CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)

INTERIM REPORT

2015

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

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
183 Queen's Road East
Hong Kong

Registered Office

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong
Telephone: (852) 2521 9888
Facsimile: (852) 2526 8781
E-mail address: info@chinaassets.com
Website: www.chinaassets.com

Stock Code

170

UNAUDITED INTERIM RESULTS

The Board of Directors of China Assets (Holdings) Limited (the "Company") has pleasure in reporting the following unaudited condensed consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015:

Condensed Consolidated Income Statement

For the six months ended 30 June 2015

		Unaudited Six months ended 30 June	
		2015	2014
	Note	***US$***	*US$*
Income	*5*	**312,515**	328,529
Other gains — net	*6*	**15,687,540**	4,531,670
Administrative expenses	*7*	**(4,242,537)**	(1,089,362)
Operating profit		**11,757,518**	3,770,837
Share of profits/(losses) of associates		**189,142**	(749,649)
Profit before income tax		**11,946,660**	3,021,188
Income tax credit/(expense)	*8*	**38,162**	(917,417)
Profit for the period attributable to the equity holders of the Company		**11,984,822**	2,103,771
Earnings per share attributable to the equity holders of the Company			
Basic	*9*	**0.1561**	0.0274
Diluted	*9*	**0.1561**	0.0274

The notes on pages 8 to 19 form an integral part of these condensed consolidated financial statements.

Dividend	*10*	**—**	—

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Unaudited Six months ended 30 June 2015 US$	2014 US$
Profit for the period	**11,984,822**	2,103,771
Other comprehensive income/(loss):		
Items that have been reclassified or may be reclassified to profit or loss		
Share of post-acquisition reserves of an associate	**(1,875,340)**	(254,757)
Release of post-acquisition reserve upon deemed disposal of an associate	**(10,585)**	—
Exchange differences arising on translation of associates and subsidiaries	**29,302**	(868,259)
Fair value gains/(losses) of available-for-sale financial assets, net of deferred income tax	**65,715,102**	(1,389,330)
Release of investment revaluation reserve upon impairment of an available-for-sale financial asset — gross	**(4,498)**	—
Release of investment revaluation reserve upon disposal of an available-for-sale financial assets	**(13,309,994)**	—
Other comprehensive income/(loss) for the period, net of tax	**50,543,987**	(2,512,346)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company	**62,528,809**	(408,575)

The notes on pages 8 to 19 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

As at 30 June 2015

	Note	Unaudited 30 June 2015 US$	Audited 31 December 2014 US$
ASSETS			
Non-current assets			
Investments in associates		**70,051,409**	72,341,803
Available-for-sale financial assets		**130,264,908**	80,708,893
Total non-current assets		**200,316,317**	153,050,696
Current assets			
Loans receivable	*11*	**11,273,957**	8,041,300
Other receivables, prepayments and deposits	*12*	**244,326**	206,128
Financial assets at fair value through profit or loss		**7,375,170**	7,004,648
Tax recoverable		**—**	70,253
Short-term bank deposits with initial terms of over three months		**4,213,445**	4,144,215
Cash and cash equivalents	*13*	**39,623,645**	26,225,412
Total current assets		**62,730,543**	45,691,956
Total assets		**263,046,860**	198,742,652
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*14*	**76,783,698**	76,783,698
Reserves		**182,372,669**	119,843,860
Total equity		**259,156,367**	196,627,558

The notes on pages 8 to 19 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet *(Continued)*

As at 30 June 2015

	Note	Unaudited 30 June 2015 US$	Audited 31 December 2014 US$
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		**962,098**	705,738
Amounts due to related companies		**2,909,424**	407,942
Current income tax liabilities		**18,971**	1,001,414
Total current liabilities		**3,890,493**	2,115,094
Total liabilities		**3,890,493**	2,115,094
Total equity and liabilities		**263,046,860**	198,742,652
Net current assets		**58,840,050**	43,576,862
Total assets less current liabilities		**259,156,367**	196,627,558

The notes on pages 8 to 19 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

		Unaudited	
		Six months ended 30 June	
		2015	2014
	Note	***US$***	*US$*
Cash flows from operating activities			
Cash used in operations		**(1,521,638)**	(1,557,267)
Hong Kong profits tax refunded		**110,623**	—
Overseas profits tax paid		**(987,048)**	—
Net cash used in operating activities		**(2,398,063)**	(1,557,267)
Cash flows from investing activities			
Loan repayment received		**—**	1,179,119
Loan advanced to an associate		**(3,221,131)**	—
Interest received	*5*	**284,823**	305,524
Dividends received from listed investments	*5*	**27,692**	23,005
Proceed from disposal of investment in an associate		**—**	6,218,389
Placement of time deposits with initial terms of over three months		**(69,230)**	—
Net proceed from disposals of available-for-sale financial assets		**18,762,751**	—
Net cash generated from investing activities		**15,784,905**	7,726,037
Net increase in cash and cash equivalents		**13,386,842**	6,168,770
Cash and cash equivalents at beginning of the period		**26,225,412**	25,181,872
Exchange gains/(losses)		**11,391**	(769,725)
Cash and cash equivalents at end of the period	*13*	**39,623,645**	30,580,917

The notes on pages 8 to 19 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

				Unaudited			
	Share capital US$	Capital reserve US$	Exchange translation reserve US$	Share-based compensation reserve US$	Investment revaluation reserve US$	Retained earnings US$	Total US$
Balance as at 1 January 2015	76,783,698	15,629,715	2,785,118	1,506,549	52,412,310	47,510,168	196,627,558
Comprehensive income							
Profit for the period attributable to equity holders of the Company	—	—	—	—	—	11,984,822	11,984,822
Other comprehensive (loss)/ income							
Share of post-acquisition reserves of an associate	—	(1,875,340)	—	—	—	—	(1,875,340)
Release of post-acquisition reserve upon deemed disposal of an associate	—	(10,585)	—	—	—	—	(10,585)
Exchange differences arising on translation of associates and subsidiaries	—	—	29,302	—	—	—	29,302
Fair value gains of available-for-sale financial assets — gross	—	—	—	—	65,715,102	—	65,715,102
Release of investment revaluation reserve upon impairment of an available-for-sale financial asset — gross	—	—	—	—	(4,498)	—	(4,498)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	—	—	—	—	(13,309,994)	—	(13,309,994)
Total other comprehensive (loss)/ income for the period, net of tax	—	(1,885,925)	29,302	—	52,400,610	—	50,543,987
Total comprehensive (loss)/ income for the period ended 30 June 2015	—	(1,885,925)	29,302	—	52,400,610	11,984,822	62,528,809
Balance as at 30 June 2015	76,783,698	13,743,790	2,814,420	1,506,549	104,812,920	59,494,990	259,156,367

The notes on pages 8 to 19 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 2014

	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 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 (loss)/gain								
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)/income for the period, net of tax	–	–	(254,757)	(868,259)	–	(1,389,330)	–	(2,512,346)
Total comprehensive income/(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 as 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 19 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 28 August 2015. The condensed consolidated interim financial information has not been audited.

2. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Other amendments to HKFRSs effective for the financial year ending 31 December 2015 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.

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

New and Amended Standards have been issued but are not effective for the Financial Year beginning 1 January 2015 and have not been early adopted:

		Effective for the Group for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative;	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation;	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants;	1 January 2016
HKAS 27 (Amendment)	Equity method in Separate Financial Statements;	1 January 2016
HKAS 28 and HKFRS 10 (Amendment)	Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture;	1 January 2016
HKAS 28 (2011), HKFRS 10 and HKFRS 12 (Amendment)	Investment Entities: Applying the Consolidation Exception;	1 January 2016
HKFRS 9	Financial Instruments;	1 January 2018
HKFRS 11 (Amendment)	Acquisitions of Interests in Joint Operation;	1 January 2016
HKFRS 14	Regulatory Deferral Accounts;	1 January 2016
HKFRS 15	Revenue from Contracts with Customers; and	1 January 2017
Annual Improvement Projects	Improvements to HKASs and HKFRSs 2012-2014 Cycle	1 January 2016

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

3. 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 2014.

4. Financial risk management

4.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

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

4.2 Fair value estimation

Compared to 31 December 2014 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 2015

		Unaudited		
	Level 1	Level 2	Level 3	Total
	US$	*US$*	*US$*	*US$*
Financial assets at fair value through profit or loss				
— listed equity securities	5,625,408	—	—	5,625,408
— unlisted equity securities	—	—	1,749,762	1,749,762
Available-for-sale financial assets				
— listed equity securities	123,313,715	—	—	123,313,715
— unlisted, quoted equity securities	—	4,046,402	—	4,046,402
— private investment fund	—	—	2,904,791	2,904,791
	128,939,123	4,046,402	4,654,553	137,640,078

4. Financial risk management *(Continued)*

4.2 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value at 31 December 2014

	Level 1	Audited Level 2	Level 3	Total
	US$	*US$*	*US$*	*US$*
Financial assets at fair value through profit or loss				
— listed equity securities	5,254,886	—	—	5,254,886
— unlisted equity securities	—	—	1,749,762	1,749,762
Available-for-sale financial assets				
— listed equity securities	74,324,014	—	—	74,324,014
— unlisted, quoted equity securities	—	3,248,834	—	3,248,834
— private investment fund	—	—	3,136,045	3,136,045
	79,578,900	3,248,834	4,885,807	87,713,541

For the period ended 30 June 2015, 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 2015 there were no reclassifications of financial assets.

4. Financial risk management *(Continued)*

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

30 June 2015	Financial assets at fair value through profit or loss *US$*	Available-for-sale financial assets *US$*
Opening balance at 1 January 2015	**1,749,762**	**3,136,045**
Provision for impairment loss recognised in the condensed consolidated income statement	**—**	**(231,254)**
Closing balance at 30 June 2015	**1,749,762**	**2,904,791**

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. 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	
	2015	2014
	US$	*US$*
Income		
Bank interest income	**284,823**	305,524
Dividend income from listed investments	**27,692**	23,005
	312,515	328,529

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.

6. Other gains — net

	Unaudited Six months ended 30 June	
	2015	2014
	US$	*US$*
Listed investments		
Unrealised fair value gains/(losses) on financial assets at fair value through profit or loss	**352,021**	(139,581)
Net loss on deemed disposal of interest in an associate	**(652)**	—
	351,369	(139,581)
Unlisted investments		
Realised gain on disposal of an available for sales financial asset	**16,149,408**	—
Realised gain on disposal of investment in an associate	**—**	4,541,206
Provision for impairment loss of an available-for-sale financial asset	**(231,254)**	—
Provision for impairment of an associate	**(597,243)**	—
	15,320,911	4,541,206
Fair value gains on investments — net	**15,672,280**	4,401,625
Net exchange gains/(losses)	**15,260**	(219,955)
Reversal of provision for impairment of loan and other receivables	**—**	350,000
	15,687,540	4,531,670

7. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June	
	2015	2014
	US$	*US$*
Investment management fee *(Note 16(a))*	**839,809**	783,578
Performance bonus *(Note 16(a) & (b))*	**2,499,000**	—

8. Income tax (credit)/expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	US$	*US$*
Current tax		
— Hong Kong profits tax	**—**	—
— Overseas profits tax	**2,208**	917,417
— Over-provision in respect of prior years	**(40,370)**	—
Income tax (credit)/expense	**(38,162)**	917,417

9. 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$11,984,822 (2014: US$2,103,771) by 76,758,160 (2014: 76,758,160) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2015 is the same as the basic earnings per share as the potential additional ordinary shares are anti-dilutive.

10. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

11. Loans receivable

Loans receivable are denominated in the following currencies:

	Unaudited 30 June 2015 US$	Audited 31 December 2014 US$
Independent third parties:		
Renminbi	**6,925,431**	6,915,518
An associate:		
Renminbi	**11,273,957**	8,041,300
Loans receivable — gross	**18,199,388**	14,956,818
Provision for impairment	**(6,925,431)**	(6,915,518)
Loans receivable — net	**11,273,957**	8,041,300

The carrying amounts of loans receivable approximate to their fair values as at 30 June 2015. 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 2015 and 31 December 2014, the aging analysis of the loans receivable is as follows:

	Unaudited 30 June 2015 US$	Audited 31 December 2014 US$
Current	**3,221,131**	—
Past due within 1 year	**8,052,826**	4,824,780
Past due over 1 year	**6,925,431**	10,132,038
	18,199,388	14,956,818

As of 30 June 2015, loans receivable of US$6,925,431 (2014: US$6,915,518) are fully impaired. It is assessed that the loans receivable are not expected to be recovered.

11. Loans receivable *(Continued)*

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

	Unaudited 30 June 2015 US$	Audited 31 December 2014 US$
At beginning of the period	**6,915,518**	7,441,497
Exchange difference	**9,913**	(175,979)
Reversal of provision for impairment	**—**	(350,000)
At end of the period	**6,925,431**	6,915,518

12. Other receivables, prepayments and deposits

	Unaudited 30 June 2015 US$	Audited 31 December 2014 US$
Other receivables	**5,027,910**	4,972,773
Prepayments and deposits	**11,685**	25,598
	5,039,595	4,998,371
Provision for impairment	**(4,795,269)**	(4,792,243)
	244,326	206,128

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

	Unaudited 30 June 2015 US$	Audited 31 December 2014 US$
At beginning of the period	**4,792,243**	4,883,519
Written off	**—**	(26,458)
Exchange difference	**3,026**	(64,818)
At end of the period	**4,795,269**	4,792,243

13. 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$37,204,000 (31 December 2014: US$22,758,000). 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.

14. Share Capital

	Unaudited 30 June 2015		Audited 31 December 2014	
	Number of ordinary shares	**Ordinary shares** ***US$***	Number of ordinary shares	Ordinary shares *US$*
Ordinary shares, issued and fully paid:				
Opening balance 1 January	**76,758,160**	**76,783,698**	76,758,160	7,675,816
Transition to no-par value regime on 3 March 2014 *(Note a)*	**—**	**—**		69,107,882
As at 30 June	**76,758,160**	**76,783,698**	76,758,160	76,783,698

(a) 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.

15. Capital commitments

As at 30 June 2015 and 31 December 2014, the Group (excluding associated companies) had no capital commitment that was (i) contracted but not provided for; nor (ii) authorised but not contracted.

The Group's share of capital commitments of an associate are as follows:

	Unaudited 30 June 2015 ***US$***	Audited 31 December 2014 *US$*
Contracted but not provided for	**8,577,056**	9,468,676
Authorised but not contracted	**17,604,480**	18,082,012

16. 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$839,809 (2014: US$783,578) to CAIML based on a fixed percentage of the value of the Group's assets, and accrued an estimated performance bonus of US$2,499,000 for CAIML (2014: Nil) based on a fixed percentage of the accumulated net realised capital gain as stipulated in the management agreement signed between the Company and CAIML.

(b) As at 30 June 2015, management fee payable to, and performance bonus accrued for, CAIML amounted to US$11,519 and US$2,499,000 respectively (31 December 2014: US$9,968; US$ Nil). The balances are denominated in United States dollars, unsecured and interest-free.

(c) As at 30 June 2015, amount due to an associate of US$398,583 is denominated in United State dollars, unsecured, interest-free and repayable on demand.

(d) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2015	2014
	US$	*US$*
Salaries and other short-term employee benefits	**107,414**	97,837
Pension costs — defined contribution plan	**1,160**	999
	108,574	98,836

17. Events occurring after the balance sheet date

During the period, Shanghai International Medical Centre Co. Ltd ("SIMC"), the Group's associate, resolved to increase its registered capital from RMB250,000,000 to RMB600,000,000. The Group's existing RMB70,000,000 (equivalent to US$11,273,957) loan receivable from SIMC will be converted to and capitalised as equity in SIMC upon completion of the formalities of the capitalisation.

Net Asset Value

The unaudited consolidated net asset value per share of the Group at 30 June 2015 was US$3.38 (31 December 2014: US$2.56).

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

As at 30 June 2015, the interests or 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:

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

Shares in the Company

Name of director	Number of shares held: Personal interests	Number of shares held: Corporate interests	Number of shares held: Total	% of the 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%

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.

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

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

Since the adoption of the New Scheme, the Company has not granted any share options under the New Scheme. Particulars of the outstanding share options granted under the Old Scheme and their movements during the six months ended 30 June 2015 were as follows:

	Options held at 1 January 2015	Options lapsed during the period	Options exercised during the period	Options held at 30 June 2015	Exercise price *HK$*	Closing price before the date of grant *HK$*	Date of grant	Exercise period
Directors:								
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
	4,475,000	–	–	4,475,000				

** Office as director vacated on 30 January 2015

Apart from the above, as at 30 June 2015, 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 2015, 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	15,888,918	20.70%
QVT Financial LP *(Note 2)*	Corporate	Investment Manager	15,888,918	20.70%
QVT Financial GP LLC *(Note 2)*	Corporate	Interest of Controlled Corporation	15,888,918	20.70%
QVT Associates GP LLC *(Note 3)*	Corporate	Interest of Controlled Corporation	15,888,918	20.70%
QVT Fund LP *(Note 3)*	Corporate	Interest of Controlled Corporation	14,290,201	18.62%
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 2015.

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 2015, 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").

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 2015.

Investment Review

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") reported a profit of approximately US$11.98 million for the six months ended 30 June 2015 compared with a profit of US$2.1 million for the same period in 2014. The result was mainly due to a profit (net of taxation) of US$15.55 million arising from disposal of approx. 8.08 million shares in Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang"), and share of net profit US$1.37 million of its listed associated company, First Shanghai Investments Limited, but partially offset by a share of loss of US$1.06 million of its unlisted associated company, Shanghai International Medical Centre Co. Ltd..

As at 30 June 2015, the consolidated net asset value of the Group was US$259.16 million, representing a 31.80% increase from US$196.63 million as of 31 December 2014.

By any standard, China's stock market performance in the first half year was an event that will leave its mark in China financial history. The benchmark Shanghai Composite Index had risen by 152 percent since July 2014 and nearly 60 percent since the beginning of the period. It then peaked on 12 June 2015 at 5,128 points and plunged almost 35% to 3,373 points on 9 July 2015. The market crash was conceivable as it had run far ahead of economic fundamentals during the period when growth in the economy had fallen to 7 percent, its lowest level in six years. The manic run in the first 5 months of this year was fueled by widespread use of leverage as many retail investors used borrowed money to buy shares, a practice which can magnify both gains and losses. In fear of the market rout threatening overall financial stability, the China Government has stepped in with various measures to save the market, including easing rules on loans to buy shares, cutting interest rates, using state funds and allowing state pensions to invest in stocks as well as restricting initial public offerings. However, China made a surprise move to devaluate its currency and a string of weak data signaled the economy would be much weaker than expected, driving the Index to 2,927 on 26 August 2015 that erased entirely the gains for the period.

In light of the China market's irrational exuberance, as well as the dramatic increase in price and the huge daily turnover in Lukang's shares, the Company announced in June that it sought the approval of shareholders to dispose of up to all its holdings in Lukang. The proposal may constitute a very substantial disposal by the Company under the Listing Rules. During preparation for the required shareholder meeting, the China Securities Regulatory Commission ("SCRC"), as part of overall measures by the central government to stabilise the China stock market, announced in early July 2015 that investors with stakes exceeding 5% in PRC listed companies must maintain their positions for six months from 8 July 2015. This requirement applies to the Company's holding of LuKang shares. In view of this development and that the moratorium will only be lifted in early January 2016, i.e. the earliest time when the Company will be permitted to dispose of its Lukang holding, the Company has scheduled the shareholder meeting for approval in this coming November. The Company believes by then the market price and business situation of Lukang, as well as the overall situation of the China stock market, will be more up-to-date and relevant for the consideration by shareholders.

China's economic growth showed signs of flagging in the first half year, with various economic indicators missing market expectations. Despite various stimulus measures, including relaxing monetary policy, boosting spending on infrastructure projects and providing tax breaks for businesses and consumers, the recent lackluster readings from trade to industrial profits portrayed an economy struggling to find its feet. A stumbling stock market has added uncertainty to the economy.

In Europe, Greece's debt standoff came to the fore during the final week of the period, whipsawing stock and bond markets and leaving investors contemplating the prospect that Greece would depart the Eurozone. Around the middle of July, the crisis was defused, at least for the short term, when a last-minute bailout agreement was reached between Greece and its official creditors. The negotiated agreement avoided the country's potentially catastrophic exit from the euro which could have resulted in disruptions in financial markets in the euro area and possibly rippling through to the rest of the world. However these worries will likely continue to bedevil investors in the second half of the year when the resolution and ability of Greece to implement the austerity program will be closely monitored. The Eurozone economy grew at 0.3% in the second quarter, a nascent recovery supported by contributions from private consumption and investment. This rate of economic recovery was, as expected, broadly on track, driven by monetary loosening measures and progress made after fiscal consolidation and structural reforms. It was also helped by the decline in oil prices which provided additional support for households' real disposable income and corporate profitability. However, the ongoing slowdown in emerging market economies continues to weigh on the economic growth in the euro area.

In the United States, the Federal Reserve elected contrary to expectations not to hike interest rates during the first half of 2015. The decision to leave the Fed Funds rate unchanged was largely driven by the soft global economy, expansionary policies pursued by foreign central banks, and the resulting sharp rally in the dollar. The U.S economy slowed in the first quarter after a series of negative shocks, including a strong dollar, bad weather and a collapse in oil-sector investment, sapped momentum for job creation and expansion. Economic growth improved and expanded at 3.7% in the second quarter, signaling consumer revival and increased building activity offsetting the drags coming from a wider trade deficit and continued troubles in the energy sector.

Overall, global growth slowed to its weakest rate since the financial crisis, as China and other emerging markets decelerated and advanced economies still struggled to shrug off the legacies of the crisis.

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 listed associate, First Shanghai Investment Limited, reported a net profit of HK$87.74 million (approx. US$11.32 million) for the six months ended 30 June 2015, compared to a net profit of HK$2.77 million (approx. US$0.36 million) for the six months ended 30 June 2014. The increase in profit was mainly due to an increased contribution from its core business, the brokerage operation.

Shanghai International Medical Centre Co Ltd ("SIMC")

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 Hospital, opened in May 2014, has 118 outpatient rooms, 15 operating theaters and 50 post-surgery wards. It 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.

In March 2015, the Company made a RMB20 million shareholder loan to SIMC in proportion to its equity in it. The Company had advanced in total RMB70 million as at the end of June 2015.

In accordance with an SIMC shareholder resolution to strengthen its capital base, all existing shareholder loans which are in proportion to their respective equity interest in SIMC will be converted to and capitalised as equity in SIMC to increase its registered capital from RMB250 million to RMB600 million. Upon the completion of the formalities of the capitalisation, the Company will still own a 20% indirect interest, as currently held, for an investment cost of RMB120 million which includes the capitalised shareholder loan.

Investment Review *(Continued)*

Major Long-Term Investments *(Continued)*

Investments in associates *(Continued)*

Shanghai International Medical Centre Co Ltd ("SIMC") (Continued)

The Hospital, as projected, incurred loss in its initial operating period. It is operating far below capacity, a not unexpected situation in terms of its infancy. The loss is expected to continue in the near future due to high financing costs and fixed asset depreciation and amortization. The unaudited result of SIMC for the first half year in 2015, adjusted under Hong Kong Financial Reporting Standards, was RMB33.13 million of which the Group shared a loss of RMB6.63 million (approx. US$1.06 million).

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 in 2015, SMECT still faced difficulties due to a shortage of funding and little progress made on new signed orders. The half-year result was a loss of RMB0.68 million of which the Group shared RMB0.20 million. In view of SMECT's deteriorating situation the Company made a full provision on the carrying value of the investment, amounting to US$0.60 million for the period.

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 specialising 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. In the first half year, Goldeneye continued its strategy of providing in-depth analysis of the property market to financial institutions using its data mining technology. Though the overall situation improved, the progress was slow. In the first half-year Goldeneye incurred a loss of US$0.53 million, of which the Company shared US$0.09 million.

Major Long-Term Investments *(Continued)*

Available-for-sale financial assets

Shandong Lukang Pharmaceutical Co Ltd ("Lukang")

The operations of Lukang improved in the first quarter of 2015 compared with the corresponding period in 2014. It reported a quarterly profit of RMB2.89 million against a loss of RMB18.76 million in 2014. The better result was mainly due to an increase in revenue from RMB584.93 million to RMB625.13 million with an improvement in gross profit ratio from 16.27% to 19.2% as a result of higher product sale prices, and also helped by a RMB5 million saving in office overheads. The various factors dragging the performance of Lukang still remain, though to a lesser extent. It is expected Lukang will still face difficulties and a major turnaround in the second half year is not anticipated.

Lukang's share price performance was superb during the recent surge in China's stock market, rising from RMB7.92 at the beginning of the period to RMB25.75 at its highest in the middle of June. It closed at RMB16.27 at the end of the period. The Company considered the prices in the first half year were high in relation to Lukang's fundamentals. To take advantage of the attractive prices, the Company sold a total of approx. 8.08 million shares in the range of RMB9.10 and RMB24.50, realising an estimated gross profit of approximately RMB100.63 million (approx. US$16.15 million) for the period. Subject to shareholder approval and lifting of the moratorium imposed by the China Securities Regulatory Commission, the Company intends to dispose of its remaining shares in Lukang when the market price is attractive relative to its fundamentals.

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 2015, the fair value of China Pacific was stated as US$7.14 million and an unrealised fair value loss of US$0.42 million was transferred to the investment revaluation reserve.

Major Long-Term Investments *(Continued)*

Available-for-sale financial assets (Continued)

Red Stone Fund ("RS Fund")

RS Fund was set up in Ganzhou, Jiangxi Province, in January 2010 as a limited partnership in accordance with PRC Limited Partnership Law. The aim of the Fund is to invest in minerals, energy or related industries in the PRC and its size is RMB405 million (originally RMB500 million). The Group has paid RMB24.3 million for a 6% indirect interest in RS Fund.

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 ("GCRE"). 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 had 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, RS Fund gave notice to TCC of its termination of conversion and called for repayment of the entrusted loan. As at the end of the half year, only RMB52.04 million had been repaid.

The RS fund was contracted to dissolve in February 2015. In light of difficulties in disposing of the assets, all partners of the RS Fund have agreed to extend the dissolution for an extra year to February 2016.

During the period, it was agreed between RS Fund and the controlling shareholder of GSNM that RS Fund will sell its entire interest to him for RMB100 million, payable equally in April and October 2016. RS Fund has also served notice to GCRE to demand redemption of the equity interest held by RS Fund in accordance with the capital injection agreement, on which no settlement has been reached.

During the period, the Company received RMB0.60 million from RS Fund, for a total of RMB3.10 million including previous distributions from excess available cash held by RS Fund. These distributions and any future similar distributions will be treated as amounts due to RS Fund and will be set-off against final distribution of RS Fund upon its liquidation.

Major Long-Term Investments *(Continued)*

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

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

The fair value of RS Fund was RMB18.04 million at end of the period, resulting in a fair value deficit of US$0.23 million being debited to the income statement for the half year.

China Alpha Fund II ("China Alpha")

The Group holds 1,631 units in China Alpha with a fair value of US$4.05 million, resulting in a fair value surplus of US$0.69 million being credited to investment revaluation reserve for the period.

Financial assets at fair value through profit or loss

Ragentek Technology Group Limited ("Ragentek")

In February 2011, the Company invested US$7.3 million for a 6.6% common equity stake in Ragentek, a Chinese mobile phone handset design and development company 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 of 3.326% in Ragentek for a profit of US$3.09 million which included a reversal of a related provision made in 2012.

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 2015, it had cash and cash equivalents of US$39.62 million (31 December 2014: US$26.23 million), of which US$37.20 million (31 December 2014: US$22.76 million) was held in RMB equivalents in PRC bank deposits in Mainland China. The Group had no debt.

Foreign Exchange Risk

Most of the Group's cash, deposits and investments are held/located in Mainland China. Fluctuation of the RMB exchange rate may have an adverse effect on net assets and earnings of the Group that are to be converted or translated into United States dollars. 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 discretionary bonus and participation in a mandatory provident fund scheme.

Prospects

China has persistent challenges stemming from deteriorating competitiveness and the aftermath of credit excesses. It continues its economy balancing act between reform that will lead to stronger medium-term growth and broad-based stimulus aimed at boosting short-term growth. Further monetary easing is likely in the second half year. Infrastructure spending, a staple driver of Chinese growth, will be accelerated, as evidenced by a total of more than one thousand projects worth 2 trillion yuan announced by the National Development and Reform Commission for public-private partnership investment. China's State Council also announced policies including cutting red tape, removing trade-related fees and providing more favorable financing services and export credit insurance to support the nation's trade sector. The People's Bank of China also devaluated its currency by nearly 2% against the U.S. dollar on 11 August, the biggest downward adjustment in two decades, to help export industries to become more competitive. These continuing stimuli should put a floor under the country's slowdown. Nonetheless, there have been some positive signs in the economy. Property prices and sales in China's largest cities have risen after an extended slump as interest rate cuts and fiscal spending on infrastructure trickle through to the real economy. Despite stock market gyrations putting a damper on consumers' spending plans, consumption has held up reasonably well. The stock market will still fluctuate and struggle in the near future as it takes time to disperse market panic and rebuild confidence. In the longer term, the market performance will be dependent on the progress of China's economic restructuring, directing its economy away from exports and manufacturing to consumer-led growth.

Prospects *(Continued)*

Notwithstanding political uncertainties and a deflation risk, the Eurozone economic outlook is fairly good and improving. Leading indicators depict an economy that is growing and probably accelerating, helped by the soft euro, low interest rates and weak oil price. The era of European fiscal austerity is now largely over, removing what has been a high hurdle for growth. As a result of these, most peripheral European nations have returned to growth.

The U.S. was the first major power to emerge from the post financial crisis malaise, recording several years of robust economic growth and strong market returns. However, the strong dollar and lackluster global growth are hurting export activity. Weak business spending on equipment and low productivity are also holding back its economy's potential growth rate. It is expected the Federal Reserve will raise official rates in the third quarter once economic data confirm underlying growth trends that were masked by bad weather and the ports strike in first quarter. However, continued job growth, expected acceleration in wages, rising household wealth and still-low interest rates are all favorable factors underpinning a forecast that GDP would grow at an annual rate above 3% in the second half.

As previously reported, the Company is seeking shareholder approval to dispose of up to all its holding in Lukang. Subject to this approval and cessation of the moratorium imposed by SCRC, the Company will, based on the then market conditions and other considerations, implement the mandate authorized by the shareholders. The proposed mandate is part of the Company's overall plan to rebalance its investment portfolio, avoiding concentration on few investments and enabling it to systematically diversify risks.

Despite the slowdown in China's economy, the Company has witnessed on-going policy changes in the business environment of China. It expects these pro-business changes could cushion the lackluster economy which hopefully would stabilise and 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.

By Order of the Board
Lo Yuen Yat
Chairman

Hong Kong, 28 August 2015