CHINA ASSETS (HOLDINGS) LIMITED

(Stock Code: 170)

INTERIM REPORT

2017

Corporate Information

Board of Directors

Executive Directors

Mr. Lo Yuen Yat *(Chairman)*
Mr. Cheng Sai Wai

Non-executive Directors

Mr. Yeung Wai Kin
Mr. Zhao Yu Qiao
Ms. Lao Yuan Yuan

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.
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

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
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Stock Code

170

UNAUDITED INTERIM RESULTS

The Board of Directors of China Assets (Holdings) Limited (the "Company") has pleasure in reporting the following unaudited condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017:

Condensed Consolidated Income Statement

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
		2017	2016
	Note	***US$***	*US$*
Income	*6*	**483,475**	287,515
Other gains — net	*7*	**6,664,647**	93,239
Administrative expenses	*8*	**(1,478,909)**	(1,244,056)
Operating profit/(loss)		**5,669,213**	(863,302)
Share of loss of associates		**(453,470)**	(353,710)
Profit/(loss) before income tax		**5,215,743**	(1,217,012)
Income tax expense	*9*	**(7,367)**	(106,544)
Profit/(loss) for the period attributable to equity holders of the Company		**5,208,376**	(1,323,556)
Earnings/(loss) per share attributable to equity holders of the Company			
Basic	*10*	**0.0485**	(0.0172)
Diluted	*10*	**0.0485**	(0.0172)
Dividend	*11*	**—**	—

The notes on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017	2016
	US$	*US$*
Profit/(loss) for the period	**5,208,376**	(1,323,556)
Other comprehensive loss:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Share of post-acquisition reserves of an associate	**240,167**	(125,161)
Release of post-acquisition reserve upon deemed disposal of an associate	**—**	(36,161)
Exchange differences arising on translation of associates and subsidiaries	**300,280**	(327,146)
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**(4,651,885)**	—
Fair value losses of available-for-sale financial assets	**(3,595,468)**	(30,094,729)
Other comprehensive loss for the period, net of tax	**(7,706,906)**	(30,583,197)
Total comprehensive loss for the period attributable to equity holders of the Company	**(2,498,530)**	(31,906,753)

The notes on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2017

	Note	Unaudited 30 June 2017 US$	Audited 31 December 2016 US$
ASSETS			
Non-current assets			
Interests in associates		**77,619,174**	77,582,945
Available-for-sale financial assets		**47,492,650**	56,033,646
Total non-current assets		**125,111,824**	133,616,591
Current assets			
Loan receivable	*12*	**—**	—
Other receivables, prepayments and deposits	*13*	**311,947**	224,245
Amount due from a related company		**21,507**	3,558
Financial assets at fair value through profit or loss		**7,115,690**	6,168,912
Tax recoverable		**51,937**	51,937
Cash and cash equivalents	*14*	**72,332,892**	68,252,321
Total current assets		**79,833,973**	74,700,973
Total assets		**204,945,797**	208,317,564
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*15*	**92,109,301**	92,109,301
Reserves		**109,966,273**	112,464,803
Total equity		**202,075,574**	204,574,104

The notes on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet *(Continued)*

As at 30 June 2017

	Unaudited 30 June 2017 US$	Audited 31 December 2016 US$
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	**2,485,695**	3,376,708
Amount due to a related company	**360,398**	349,989
Current income tax liabilities	**24,130**	16,763
Total current liabilities	**2,870,223**	3,743,460
Total liabilities	**2,870,223**	3,743,460
Total equity and liabilities	**204,945,797**	208,317,564

The notes on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
	Note	2017 *US$*	2016 *US$*
Cash Flows from operating activities			
Net cash used in operating activities		**(1,258,954)**	(1,486,162)
Cash flows from investing activities			
Interest received	6	**369,351**	244,495
Dividend received from listed investments	6	**114,124**	43,020
Dividend received from an associate		**—**	319,230
Purchase of financial assets at fair value through profit or loss		**—**	(767,507)
Purchase of available-for-sale financial assets		**(1,000,000)**	(645,315)
Net proceed from disposal of an associate		**—**	348,397
Net proceed from disposal of an available-for-sale financial asset		**5,805,302**	—
Net cash generated from/(used in) investing activities		**5,288,777**	(457,680)
Net increase/(decrease) in cash and cash equivalents		**4,029,823**	(1,943,842)
Cash and cash equivalents at beginning of the period		**68,252,321**	42,784,510
Exchange gains/(losses)		**50,748**	(63,077)
Cash and cash equivalents at end of the period	*14*	**72,332,892**	40,777,591

The notes on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Unaudited					
	Share capital US$	Capital reserve US$	Exchange translation reserve US$	Investment revaluation reserve US$	Retained earnings US$	Total US$
Balance as at 1 January 2017	**92,109,301**	**6,560,893**	**558,083**	**32,848,836**	**72,496,991**	**204,574,104**
Comprehensive income						
Profit for the period attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**5,208,376**	**5,208,376**
Other comprehensive income/(loss)						
Share of post-acquisition reserves of an associate	**–**	**240,167**	**–**	**–**	**–**	**240,167**
Exchange differences arising on translation of associates and subsidiaries	**–**	**–**	**300,280**	**–**	**–**	**300,280**
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**–**	**–**	**–**	**(4,651,885)**	**–**	**(4,651,885)**
Fair value losses of available-for-sale financial assets	**–**	**–**	**–**	**(3,595,468)**	**–**	**(3,595,468)**
Total other comprehensive income/(loss) for the period, net of tax	**–**	**240,167**	**300,280**	**(8,247,353)**	**–**	**(7,706,906)**
Total comprehensive income/(loss) for the period ended 30 June 2017	**–**	**240,167**	**300,280**	**(8,247,353)**	**5,208,376**	**(2,498,530)**
Balance as at 30 June 2017	**92,109,301**	**6,801,060**	**858,363**	**24,601,483**	**77,705,367**	**202,075,574**

The notes on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 30 June 2016

	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 2016	76,783,698	8,977,992	1,742,702	1,506,549	77,197,368	58,626,122	224,834,431
Comprehensive loss							
Loss for the period attributable to equity holders of the Company	—	—	—	—	—	(1,323,556)	(1,323,556)
Other comprehensive loss							
Share of post-acquisition reserves of an associate	—	(125,161)	—	—	—	—	(125,161)
Release of post-acquisition reserve upon deemed disposal of an associate	—	(36,161)	—	—	—	—	(36,161)
Exchange differences arising on translation of associates and subsidiaries	—	—	(327,146)	—	—	—	(327,146)
Fair value losses of available-for-sale financial assets	—	—	—	—	(30,094,729)	—	(30,094,729)
Total other comprehensive loss for the period, net of tax	—	(161,322)	(327,146)	—	(30,094,729)	—	(30,583,197)
Total comprehensive loss for the period ended 30 June 2016	—	(161,322)	(327,146)	—	(30,094,729)	(1,323,556)	(31,906,753)
Balance as at 30 June 2016	76,783,698	8,816,670	1,415,556	1,506,549	47,102,639	57,302,566	192,927,678

The notes on pages 8 to 19 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Financial Statements

1. General information

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the investment holdings 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 25 August 2017. The condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

New and amended standards and interpretations that have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

		Effective for the Group for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 4 (amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKAS 28 (amendments)	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined

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

4. Estimates

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 2016.

5. Financial risk management

5.1 Financial risk factors

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

The condensed consolidated interim financial information does 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 2016.

There have been no changes in the risk management policies since year end.

5.2 Fair value estimation

Compared to 31 December 2016 there was no material change in the contractual undiscounted cash outflows for financial liabilities. The tables below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

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

5.2 ***Fair value estimation*** *(Continued)*

The following table presents the Group's assets that are measured at fair value at 30 June 2017.

	Unaudited			
	Level 1	Level 2	Level 3	Total
	US$	*US$*	*US$*	*US$*
Financial assets at fair value through profit or loss				
— listed equity securities	7,115,690	—	—	7,115,690
Available-for-sale financial assets				
— listed equity securities	36,039,157	—	—	36,039,157
— unlisted equity security	—	—	1,500,000	1,500,000
— unlisted investment funds	—	3,613,984	6,339,509	9,953,493
	43,154,847	3,613,984	7,839,509	54,608,340

The following table presents the Group's assets that are measured at fair value at 31 December 2016.

	Audited			
	Level 1	Level 2	Level 3	Total
	US$	*US$*	*US$*	*US$*
Financial assets at fair value through profit or loss				
— listed equity securities	6,168,912	—	—	6,168,912
Available-for-sale financial assets				
— listed equity securities	46,281,399	—	—	46,281,399
— unlisted equity security	—	—	1,500,000	1,500,000
— unlisted investment funds	—	3,299,566	4,952,681	8,252,247
	52,450,311	3,299,566	6,452,681	62,202,558

There were no transfers between levels 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

For the period ended 30 June 2017, 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.

5. Financial risk management *(Continued)*

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

30 June 2017	Unlisted investment funds US$	Unlisted equity security US$	Total US$
Opening balance at 1 January 2017	**4,952,681**	**1,500,000**	**6,452,681**
Additions during the period	**1,000,000**	**—**	**1,000,000**
Fair value change transfer to other comprehensive income	**386,828**	**—**	**386,828**
Closing balance at 30 June 2017	**6,339,509**	**1,500,000**	**7,839,509**

30 June 2016	Unlisted investment fund US$	Total US$
Opening balance at 1 January 2016	2,445,657	2,445,657
Fair value change transfer to other comprehensive income	1,765,519	1,765,519
Closing balance at 30 June 2016	4,211,176	4,211,176

6. **Income and segment information**

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

	Unaudited Six months ended 30 June	
	2017	2016
	US$	*US$*
Income		
Bank interest income	**369,351**	244,495
Dividend income from listed investments	**114,124**	43,020
	483,475	287,515

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

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

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

7. Other gains — net

	Unaudited Six months ended 30 June 2017 US$	2016 US$
Listed investments		
Unrealised fair value gains/(losses) on financial assets at fair value through profit or loss	**946,778**	(296,106)
Net gain on disposal of an available-for-sale financial asset	**4,511,659**	—
Net loss on deemed disposal of interest in an associate	**—**	(118,487)
	5,458,437	(414,593)
Unlisted investments		
Net gain on disposal of interest in an associate	**—**	885,239
Net gain on deemed disposal of interest in an associate	**—**	16,139
	—	901,378
	5,458,437	486,785
Sundry income	**82,452**	—
Net exchange gains/(losses)	**1,123,758**	(393,546)
	6,664,647	93,239

8. Administrative expenses

Expenses included in administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June 2017 US$	2016 US$
Legal and professional fee	**133,701**	131,989
Staff costs, including directors' remuneration	**756,683**	736,526
Operating lease rental payments	**98,071**	92,470

9. Income tax expense

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
	US$	*US$*
Current income tax:		
— Overseas profits tax	**7,367**	106,544

10. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is calculated by dividing the Group's profit/(loss) for the period attributable to equity holders of the Company of US$5,208,376 (2016: loss of US$1,323,556). The basic earnings per share is based on the weighted average number of 107,461,424 (2016: 76,758,160) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 June 2017 and 2016 are the same as the basic earnings/(loss) per share as there were no potential dilutive shares outstanding.

11. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

12. Loan receivable

Loan receivable is denominated in the following currency:

	Unaudited 30 June 2017 *US$*	Audited 31 December 2016 *US$*
Independent third party:		
Renminbi	**6,331,164**	6,164,433
Provision for impairment	**(6,331,164)**	(6,164,433)
Loan receivable — net	**—**	—

The carrying amounts of loan receivable approximate to their fair values as at 30 June 2017. The maximum exposure to credit risk at the reporting date is the fair value (i.e. its carrying amount) of the loan receivable.

As at 30 June 2017 and 31 December 2016, the ageing analysis of the loan receivable is as follows:

	Unaudited 30 June 2017 *US$*	Audited 31 December 2016 *US$*
Past due over 1 year	**6,331,164**	6,164,433
	6,331,164	6,164,433

As of 30 June 2017, loan receivable of US$6,331,164 (31 December 2016: US$6,164,433) is fully impaired. It is assessed that the loan receivable is not expected to be recovered.

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

	Unaudited 30 June 2017 *US$*	Audited 31 December 2016 *US$*
At beginning of the period	**6,164,433**	6,547,392
Exchange difference	**166,731**	(382,959)
At end of the period	**6,331,164**	6,164,433

13. Other receivables, prepayments and deposits

	Unaudited 30 June 2017 US$	Audited 31 December 2016 US$
Other receivables	**4,575,898**	4,379,774
Prepayments and deposits	**72,348**	66,573
	4,648,246	4,446,347
Provision for impairment	**(4,336,299)**	(4,222,102)
	311,947	224,245

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

	Unaudited 30 June 2017 US$	Audited 31 December 2016 US$
At beginning of the period	**4,222,102**	4,654,604
Exchange difference	**114,197**	(432,502)
At end of the period	**4,336,299**	4,222,102

14. Cash and cash equivalents

Included in the cash and cash equivalents of the Group are Renminbi deposits and cash in the Mainland China of US$53,539,959 (31 December 2016: US$46,061,372). The conversion of the RMB denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

15. Share Capital

Ordinary shares, issued and fully paid:

	Number of shares	Share capital *US$*
At 1 January 2016	76,758,160	76,783,698
— Issuance of new shares by open offer *(Note)*	30,703,264	15,325,603
At 31 December 2016, 1 January 2017 and 30 June 2017	107,461,424	92,109,301

Note: On 13 December 2016, the Company completed an open offer of 30,703,264 offer shares at a subscription price of HK$3.95 per offer share on the basis of two offer shares for every five existing shares of the Company held by shareholders of the Company at the record date of 16 November 2016. These shares rank pari passu in all respects with the existing ordinary shares of the Company. The net proceeds from the open offer, after deducting directly attributable costs were US$15,325,603. Details of the open offer were disclosed in the Company's circular dated 21 November 2016.

16. Capital commitments

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

	Unaudited 30 June 2017 *US$*	Audited 31 December 2016 *US$*
Contracted but not provided for:		
An available-for-sale financial asset	—	1,000,000
Interest in an associate	**2,944,727**	2,867,178
	2,944,727	3,867,178

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

	Unaudited 30 June 2017 *US$*	Audited 31 December 2016 *US$*
Contracted but not provided for	**12,657,345**	11,355,863

17. Related party transactions

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

(a) During the period, the Company paid expense recharges totaling US$83,297 (2016: US$78,776) to China Assets Investment Management Limited ("CAIML").

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

(c) ***Key management compensation***

	Unaudited Six months ended 30 June 2017 US$	2016 US$
Salaries and other short-term employee benefits	**329,041**	327,222
Pension costs — defined contribution plan	**13,037**	11,149
	342,078	338,371

Key management includes directors and an executive who have important roles in making operational and financial decisions.

18. Subsequent events

On 26 June 2017, New Synergies Investments Company Limited (the "Offeror") approached the Board about a proposal which, if implemented, will result in the Company becoming wholly-owned by the Offeror. The proposal will be implemented by way of a scheme of arrangement under Section 673 of the Companies Ordinance (the "Scheme").

Under the Scheme, the total consideration payable of HK$335,512,000 will be payable by the Offeror to the shareholders at HK$6.8 per share. This transaction is subject to approval of the disinterested shareholders at a court meeting and an Extraordinary General Meeting of the Company's shareholders.

Net Asset Value

The unaudited consolidated net asset value per share of the Group at 30 June 2017 was US$1.88 (31 December 2016: US$1.90).

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 2017, 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:

Shares in the Company

	Number of shares held			
Name of director	Personal interests	Corporate interests	Total	% of the issued share capital
Lo Yuen Yat	315,000	57,806,397 *(note 1)*	58,121,397	54.09%
Yeung Wai Kin	146,416	—	146,416	0.14%

Note 1: Mr. Lo Yuen Yat was deemed to be interested in 57,806,397 shares in the Company held by New Synergies Investments Company Limited ("New Synergies"). As at 30 June 2017, New Synergies was owned to the level of 40% by Mr. Lo Yuen Yat, to 30% by his brother Mr. Lao Kaisheng, and to 30% by his sister Ms. Lao Jiangsheng. Mr. Lo Yuen Yat was taken to be interested in the 57,806,397 shares in the Company by virtue of Part XV of the SFO.

Substantial Shareholders' Interests and/or Short Positions in the Shares, Underlying Shares of the Company

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that or the Company had been notified of, as at 30 June 2017, the following substantial shareholders' interests and short positions 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
Lo Yuen Yat *(Note 1)*	Personal	Interest of Controlled Corporation	58,121,397	54.09%
New Synergies Investments Company Limited *(Note 1)*	Corporate	Beneficial Owner	57,806,397	53.79%
Li Zhi Yun *(Note 2)*	Personal	Interest of Controlled Corporation	11,305,000	10.52%
Team Assets Group Limited *(Note 2)*	Corporate	Beneficial Owner	11,305,000	10.52%

Note:

(1) Lo Yuen Yat had a deemed interest in the issued share capital of the Company through his interest in New Synergies Investments Company Limited.

(2) Li Zhi Yun had a deemed 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 interests described above represent a long position in the shares of the Company and no short positions, deemed interests or derivative interests were recorded in the register maintained by the Company as at 30 June 2017.

Share Option Scheme

In order 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 share option scheme (the “Scheme”).

The Scheme will be in force for a period of ten years commencing from 26 May 2014, being the date of the adoption of the Scheme by the Company. The Directors may, at their discretion, make an offer to subscribe for Shares in the Company to: 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; and any adviser whose service to the Group contributes, or is expected to contribute, to the business or operations of the Group, as may be determined by the Directors from time to time. Options may be granted without any initial payment for the options at an exercise price equal to the highest of (i) the closing price per share on the Stock Exchange of Hong Kong Limited on the date of the grant of the option and (ii) the average closing price per Share on the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of the grant of the option.

Other major terms of the Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

(1) The maximum number of shares which may be issued upon the exercise of all options to be granted under the Scheme, and any other share option scheme(s) of the Company, must not in aggregate exceed 10% of the shares of the Company in issue on the respective dates of approval of each of the Scheme(s). The 10% limit may be refreshed by the approval through ordinary resolution of the shareholders.

(2) The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted, and yet to be exercised under the Scheme, and any other scheme(s) of the Company, must not exceed 30% of the shares of the Company in issue from time to time.

(3) The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Scheme in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.

(4) The exercise period of any share option granted under the Scheme shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

(5) The Scheme do not specify any minimum holding period. However the Board has authority to determine the minimum period for which a share option in respect of some, or all, of the shares forming the subject of the share options must be held before it can be exercised.

Since the adoption of the Scheme, no share options have been granted.

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 Company has complied with all the code provisions as set out in the code provisions and recommended best practices as stipulated in Appendix 14 (the "CG Code") of the Listing Rules throughout the period, except for the deviation from code provision A.2.1 of the CG Code.

The Chairman and chief executive officer of the Company is Mr. Lo Yuen Yat. This deviates from code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

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 condensed consolidated interim financial information 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 2017.

Investment Review

China Assets (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") reported a profit of approximately US$5.21 million for the six months ended 30 June 2017 compared with a loss of US$1.32 million for the same period in 2016.

The result was mainly due to profit arising from disposal of 4 million shares in Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang").

During the first half year, other than the disposal of 4 million shares in Lukang and an additional investment of US$1 million in Tianfeng Healthcare Fund I, L.P., the Group did not make any material investments nor disposals.

As at 30 June 2017, the consolidated net asset value of the Group was US$202.08 million, representing a US$2.49 million decrease from US$204.57 million as of 31 December 2016, mainly due to the change of fair market value of Lukang during the period.

Stock markets around the world collectively had their best first half in years. In the U.S., the tech-heavy Nasdaq Composite surged 14%, its best first half since 2009. The Dow Jones Industrial Average and S&P 500 each rose 8%, but the U.S. wasn't alone. Stock benchmarks from South Korea to India and Spain were among the biggest risers over the first six months, all registering double-digit percentage gains. The broad breadth of the rally was attributed to strengthening corporate earnings, improving economies and continued support from central banks. Europe, in particular, has been the beneficiary of surprisingly stronger-than-expected economic conditions. Sentiment reading of Eurozone businesses and consumers jumped to its highest level since before the financial crisis. In the U.S., strong earnings growth has been a crucial underpinning of the market's performance. A resilient tech sector led by U.S. and Chinese giants has had an increasing influence on markets in the U.S. and in Asia. The five largest U.S. companies by market capitalization are tech- and consumer-related companies, led by Apple Inc. China's tech behemoths fared even better. Tencent Holdings Ltd, the world's largest videogame publisher by revenue, and China's largest social network, WeChat, jumped more than 47% in the first half year. Alibaba Group Holding Ltd, the online marketplace, surged roughly 60%, pushing the MSCI Asia Ex Japan Index up more than 20% for the period.

One irony is that this period's market gains have come about for different reasons than many expected at the start of the period. It was then expected that Donald Trump's election victory would trigger lower taxes, less regulation and more infrastructure spending. Many believed U.S. interest rates would rise, the dollar would strengthen and oil would keep rising. There were worries Mr. Trump's presidency would spark trade tensions that might hit emerging markets. A close French presidential election loomed over Europe's prospects.

So far, though, Mr. Trump hasn't enacted major changes to fiscal policy or taken significant protectionist measures. In France, pro-Europe Emmanuel Macron eventually romped to election victory, allaying fears about the rise of anti-European Union sentiment.

Through it all, the market's focus has remained on central banks. While the U.S. has raised short-term interest rates four times since the end of 2015, the European Central Bank and Bank of Japan have mostly remained accommodative, helping juice asset prices. U.S. government bond yields have fallen, the dollar has weakened and oil prices have declined.

During the first half year, China made it a priority to rein in crippling debt levels and property speculation. Government measures to restrict home purchases in many cities have dampened investment in the real-estate sector while the regulatory crackdown on financial leverage in recent months has pushed up borrowers' lending costs, curtailing investment demand. These measures have resulted in Chinese consumers not spending as fast as their wages rise, indicating households have become more financially strapped as increasing portions of income are used for higher mortgage payments. Nonetheless, exports and imports both came in stronger than expected in the first half year, reflecting resilience in the world's second-largest economy amid the central government's effort to reduce debt and boding well for overall growth.

Lukang's share performance was disappointing in the first half year, dropping from RMB 9.71 at the closing of 2016 to RMB 7.91 at the end of the period, a drop of nearly 18.5% compared with the 2.9% rise of Shanghai Composite Index. The China Securities Regulatory Commission issued new rules in May 2017 to replace the rules issued in January 2016 that restrict sale of shares in A-share listed companies by their shareholders, directors, supervisors and senior management. Under the new rules, the Company has been barred from selling more than 1% of Lukang's total outstanding shares during any 90 consecutive days through open market on the Shanghai Stock Exchange. These rules have hampered the flexibility of disposition of the Company's holding in Lukang.

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$26.46 million (approx. US$3.41 million) for the six months ended 30 June 2017. This compared to a net loss of HK$95.47 million (approx. US$12.30 million) for the six months ended 30 June 2016. The improvement in the results is mainly attributable to (1) absence of recognition of a non-cash accounting loss on disposal of its investment in the Company in the previous corresponding period amounted HK$118 million; and (2) increase in revaluation gain of investment properties held in the PRC by approximately HK$20 million, then partially offset by the recognition of rental expenses during the pre-operating stage for a new medical centre to be set up in Hong Kong amounting to approximately HK$22 million.

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.

The Company's investment in the Hospital to-date amounts to RMB160 million, of which RMB140 million is in equity and RMB20 million is in shareholder advances which will soon be capitalized. The ownership of the Company was 19.9105% at the end of the period.

During the period, Dr. Ding Gang joined as deputy head of the Hospital. Dr. Ding is a renowned doctor in Shanghai with a specialty in prostate cancer care and has helped set up an oncology department in the Hospital focusing on prostate cancer.

The SIMC result for the first half year 2017, adjusted under Hong Kong Financial Reporting Standards, was a loss of RMB30.67 million, of which the Group shared a loss of RMB6.11 million (approx. US$0.89 million).

Major Long-Term Investments *(Continued)*

Investments in associates *(Continued)*

Goldeneye Interactive Limited ("Goldeneye")

The Company made a US$3.85 million investment in April 2011 for a 22.37% Preferred B-share holding in Goldeneye. Goldeneye and its affiliated companies operate a web portal — www.fangjia.com — which is a vertical search engine specializing in online real estate information in the secondary market.

In 2012, in view of the portal's extremely weak viewer traffic and poor operating result, the Group made an impairment loss provision of US$2.90 million. In 2016, third party investors injected US$1.2 million for 4.85% equity in Goldeneye, resulting in the investment of the Company being diluted to 21.29%.

In the first half year, Goldeneye reported a loss of US$0.70 million, of which the Group shared a loss of US$0.15 million.

Available-for-sale financial assets

Shandong Lukang Pharmaceutical Co Ltd ("Lukang")

The operations of Lukang improved in the first quarter of 2017 compared with the corresponding period in 2016. It reported a quarterly profit of RMB13.16 million against a profit of RMB4.19 million in 2016, mainly due to an improvement in gross margin from 19% to 25%. Its revenue, however, declined by 2% from RMB647.38 million to RMB634.05 million during the quarter. Based on its first quarter result, it can be seen that the various factors dragging the performance of Lukang still remain. There is not expected to be a major turnaround in the second half year.

The China Securities Regulatory Commission issued new rules in May 2017 restricting sale of shares in A-share listed companies by their shareholders, directors, supervisors and senior management ("Disposal Restriction Rules"). Under the Disposal Restriction Rules, the Company has been barred from selling more than 1% of Lukang's total outstanding shares during any 90 consecutive days through open market on the Shanghai Stock Exchange. These rules have hampered the flexibility of the Company to dispose of its shareholding in Lukang.

In November 2016, Lukang announced it would raise funds of approx. RMB1,057.55 million by issuing not more than 114.08 million new shares at a price not less than RMB 9.27 per share under private placement to not more than 10 investors. The funds would be used to build facilities to upgrade synthetic materials technology in Zuo Cheng bio-pharmaceutical industrial park. The fund-raising has not yet been completed.

Major Long-Term Investments *(Continued)*

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

Shandong Lukang Pharmaceutical Co Ltd ("Lukang") (Continued)

Lukang's share price performed poorly during the first half year, a decline of 18.5% compared with the 2.9% rise of Shanghai Composite Index, marking the fair value of the investment at US$29.14 million at end of the period. This resulted in an unrealised fair value loss of US$5.31 million being transferred to the investment revaluation reserve.

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

The Group had 1,687,200 shares in China Pacific, a PRC general insurer, at the end of the period. As at 30 June 2017, the fair value of China Pacific was stated at US$6.90 million and an unrealized fair value gain of US$1.01 million was credited to the investment revaluation reserve.

Red Stone Fund ("RS Fund")

The Red Stone Fund was set up in Ganzhou, Jiangxi Province, in January 2010 as a limited partnership in accordance with PRC Limited Partnership Law. The aim of RS Fund, whose size is RMB405 million, was to invest in minerals, energy or related industries in the PRC. The Group paid RMB24.30 million for a 6.00% indirect interest in RS Fund. The Fund had two investments, respectively, of 14.40% in equity in Ganzhou Shirui Tungsten Company Limited (formerly known as Ganxian Shirui New Materials Company Limited, "GSNM"), and 8.75% in equity in Ganzhou Chenguang Rare Earths New Material Company Limited ("GCRENM"). Both investments performed unsatisfactorily due to the substantial decline in prices of global mineral resources. In 2011, RS Fund advanced an entrusted loan of RMB180 million to 太重煤機有限公司 (Tai Chong Coal Machinery Company Limited, "TCC") whose main businesses are the manufacture and sale of coal washing equipment, coking coal equipment and coal devices (scrapers, and belt machines, etc.). TCC had been under reorganisation and RS Fund had an option to convert all or a portion of the entrusted loan for equity in TCC. In view of both the delay of the reorganisation and the market situation, RS Fund called for repayment of the entrusted loan which was fully repaid in 2016.

Agreement to dispose of GSNM between RS Fund and Chen Feng Lei（陳風雷）("Mr. Chen"), the founding shareholder of GSNM, was reached in 2015. It was agreed that Mr. Chen would repurchase the equity interest owned by RS Fund but completion didn't take place. RS Fund initiated arbitration action against Mr. Chen in January 2017 and a hearing is yet to take place.

Major Long-Term Investments *(Continued)*

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

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

During the period, the entire disposal consideration of GCRENM was received by RS Fund which included 13.624 million shares in Shenghe Resources Holding Co Ltd（盛和資源控股股份有限公司）("SRH"), a company listed on the Shanghai Stock Exchange, and cash consideration of RMB38.22 million. A one year restriction on disposal of shares in SRH has been imposed on RS Fund and this period will expire on 24 February 2018.

The RS Fund was contracted to dissolve in February 2015 but in light of the delay in completion of disposal of the investments, all RS Fund partners have agreed to extend the dissolution to February 2019.

The Group received RMB1.91 million from RS Fund in the period, for a total of RMB15.17 million, including previous distributions of available excess 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.

The fair value of its investment in RS Fund was US$4.34 million at the end of the period, resulting in a valuation surplus of US$0.39 million being credited to the investment revaluation reserve.

China Alpha II Fund ("China Alpha")

The Group holds 1,631 units in China Alpha at a cost of US$2.77 million. Based on latest available information, the share of net asset value of China Alpha attributable to the Company is US$3.61 million.

Tianfeng Healthcare Fund I, L.P ("TF Fund")

This is a U.S. dollar fund based in the Cayman Islands and was set up to invest in healthcare related companies in China. The fund size is US$20 million. At the time of reporting, TF Fund has made 6 investments for a total sum of US$13.90 million. The portfolio includes startup companies in specialized fields in laparoscopic surgery equipment, generic central nervous systems and tissue regeneration.

Major Long-Term Investments *(Continued)*

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

Tianfeng Healthcare Fund I, L.P ("TF Fund") (Continued)

Based on its outstanding commitment to TF Fund, the Company made an additional investment of US$1.00 million during the period. Total investment in TF Fund was US$2.00 million at the end of the period. As appraised by the Company based on its unaudited management accounts, the fair value of its investment in TF Fund was US$2.00 million at the end of the period.

NextVR, Inc. ("NextVR")

The Company purchased 296,027 shares of Series B Preferred Stock in NextVR for a consideration of US$1.50 million in 2016, representing a mere 0.17% of total equity. NextVR, based in Newport Beach, CA, USA, developed a proprietary platform to deliver live events, such as sports, in virtual reality. It has partnered with Fox Sports, Live Nation, NBC Sports, HBO/Golden Boy, Turner Sports and CNN to create a wide range of scheduled programs to deliver an immersive watching experience to audiences.

As NextVR is a start-up, it is anticipated losses will be incurred in the initial period of operations. As appraised by the Company based on its unaudited management accounts, the fair value of its investment in NextVR was US$1.50 million at the end of the period.

Liquidity and Financial Resources

The Group's financial position remained stable during the period. As at 30 June 2017, it had cash and cash equivalents of US$72.33 million (31 December 2016: US$68.25 million), of which US$53.54 million (31 December 2016: US$46.06 million) was held in RMB equivalents in PRC bank deposits in Mainland China. The Group had no debt.

Foreign Exchange Risk

The majority of the Group's cash, deposits and investments are held/located in Mainland China. The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government. 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. The Group did not engage in currency hedging nor did it adopt any formal hedging activities for its RMB assets' exposure.

Employees

As at 30 June 2017, the Company employed 10 staffs. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other benefits include discretionary bonus, medical schemes, defined benefit contribution provident fund schemes, and an employee share option scheme. Training courses are provided to staff where necessary. The Group's staff costs for the six months ended 30 June 2017 amounted to approximately US$0.69 million (2016: US$0.67 million).

Prospects

Armed with a more stable yuan and reduced capital outflows, China has been able to tighten credit without causing market panic or affecting headline growth. In fact, with solid growth in the property market, it will have little problem reaching its full-year growth target of about 6.5% while maintaining stability ahead of a leadership reshuffle later this year. Data for second-quarter gross domestic product showed its economy expanded at a respectable clip of 6.9%, well ahead of market expectations. The details of the data also revealed some encouraging signs. Household consumption accounted for close to 70% of GDP expansion in the second quarter. Its share has risen by 13.5% over the past two years while the investment share in the economy has fallen from 35.8% to 32.6%, suggesting a clear rebalancing from investment to consumption has taken hold. Progressing hand-in-hand with rising consumption, the economy has also become more services-oriented, and its growth has continued to outpace that of the manufacturing and agricultural sectors. Not only is services-sector growth more self-sustaining as it tailors itself to domestic consumption, it also tends to be capital-light and hence requires less investment and debt. Moreover, the services sector tends to be dominated by private-sector businesses which are generally more productive and less indebted than state-owned companies. This improvement in the structure will help economic growth be less affected by the external environment and become more sustainable.

China's exports should continue to do well given the relatively positive outlook for its main trading partners though there is concern that the current pace of imports can be sustained given the increasing headwinds to China's economy from policy tightening. However, it is anticipated that, should growth weaken, the People's Bank of China is likely to gradually decrease short-term interest rates and ease liquidity constraints on the country's financial system.

Prospects *(Continued)*

The U.S. economy has been the standard bearer for the modestly expanding global economy since the 2008 financial crisis. It has grown at a stable, if unspectacular, rate that has been enough to propel U.S. equity outperformance. However, weak growth in the first half year and the outlook that fiscal policy will be less expansionary than previously expected has caused the International Monetary Fund ("IMF") to cut its growth projection to 2.1% from 2.3% for 2017. The current macro backdrop — low unemployment, reasonable wage growth, and a stable-to-weak U.S. dollar — also provides the Federal Reserve the cover it needs to continue to raise interest rates. Tighter monetary policy, barring an unlikely sizeable fiscal expansion, will slow the economy.

The IMF also projected the slowdown in the U.S. would be offset by increased forecasts for the rest of the world. In Europe, a much-anticipated credit and earnings cycle is underway and the growth of many euro area countries, including Germany and France, have largely beaten expectations. Also, voters have overwhelmingly favored pro-Europe candidates over Eurosceptic contenders. The German federal election in September 2017 is likely to continue the trend and produce market-friendly results. A significantly-weakened but now relatively stable Euro has provided a nice tailwind to the profitability of Europe's many multi-national businesses. In emerging markets, growth continues to exceed expectations since bottoming out in 2016. Massive policy support from China helped boost global demand for commodities, providing a tailwind and a path out of recession for emerging economies like Russia and Brazil. Leading indicators of emerging markets, as represented by the Purchasing Managers' Index, continue to point higher, providing a potential tailwind for financial markets. Overall, it is anticipated global growth will be stable or accelerating for the rest of the year.

Looking ahead, the China stock market will benefit from additional liquidity generated by fund flows from the Stock Connect schemes between it and Hong Kong as well as through inclusion of A-shares in the MSCI Emerging Markets Index. However, tightening of China's property market and the uncertainty of protectionist measures by the Trump administration could potentially pose headwinds to the market. In Hong Kong, the continued drop in mainland Chinese tourists is still having a knock-on impact on economic growth. Nevertheless, from a valuation perspective, the domestic bank and commercial property sectors and diversified regional and global conglomerates look attractive from a longer-term view. Balance sheets for Hong Kong blue chips are typically very conservative, franchises robust, and management teams are well known to investors over many years. With these relative merits, mainland investors have been pouring money into the market via trading links with Shanghai and Shenzhen, building ownership of more than 10% of the issued share capital of 45 Hong Kong-listed companies by end of June. With this trend expected to be sustained, it is anticipated the Hong Kong market will continue to perform well for the rest of the year.

Prospects *(Continued)*

The pace of new investments by the Group has remained slow due to a combination of various factors, including the restrictive regulations in China on hospital investments by foreigner entities, the current focus investment strategy of the Group, and the Company's restricted use of renminbi balance under certain foreign exchange regulations applicable to its holdings in Lukang. It is unavoidable that the China investment process, which involves mainland bureaucracy, will incur extra time than that in Hong Kong. The Group has been reviewing and investigating various investment opportunities related to the health industry in China to strengthen its portfolio for long term capital appreciation. However, as has been reiterated in the past, investment will be proceeded with on a very cautious basis, bearing in mind the evolving economic situations in mainland China and other major economies which could have reverberating effects on existing and potential investments.

Lo Yuen Yat
Chairman

Hong Kong, 25 August 2017