31st December, 2014 was US\$196,627,558 representing US\$2.5617 per share.

LETTER FROM THE BOARD

As announced by the Company on 21st March, 2014, the Company intends to reduce its weighting on existing major investments and rebalance its portfolio. This Possible Disposal is part of this rebalancing plan. The Company is actively looking for new investment opportunities. The Company will continue to concentrate on investing in companies with high growth potential and are mainly in businesses of information technology, health care and medical services. The Company will at the same time take a cautious approach in assessing the risks attached to such companies.

REASONS FOR AND BENEFITS OF THE POSSIBLE DISPOSAL

The major reason for the Recent Disposal, Subsequent Disposal and Possible Disposal is the market price of LuKang Shares which although volatile is often high when assessed against their fundamental value. The Company has been disposing of, and intends to continue to dispose of, LuKang Shares, subject to the relevant Listing Rules, in view of the attractive market price. The Company is prepared to dispose of LuKang Shares if and when LuKang Shares prices remain attractive.

The fluctuation in LuKang Shares prices is believed to result from speculation by retail investors and the volatile sentiment in the China stock market. The Company does not know other reasons for the recent market prices of LuKang Shares.

The Possible Disposal will allow the Company to realise a successful investment and increase cash resources available for other investments if and when attractive opportunities arises.

The Company always considers new investment opportunities but no contract has been entered into for any specific investment that has not yet been completed. The possible proceeds of the Possible Disposal have not been specifically allocated to any investment opportunities.

It is intended that the net proceeds of the disposal will be used mainly for investments, but also as general working capital.

The Directors are of the opinion that the terms of the Possible Disposal of shares in LuKang are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and approval of the Possible Disposal will give flexibility to the Directors to dispose of the LuKang Shares at appropriate times and prices in order to maximize the returns to the Group. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the disposal of LuKang Shares.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL

The Disposal of all its shares in LuKang will not have a material effect on the liabilities of the Group.

As for the effects on assets, if the Disposal materializes, the amount of “Available-for-sale financial assets” in the consolidated balance sheet of the Group will decrease while the amount of current assets (being the cash proceeds from the disposal net of related expenses) will increase. In the consolidated income statement of the Group, the earnings will increase or decrease by the difference between the disposal proceeds (net of related expenses) and the carrying value of the investment.

Based on the unaudited pro forma financial information of the Remaining Group in respect of the Disposal (assuming the Possible Disposal takes place in full) as set out in Appendix III to this circular, the Directors believe that the Disposal would not have any material adverse effects on the total assets and total liabilities of the Group.

INFORMATION ON THE COMPANY AND LUKANG

The Company is an investment company listed under Chapter 21 of the Listing Rules, investing in companies in various business sectors including the technologies, technologies-related and medical service areas.

The Company’s investment in LuKang evolved from an investment over 20 years ago in an unlisted company which was then merged with LuKang, then became listed. At the time of the initial acquisition, the cost of the investment was within the 20% limit under Listing Rule 21.04(3)(b) and fully complied with the then Listing Rules.

Brief history of the investment in Lukang

In 1995, the Company invested in a 32% equity interest in Shangdong LuJian Pharmaceutical Co Ltd (“Lujian”), an unlisted company established in China, for a consideration of US\$9.59 million;

In 1996, LuJian was merged with Lukang, under which the Company’s entire interest in LuJian was exchanged for a 26.47% equity interest in LuKang;

In 1997, Lukang was listed on the Shanghai Stock Exchange, PRC, and the Company’s interest was diluted from 26.47% to 19.38% upon the initial public offering, representing 57,871,700 A shares;

LETTER FROM THE BOARD

During the period from 1998 to 2009, there were bonus issues and additional issues of share capital by Lukang. By the end of 2009, the number of shares in equity of Lukang held by the Company had increased to 63,658,870 due to bonus issues, while its holding was diluted to 11.46% as a result of the enlarged capital of Lukang upon various issues of additional share capital;

From 2009 to 2014, the Company disposed of a total of 11,243,704 shares in Lukang for a gross consideration of RMB101.57 million.

LuKang is an antibiotics producer based in the People's Republic of China, and it produces pesticides and veterinary drugs as well as raw materials for other producers. Its products are for local sales and for export.

IMPLICATIONS UNDER THE LISTING RULES

Subsequent to the First Announcement the Company has disposed of an aggregate of 110,000 shares in LuKang Shares at prices in the range of RMB18.03 to RMB18.60, and an aggregate price of about RMB2.01 million. These disposals and the Recent Disposal of its LuKang Shares when aggregated with the Possible Disposal may constitute a very substantial disposal for the Company under the Listing Rules, for which independent shareholders' approval is required. Any Shareholder and its associates with a material interest in the transaction must abstain from voting on the resolution to approve the Possible Disposal. To the best knowledge of the Directors none of the Shareholder(s) or their respective associates are required to abstain from voting at the EGM on the Possible Disposal.

Depending on market conditions it is possible that further LuKang Shares will be disposed of before the EGM.

EGM

A notice convening the EGM, at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the possible very substantial disposal resulting from the Possible Disposal is set out on page 37 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be delivered to the registered office of the Company at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting at the EGM should you so wish.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
China Assets (Holdings) Limited
Lo Yuen Yat
Chairman

1. INDEBTEDNESS

As at the close of business on 31st May, 2015 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group had no outstanding borrowings and had no contingent liabilities nor any issued and outstanding debt securities.

Apart from intra-group liabilities, none of the companies in the Group had outstanding at the close of business on 31st May, 2015 any bank overdrafts, loans or other similar indebtedness, mortgages, charges, guarantees, acceptance credits, hire purchase commitments or other contingent liabilities.

The Directors confirm that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31st May, 2015.

2. MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31st December, 2014, being the date to which the latest published audited accounts of the Group were made up to.

3. WORKING CAPITAL

The Directors are of the opinion that, following the completion of the Possible Disposal and taking into account the financial resources now available to the Group, including internally generated funds, the Group will have sufficient working capital for its present requirements for at least 12 months from the date of this circular.

4. MANAGEMENT DISCUSSION AND ANALYSIS

After disposal of entire interest in LuKang, the Group will no longer hold any interest in LuKang. The Group continues to hold significant interests, both directly or indirectly, in a number of listed and unlisted investments pursuant to its strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaison with the management of the companies invested by the Group. As at 31st December, 2014, the Group had the following major investments:

APPENDIX I
ADDITIONAL INFORMATION ON THE GROUP

Name	Nature of business	No. of shares	% of issued capital	Cost US\$	Carrying value US\$	% of total asset value	Dividend received US\$
First Shanghai Investments Limited*	Investment Holding	247,674,500	17.68	13,770,330	66,927,209	33.68	Nil
LuKang*	Manufacture and sale of pharmaceutical products	52,415,166	9.01	7,899,633	66,763,395	33.59	Nil
China Pacific Insurance (Group) Co Ltd.*	Provision of insurance services and management of insurance funds	1,488,200	0.02	5,427,472	7,559,183	3.80	86,875
Shanghai International Medical Centre Co. Ltd. (a)	Provision of medical services	N/A	20.00	7,812,821	4,699,303	2.36	Nil
China Alpha II Fund (b)	Investment fund	1,578	N/A	2,770,449	3,248,834	1.63	Nil
Red Stone Fund (c)	Investment holding	N/A	6.00	3,624,469	3,136,045	1.58	Nil
Ragentek Technology Group Limited (d)	Manufacturer of original design mobile phones	648,726	3.37	3,717,542	1,749,762	0.88	Nil
Industrial and Commercial Bank of China Ltd*	Provision of personal and corporate commercial banking services in China	1,709,650	0.00	725,421	1,247,501	0.63	65,355
HSBC Holdings PLC*	Provision of international banking and financial services	114,833	0.00	1,188,553	1,095,509	0.55	56,256
China Telecom Corporation Ltd*	Provision of fixed line and mobile communications services	1,800,000	0.00	1,285,825	1,053,527	0.53	19,854
Shanghai Moxing Environmental Science and Technology Co Ltd (e)	Provision of waste oil recycling services	N/A	29.86	745,912	628,595	0.32	Nil

* Listed investment

- (a) Shanghai International Medical Centre Co. Ltd. incurred a loss of RMB68.48 million (as adjusted according to the accounting policies of the Group) for the year ended 31st December, 2014, of which the Group shared RMB14.29 million (approx. US\$2.32 million) for the year ended 31st December, 2014.
- (b) China Alpha Fund reported a net profit of US\$13.93 million for the year ended 30th June, 2014 based on its audited financial statements.
- (c) Red Stone Fund incurred a loss of approx. RMB2.29 million for the year ended 31st December, 2014 based on its audited financial statements.
- (d) Ragentek Technology Group Limited reported a profit of approx. RMB71.41 million for the year ended 31st December, 2014 based on its unaudited management accounts.
- (e) Shanghai Moxing Environmental Science and Technology Co Ltd incurred a loss of RMB0.95 million (as adjusted according to the accounting policies of the Group) for the year ended 31st December, 2014, of which the Group shared RMB0.28 million for the year ended 31st December, 2014.

Principal Activities

The principal activity of the Company is investment holding. The Group's turnover and operating results are attributable to its principal activity of investment holding carried out in Hong Kong and the PRC. The major contribution to net profit and loss is attributable to its investments and associated companies operating in Hong Kong and the PRC.

Liquidity and Financial Resources

The financial position of the Group remained sound and healthy during the year ended 31st December, 2014. The principal activity of the Company is investment holding. The Group's turnover and operating results are attributable to its principal activity of investment holding carried out in Hong Kong and the PRC. The major contribution to net profit and loss is attributable to its investments and associated companies operating in Hong Kong and the PRC. As at 31st December, 2014, the Group had cash and bank balances of US\$26.23 million (2013: US\$25.18 million) of which US\$22.76 million (2013: US\$17.64 million) were held in RMB equivalent in the form of bank deposits held in Mainland China, and no debt.

Employees

The Company is managed by China Assets Investment Management Limited. The Company employs a company secretary whose remuneration includes basic salary payments, discretionary bonus and participation in the mandatory provident funds scheme. There is no other employee of the Company.

Exchange Rate Exposure

Most of the Group's investments are located in the PRC. The RMB is not a freely convertible currency and the RMB exchange rate remained stable during the year. Therefore, the Directors consider that exposure to fluctuation in exchange rates is minimal and the Group has not engaged in any hedging arrangement.

Pledge of Assets

As at 31st May, 2015, none of the Group's assets were pledged.

Contingent Liabilities

As at 31st May, 2015, the Group did not have any significant contingent liabilities.

Prospects

The Group will have a healthy financial position upon completion of the Possible Disposal, which is subject to shareholder approval.

First Shanghai Investments Limited, the Company's core investment which accounted for nearly 34% of the Group's total assets at the end of 2014, has benefited from increased turnover of the Hong Kong stock market as a result of the Shanghai-Hong Kong Stock Connect. It is expected its core operation of brokerage business will report healthy growth.

Its major unlisted investment, a 20% indirect equity interest in Shanghai International Medical Centre Co. Ltd. ("SIMC") incurred a loss in its first year of operation, which commenced in May 2014, and is expected to incur further losses in 2015. The Company envisages further funding in proportion to its equity interest may be required to finance the operation of SIMC. Despite this difficult period of SIMC, the Company believes its prospects are good and it will yield a satisfactory return in the medium to long term.

The Company does not expect there will be major development of its other existing unlisted investments which will have a material effect on the operation of the Group.

The Company considers its listed investments will perform in line with the overall stock markets on which they are listed.

Despite the current state of the China stock market and its dramatic volatility recently, the Company has witnessed the on-going policy changes in the business environment of China, and expects these pro-business changes will cushion the lackluster economy which will pick up modestly in the second half of the year. With this assessment, the Company has been reviewing and investigating various investment opportunities linked to the information technology sector and health and pharmaceutical industry. After sales in the Possible Disposal, the Company will have increased financial resources which will form the basis for future investment opportunities, and concurrently allow the Company to re-balance its existing relatively concentrated investment portfolio, thus positioning the Company for a more balanced growth with enhanced risk diversification.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

LuKang's audited consolidated statements of comprehensive income and consolidated balance sheets for the years ended 31st December, 2012, 2013 and 2014, were prepared under PRC accounting standards and extracted from published annual reports of LuKang for those years, on which no qualified opinion was given. The financial statements of LuKang for the years ended 31st December, 2012, 2013 and 2014 have been audited by 上海會計師事務所(特殊普通合夥) (“Shanghai Certified Public Accountants (Special General Partnership)”*), formerly 上海會計師事務所有限公司 (“Shanghai Certified Public Accountants”*)).

	Audited 31st December, 2014 RMB	Audited 31st December, 2013 RMB	Audited 31st December, 2012 RMB
Turnover	2,312,103,138	2,210,685,343	2,339,454,261
Cost of inventory sold	(1,898,961,102)	(1,840,962,652)	(2,014,329,502)
Business taxes and surcharges	(13,912,273)	(14,332,867)	(16,663,888)
Selling expenses	(221,413,516)	(202,688,737)	(215,464,700)
Administrative expenses	(199,214,893)	(200,101,100)	(132,189,692)
Finance costs	(74,643,870)	(57,974,541)	(60,523,038)
Impairment loss	(51,822,526)	(62,476,443)	(44,461,646)
Total cost of sales	<u>(2,459,968,180)</u>	<u>(2,378,536,340)</u>	<u>(2,483,632,466)</u>
Gain from fair value changes	469,860	172,200	169,740
Investment income	13,350,294	52,764,692	6,171,120
Including: Investment income from associates and joint ventures	11,660,729	7,356,120	5,826,808
Operating losses	<u>(134,044,888)</u>	<u>(114,914,105)</u>	<u>(137,837,345)</u>
Other income	8,573,033	124,995,028	12,824,831
Including: Gain on disposals of non-current assets	827,641	645,436	—
Other expenses	<u>(6,621,607)</u>	<u>(1,953,557)</u>	<u>(1,846,244)</u>
Including: Loss on disposals of non current assets	(387,062)	(1,376,464)	(962,491)
(Loss)/profit before tax	(132,093,462)	8,127,366	(126,858,758)
Income tax expenses	<u>(4,596,877)</u>	<u>(4,018,781)</u>	<u>(4,566,314)</u>
(Loss)/profit after tax	<u><u>(136,690,339)</u></u>	<u><u>4,108,585</u></u>	<u><u>(131,425,072)</u></u>
Attributable to:			
Shareholders of the Company	(125,214,531)	10,857,944	(133,834,252)
Non controlling interests	(11,475,808)	(6,749,359)	2,409,180
	<u>(136,690,339)</u>	<u>4,108,585</u>	<u>(131,425,072)</u>
Other comprehensive income, after tax	6,150,880	(1,987,270)	814,660
Total comprehensive income	<u><u>(130,539,459)</u></u>	<u><u>2,121,315</u></u>	<u><u>(130,610,412)</u></u>
Attributable to:			
Shareholders of the Company	(119,063,651)	8,870,674	(133,019,592)
Non controlling interests	(11,475,808)	(6,749,359)	2,409,180
	<u>(130,539,459)</u>	<u>2,121,315</u>	<u>(130,610,412)</u>

* For identification purposes only

APPENDIX II
**AUDITED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME AND
CONSOLIDATED BALANCE SHEETS OF LUKANG**
CONSOLIDATED BALANCE SHEETS

	Audited 31st December, 2014 RMB	Audited 31st December, 2013 RMB	Audited 31st December, 2012 RMB
Current Assets			
Cash and cash equivalents	506,703,001	589,224,370	472,350,041
Financial assets at fair value through profit or loss	1,768,740	9,499,085	1,126,680
Bills receivables	299,836,244	269,047,293	284,086,039
Accounts receivables	401,314,094	389,354,449	394,632,267
Prepayments	48,185,236	53,038,874	71,112,174
Other receivables	67,092,636	43,652,192	35,469,181
Inventories	483,709,453	466,947,616	548,038,224
Other current assets	41,361,425	52,240,304	—
Total current assets	<u>1,849,970,829</u>	<u>1,873,004,183</u>	<u>1,806,814,606</u>
Non-current Assets			
Available-for-sale financial assets	14,130,400	7,979,520	8,748,740
Long-term investments	118,749,154	107,088,425	90,869,038
Investment properties	1,508,939	—	—
Property, plant and equipment	1,670,639,853	1,718,729,657	1,805,322,150
Construction in progress	67,434,062	34,534,876	56,110,409
Intangible assets	216,817,825	224,273,767	203,169,898
Development expenditure	10,840,000	7,340,000	7,340,000
Deferred expenses	7,752,741	602,083	2,100,000
Deferred tax assets	4,836,194	5,107,180	4,696,449
Other non-current assets	122,242,721	172,039,601	—
Total non-current assets	<u>2,234,951,889</u>	<u>2,277,695,109</u>	<u>2,178,356,684</u>
Total assets	<u><u>4,084,922,718</u></u>	<u><u>4,150,699,292</u></u>	<u><u>3,985,171,290</u></u>
Current liabilities			
Short-term borrowings	478,099,407	587,299,925	671,980,000
Bills payable	255,515,000	264,007,737	372,055,391
Accounts payable	568,678,960	636,299,964	647,023,565
Receipts in advance	39,839,638	48,829,758	34,293,447
Salaries payable	38,565,967	46,115,676	46,736,132
Tax payable	9,264,824	8,891,479	(58,567,867)
Interest payable	1,912,208	2,439,224	—
Dividend payable	—	312,000	—
Other payables	69,030,313	57,399,461	58,375,640
Non-current liabilities due with one year	384,555,234	104,699,539	48,000,000
Other current liabilities	48,231,904	3,765,099	—
Total current liabilities	<u>1,893,693,455</u>	<u>1,760,059,862</u>	<u>1,819,896,308</u>

APPENDIX II
**AUDITED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME AND
CONSOLIDATED BALANCE SHEETS OF LUKANG**

	Audited 31st December, 2014 <i>RMB</i>	Audited 31st December, 2013 <i>RMB</i>	Audited 31st December, 2012 <i>RMB</i>
Non-current liabilities			
Long-term borrowings	303,220,000	518,440,000	375,000,000
Long-term accounts payable	273,790,974	182,494,248	121,857,705
Payables for specific projects	26,000,000	10,000,000	9,000,000
Deferred revenue	40,996,439	44,945,327	52,459,709
Other non-current liabilities	43,001,453	—	—
Total non-current liabilities	<u>687,008,866</u>	<u>755,879,575</u>	<u>558,317,414</u>
Total liabilities	<u><u>2,580,702,321</u></u>	<u><u>2,515,939,437</u></u>	<u><u>2,378,213,722</u></u>
Equity			
Share capital	581,575,475	581,575,475	581,575,475
Capital surplus	676,762,235	676,404,283	681,868,023
Other comprehensive income	9,627,350	3,476,470	—
Surplus reserve	150,607,279	150,607,279	150,607,279
(Accumulated losses)/retained earnings	(9,760,928)	115,453,603	104,595,659
Capital and reserves attributable to the Company's shareholders	1,408,811,411	1,527,517,110	1,518,646,436
Non-controlling interests	95,408,986	107,242,745	88,311,132
Total equity	<u><u>1,504,220,397</u></u>	<u><u>1,634,759,855</u></u>	<u><u>1,606,957,568</u></u>
Total equity and liabilities	<u><u>4,084,922,718</u></u>	<u><u>4,150,699,292</u></u>	<u><u>3,985,171,290</u></u>

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP (EXCLUDING ITS INVESTMENTS IN LUKANG)**

The unaudited pro forma financial information of the Remaining Group (excluding its investments in LuKang) comprises an unaudited pro forma consolidated balance sheet as at 31st December 2014, an unaudited pro forma consolidated income statement, an unaudited pro forma consolidated statement of comprehensive income and an unaudited pro forma consolidated statement of cash flows for the year ended 31st December 2014 and the accompanying notes (collectively referred to as the “**Unaudited Pro Forma Financial Information**”).

For illustrative purposes only, the Unaudited Pro Forma Financial Information prepared in accordance with paragraphs 4.29 and 14.68(2)(a)(ii) of the Listing Rules is set out below to illustrate the effect of the Disposal on (i) the consolidated balance sheet of the Group as at 31st December 2014 as if the Disposal had taken place on 31st December 2014; (ii) the consolidated income statement of the Group for the year ended 31st December 2014; (iii) the consolidated statement of comprehensive income of the Group for the year ended 31st December 2014 and (iv) the consolidated statement of cash flow of the Group for the year ended 31st December 2014 as if the Disposal had taken place on 1st January 2014.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated financial statements of the Group for the year ended 31st December 2014, as set out in its published annual report for the year ended 31st December 2014, after making pro forma adjustments relating to the Disposal that are directly attributable to the Disposal.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and, because of its hypothetical nature, it does not give a true picture of the actual financial position, results of operations and cash flows of the Group that would have been attained had the Disposal actually occurred. In addition, the Unaudited Pro Forma Financial Information is not intended to predict the Group’s future financial position or results following the completion of the Disposal.

1A. Unaudited Pro Forma Consolidated Balance Sheet

	The Group as at 31st December, 2014 US\$ <i>Note 1</i>	Unaudited pro forma adjustments US\$ <i>Note 2, 3</i>	Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31st December, 2014 US\$
ASSETS			
Non-current assets			
Investments in associates	72,341,803		72,341,803
Available-for-sale financial assets	80,708,893	(66,763,395)	13,945,498
	153,050,696		86,287,301
Current assets			
Loans receivable	8,041,300		8,041,300
Other receivables, prepayments and deposits	206,128		206,128
Financial assets at fair value through profit or loss	7,004,648		7,004,648
Tax recoverable	70,253		70,253
Short-term bank deposits with initial terms of over three months	4,144,215		4,144,215
Cash and cash equivalents	26,225,412	61,554,556	87,779,968
	45,691,956		107,246,512
Total current assets	45,691,956		107,246,512
Total assets	198,742,652		193,533,813

	The Group as at 31st December, 2014 US\$ Note 1	Unaudited pro forma adjustments US\$ Note 2, 3	Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31st December, 2014 US\$
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	76,783,698		76,783,698
Reserves	119,843,860	(5,208,839)	114,635,021
Total equity	<u>196,627,558</u>		<u>191,418,719</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	<u>—</u>		<u>—</u>
Current liabilities			
Other payables and accrued expenses	705,738		705,738
Amounts due to related companies	407,942		407,942
Current income tax liabilities	1,001,414		1,001,414
Total current liabilities	<u>2,115,094</u>		<u>2,115,094</u>
Total liabilities	<u>2,115,094</u>		<u>2,115,094</u>
Total equity and liabilities	<u>198,742,652</u>		<u>193,533,813</u>
Net current assets	<u>43,576,862</u>		<u>105,131,418</u>
Total assets less current liabilities	<u>196,627,558</u>		<u>191,418,719</u>

1B. Unaudited Pro Forma Consolidated Income Statement

	The Group for the year ended 31st December, 2014 US\$ <i>Note 1</i>	Unaudited pro forma adjustments US\$ <i>Note 2, 3</i>	Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31st December, 2014 US\$
Income	862,415		862,415
Other gains — net	10,234,676	45,454,095	55,688,771
Administrative expenses	<u>(2,348,353)</u>	(851,167)	<u>(3,199,520)</u>
Operating profit	8,748,738		53,351,666
Share of profits of associates	<u>1,902,131</u>		<u>1,902,131</u>
Profit before income tax	10,650,869		55,253,797
Income tax expense	<u>(925,152)</u>		<u>(925,152)</u>
Profit for the year attributable to equity holders of the Company	<u>9,725,717</u>		<u>54,328,645</u>
Earnings per share attributable to the equity holders of the Company during the year			
— Basic	0.127		0.708
— Diluted	<u>0.127</u>		<u>0.708</u>
Dividend	<u>—</u>		<u>—</u>

1C. Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	The Group for the year ended 31st December, 2014 US\$ Note 1	Unaudited pro forma adjustments US\$ Note 2, 3	Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31st December, 2014 US\$
Profit for the year	9,725,717	44,602,928	54,328,645
Other comprehensive income/(loss)			
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>			
Share of post-acquisition reserves of associates	6,471,442		6,471,442
Release of post-acquisition reserve upon deemed disposal of an associate	(14,205)		(14,205)
Exchange differences arising on translation of subsidiaries and associates	(761,795)		(761,795)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	(4,773,110)	(49,811,767)	(54,584,877)
Fair value gains of available-for-sale financial assets, net of deferred income tax	28,476,879		28,476,879
Release of investment revaluation reserve upon impairment of an available-for-sale financial asset, net of deferred income tax	(804,607)		(804,607)
Other comprehensive income/(loss) for the year, net of tax	28,594,604		(21,217,163)
Total comprehensive income for the year attributable to equity holders of the Company	38,320,321		33,111,482

1D. Unaudited Pro Forma Consolidated Statement of Cash Flows

	The Group for the year ended 31st December, 2014 US\$ <i>Note 1</i>	Unaudited pro forma adjustments US\$ <i>Note 2, 3</i>	Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31st December, 2014 US\$
Cash flows from operating activities			
Cash used in operations	(2,417,272)		(2,417,272)
Hong Kong profits tax paid	—		—
Overseas profits tax paid	—		—
	(2,417,272)		(2,417,272)
Net cash used in operating activities	(2,417,272)		(2,417,272)
Cash flows from investing activities			
Loan repayment received	350,000		350,000
Loan advanced to an associate	(3,995,661)		(3,995,661)
Interest received	606,992		606,992
Dividends received from listed investments	255,423		255,423
Placement of time deposits with initial terms of over three months	(4,144,215)		(4,144,215)
Investments in associates	—		—
Purchase of available-for-sale financial assets	(2,578,383)		(2,578,383)
Purchase of financial assets at fair value through profit or loss	(840,057)		(840,057)
Net proceed from disposals of interests in an associate	6,218,388		6,218,388
Net proceed from disposals of available-for-sale financial assets	7,815,603	61,554,556	69,370,159
Net proceed from disposals of financial assets at fair value through profit or loss	88,195		88,195
	3,776,285		65,330,841
Net cash generated from investing activities	3,776,285		65,330,841
Net increase in cash and cash equivalents	1,359,013		62,913,569
Cash and cash equivalents at beginning of year	25,181,872		25,181,872
Exchange losses on cash and cash equivalents	(315,473)		(315,473)
	26,225,412		87,779,968
Cash and cash equivalents at end of year	26,225,412		87,779,968

1. The balances and amounts were extracted from the audited consolidated financial statements of the Group as at and for the year ended 31st December, 2014 as set out in the Company's published annual report for the year ended 31st December, 2014.
2. Pursuant to the Recent Disposal, the Subsequent Disposal and the Possible Disposal, the aggregate consideration (net of expenses) for the Disposal (assuming all LuKang Shares now owned by the Company are sold in the Possible Disposal) amounts to US\$61,554,556. As the Recent Disposal and Subsequent Disposal took place in different stages and the Possible Disposal has not yet occurred, the calculation of gain on disposal of Lukang Shares is set out below:

	Recent Disposal	Subsequent Disposal	Possible Disposal	Total
Number of shares disposed of/to be disposed of	7,970,566	110,000	44,334,600	52,415,166
Average consideration per share (US\$)	2.32516	2.95366	0.98226	1.19060
Original cost per share (US\$)	0.32341	0.32341	0.32341	0.32341
Estimated profit (before expenses) on disposal (US\$'000)	<u>15,955</u>	<u>289</u>	<u>29,210</u>	<u>45,454</u>

The considerations for the Recent Disposal and the Subsequent Disposal were based on the actual transaction prices at respective trading dates; and the consideration for the Possible Disposal was based on sales of all LuKang Shares now owned by the Company at RMB6.09 per share (equivalent to US\$0.98226), being a 20% discount to RMB7.61, which is the average closing price of the LuKang shares in the last 480 trading days immediately before the day of the Third Announcement.

3. The adjustment on administrative expenses represents the actual/estimated amounts relating to the business tax, commission, and other expenses incurred/expected to be incurred for the Disposal and these expenses have been deducted from cash and cash equivalents.
4. For the purpose of the unaudited pro forma financial information, the balances stated in RMB are translated into US\$ at the exchange rate of RMB6.2 to US\$1 prevailing on 31st December, 2014.
5. No other adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31st December, 2014.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A CIRCULAR**

TO THE DIRECTORS OF CHINA ASSETS (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Assets (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") in connection with the disposal of shares in Shandong LuKang Pharmaceutical Co. Ltd. (the "Disposal") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 31st December, 2014, the unaudited pro forma consolidated income statement for the year ended 31st December, 2014, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31st December, 2014, the unaudited pro forma consolidated statement of cash flows for the year ended 31st December, 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 19 to 25 of the Company's circular dated 30th July, 2015, in connection with the Disposal (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 19 to 25.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31st December, 2014 and the Group's financial performance and cash flows for the year ended 31st December, 2014 as if the Transaction had taken place at 31st December, 2014 and 1st January 2014 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31st December, 2014, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31st December, 2014 and 1st January, 2014 respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30th July, 2015

RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

DIRECTORS' INTERESTS**Management Agreement**

The Company has appointed CAIML as the investment manager for all investments. Mr. Lo Yuen Yat, the Chairman and an executive Director of the Company, is a director of CAIML. Mr. Yeung Wai Kin, a non-executive Director of the Company, is a shareholder of CAIML. Mr. Zhao Yu Qiao, a non-executive Director of the Company, is an indirect shareholder of CAIML.

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

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

Shares in the Company

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

Share Options

On 19th May, 2004, the Company adopted a share option scheme (the “Old Scheme”). Under the Old Scheme, the Board was entitled at any time within ten years commencing on 19th 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 19th 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 23rd 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 19th 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 have been granted since its adoption.

Details of the share options granted under the Old Scheme and outstanding as at 30th June, 2015 are as follows:

	Options held at 1st January, 2015	Options lapsed during the period	Options exercised during the period	Options held at 30th June, 2015	Exercise price HK\$	Closing price before the date of grant HK\$	Date of grant	Exercise period
<i>Directors:</i>								
Lo Yuen Yat	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**	500,000	—	—	500,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Yeung Wai Kin	750,000	—	—	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Zhao Yu Qiao	750,000	—	—	750,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Wu Ming Yu	75,000	—	—	75,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
Employees of the Manager	900,000	—	—	900,000	5.74	5.62	25/04/2007	25/04/2007-24/04/2017
	<u>4,475,000</u>	<u>—</u>	<u>—</u>	<u>4,475,000</u>				

** Office as Director vacated on 30th January, 2015.

(b) 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 the Latest Practicable Date, 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") <i>(Note 1)</i>	Corporate	Interest of Controlled Corporation	25,162,866	32.78%
First Shanghai Direct Investments Limited ("FSDI") <i>(Note 1)</i>	Corporate	Interest of Controlled Corporation	25,162,866	32.78%
Golad Resources Limited ("Golad") <i>(Note 1)</i>	Corporate	Beneficial Owner	25,162,866	32.78%
Deutsche Bank Aktiengesellschaft	Corporate	Security Interest	15,888,918	20.70%
QVT Financial LP <i>(Note 2)</i>	Corporate	Investment Manager	15,888,918	20.70%
QVT Financial GP LLC <i>(Note 2)</i>	Corporate	Interest of Controlled Corporation	15,888,918	20.70%
QVT Associates GP LLC <i>(Note 3)</i>	Corporate	Interest of Controlled Corporation	15,888,918	20.70%
QVT Fund LP <i>(Note 3)</i>	Corporate	Interest of Controlled Corporation	14,290,201	18.62%
Chen Dayou <i>(Note 4)</i>	Personal	Interest of Controlled Corporation	8,075,000	10.52%
Team Assets Group Limited <i>(Note 4)</i>	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 which is wholly-owned by FSDI, which is, in turn, wholly-owned by FSIL. Lo Yuan Yat and Yeung Wai Kin both being Directors of the Company are both directors of FSIL, FSDI and Golad.
- (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 the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year, without payment of compensation other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

EXPERTS' QUALIFICATION AND CONSENT

- (a) The following are the name and qualification of the expert who has given an opinion or advice, which are contained or referred to in this circular:

Name	Qualification
PricewaterhouseCoopers ("PwC")	Certified Public Accountants

- (b) PwC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and reference to its name in the form and context in which they are included.

PwC has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; nor did it have any direct or indirect interests in any assets which have since 31st December, 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been or proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL CONTRACTS

No contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interest in business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CORPORATE INFORMATION

Registered office	19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong
Company secretary	Mr. Cheng Sai Wai, <i>FCCA, FCCA</i>
Auditor	PricewaterhouseCoopers Certified Public Accountants Hong Kong
Bankers	CITIC Ka Wah Bank Limited Shanghai Pudong Development Bank Co. Ltd. The Agricultural Bank of China
Registrars and transfer office	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre 183 Queen's Road East Hong Kong

GENERAL

Every Director named in this circular has confirmed that he/she does not have any interest, direct or indirect, in any assets which have been, since 31st December, 2014 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or, are proposed to be acquired or disposed of by or leased to any member of the Group

There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

The English texts of this circular and the enclosed proxy form shall prevail over their Chinese texts for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date of the EGM and will be available for inspection at the EGM:

- the articles of association of the Company;
- the annual reports of the Company for the financial years ended 31st December, 2014, 2013 and 2012;
- this circular.

NOTICE OF EGM

CHINA ASSETS (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 170)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of China Assets (Holdings) Limited will be held at 4:00 p.m. on 30th November July, 2015 at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution which will be proposed, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the disposal of up to all the shares of RMB1.00 each in Shandong LuKang Pharmaceutical Co Ltd owned by the Company on the basis set out in the circular to shareholders dated 30th July, 2015 at any time before the first anniversary of the date on which this resolution is passed be and is hereby approved and the Directors be and are hereby authorised to exercise all the powers of the Company and take all other steps as might in the opinion of the Directors be desirable or necessary in connection with the disposal including without limitation, settling, approving and executing one or more agreements in connection with the disposal and generally to exercise all the powers of the Company as they deem desirable or necessary for the foregoing purpose.”

On behalf of the Board
China Assets (Holdings) Limited
Lao Yuan Yi
Chairman

Hong Kong, 30th July, 2015

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor, or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority shall be delivered to the registered office of the Company at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened.
5. A form of proxy for use at the meeting is enclosed.
6. The resolution will be put to the meeting by way of poll.