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## **CHINA NEW ECONOMY FUND LIMITED**

### **中國新經濟投資有限公司**

*(an exempted company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 80)**

## **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **RESULTS**

The board of Directors (the “Board” or the “Directors”) of China New Economy Fund Limited (the “Company”) is pleased to announce the results of the Company for the year ended 31 December 2018 (the “Year”), together with the comparative figures for the year ended 31 December 2017, as follows:

### **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$</b>	2017 <b>HK\$</b>
<b>REVENUE</b>	4	<b>9,403,558</b>	821,073
Net loss on financial assets at fair value through profit or loss	5	<b>(80,521,383)</b>	(472,963,362)
Other operating expenses		<b>(18,998,620)</b>	(13,713,844)
<b>OPERATING LOSS</b>		<b>(90,116,445)</b>	(485,856,133)
Finance costs	6(a)	<b>(2,842,992)</b>	(23,520,463)
<b>LOSS BEFORE TAX</b>	6(b)	<b>(92,959,437)</b>	(509,376,596)
Income tax expense	8	–	(1,361,062)
<b>LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b><u>(92,959,437)</u></b>	<b><u>(510,737,658)</u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
– Basic		<b><u>(0.09)</u></b>	<b><u>(0.68)</u></b>
– Diluted		<b><u>(0.09)</u></b>	<b><u>(0.68)</u></b>

## STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK\$	2017 HK\$
<b>NON-CURRENT ASSETS</b>			
Deposits		<u>216,175</u>	<u>568,162</u>
Total non-current assets		<u>216,175</u>	<u>568,162</u>
<b>CURRENT ASSETS</b>			
Prepayments		564,493	410,943
Amount due from brokers		2,271,370	5,732,651
Financial assets at fair value through profit or loss	10	85,856,636	182,231,485
Cash and cash equivalents		<u>2,787,626</u>	<u>3,653,633</u>
Total current assets		<u>91,480,125</u>	<u>192,028,712</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,293,827	1,714,058
Amount due to brokers		17,155,439	5,646,820
Amount due to a related company		80,000	80,000
Loan payable and borrowings		–	66,976,320
Total current liabilities		<u>18,529,266</u>	<u>74,417,198</u>
<b>NET CURRENT ASSETS</b>		<u>72,950,859</u>	<u>117,611,514</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>73,167,034</u>	<u>118,179,676</u>
Net assets		<u><u>73,167,034</u></u>	<u><u>118,179,676</u></u>
<b>EQUITY</b>			
Issued capital	11	11,682,468	389,415,599
Reserves		<u>61,484,566</u>	<u>(271,235,923)</u>
Total equity		<u><u>73,167,034</u></u>	<u><u>118,179,676</u></u>
<b>NET ASSET VALUE PER SHARE</b>		<u><u>0.06</u></u>	<u><u>0.15</u></u>

## NOTES

### 1. CORPORATION INFORMATION

China New Economy Fund Limited was incorporated in the Cayman Islands on 1 February 2010 under the Companies Law of the Cayman Islands as an exempted company with limited liability. The Company was established for the purpose of acting as a closed-ended investment company.

The Company's registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at Suite 902, 9/F, Ovest, 77 Wing Lok Street, Hong Kong.

The principal investment objective of the Company is to achieve long-term capital appreciation through globally investing in both private and public enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of Mainland China, Hong Kong, Macau, and Taiwan.

During the Year, the Company's investment activities are managed by China Everbright Securities (HK) Limited (the "Investment Manager").

### 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair values. The financial statements are presented in Hong Kong dollars ("HK\$") except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRSs	Annual Improvements 2014–2016 Cycle
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

There was no significant impact on the Company's financial position and financial results upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies is set out below:

IFRS 9 classifies financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

In addition, the application of the Expected Credit Loss model under IFRS 9 has not significantly changed the carrying amounts of the Company's amortised cost financial assets.

In line with the characteristics of the Company's financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as fair value through profit or loss under IAS 39 are still classified as fair value through profit or loss under IFRS 9. All financial assets that were classified as loans and receivables are reclassified at amortised cost under IFRS 9. The classification for all of the Company's financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

The Company adopted IFRS 15 on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has not early applied the following new or amended IFRSs that have been issued but are not yet effective.

IFRS 16	Leases <sup>1</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
Amendments to IFRS 3	Definition of a Business <sup>2</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Company is described below.

Except for IFRS 16 as described below, the directors of the Company considered that the application of the other new and revised IFRSs will not have a material impact on the Company's financial results.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Agreement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company will adopt IFRS 16 from 1 January 2019.

The Company plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Company plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The Company plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

### **3. OPERATING SEGMENT INFORMATION**

For management purposes, the Company is organised into business units based on their categories of investments. During the years ended 31 December 2018 and 2017, the Company has two reportable operating segments as follows:

Listed securities – Investments in equity securities listed on relevant stock exchange

Unlisted securities – Investments in private equity funds and private equities

The Company's turnover and segment result by geographical areas are not presented for the year ended 31 December 2018 as significant transactions are mainly based in Hong Kong.

Further details of the Company's investments are included in note 5 and note 10.

The following is an analysis of the Company's results by operating segment:

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Unallocated HK\$</b>	<b>Total HK\$</b>
For the year ended 31 December 2018				
Segment revenue	<u>4,116,000</u>	<u>5,286,986</u>	<u>572</u>	<u>9,403,558</u>
Segment results	<u>(55,476,713)</u>	<u>(15,641,684)</u>	<u>–</u>	<u>(71,118,397)</u>
Bank interest income				572
Unallocated expenses				<u>(21,841,612)</u>
Loss before tax				<u>(92,959,437)</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Unallocated HK\$</b>	<b>Total HK\$</b>
For the year ended 31 December 2017				
Segment revenue	<u>357,014</u>	<u>432,739</u>	<u>31,320</u>	<u>821,073</u>
Segment results	<u>(441,543,172)</u>	<u>(31,063,176)</u>	<u>–</u>	<u>(472,606,348)</u>
Bank interest income				320
Interest earned from bond				432,739
Other income				31,000
Unallocated expenses				<u>(37,234,307)</u>
Loss before tax				<u>(509,376,596)</u>

For the years ended 31 December 2018 and 2017, segment results represented the net gains or losses on fair values of listed equity securities, unlisted private equity funds and private equities classified as financial assets at fair value through profit or loss and the corresponding interest income, dividend income as well as income from profit guarantee earned by each segment without the allocation of administrative expenses, finance costs, interest income from bank deposits and the Investment Manager's fees.

As management considers the Company's nature of business to be investment trading and there are no major customers, no information regarding major customers or segment revenue is presented.

The following is an analysis of the Company's assets and liabilities by operating segment:

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2018			
Segment assets:			
Financial assets at fair value through profit or loss	<u>52,803,636</u>	<u>33,053,000</u>	85,856,636
Unallocated assets			<u>5,839,664</u>
Total assets			<u>91,696,300</u>
Liabilities:			
Unallocated liabilities			<u>18,529,266</u>
Total liabilities			<u>18,529,266</u>

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2017			
Segment assets:			
Financial assets at fair value through profit or loss	<u>75,663,864</u>	<u>106,567,621</u>	182,231,485
Unallocated assets			<u>10,365,389</u>
Total assets			<u>192,596,874</u>
Liabilities:			
Unallocated liabilities			<u>74,417,198</u>
Total liabilities			<u>74,417,198</u>

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than deposits, prepayments, amount due from brokers and cash and cash equivalents.

#### 4. REVENUE

An analysis of revenue is as follows:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Dividend income from listed equity securities	4,116,000	357,014
Dividend income from private equity	1,599,998	–
Interest earned from bond	–	432,739
Bank interest income	572	320
Income from profit guarantee	3,686,988	–
Other income	–	31,000
	<u>9,403,558</u>	<u>821,073</u>

#### 5. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2018			
Net realised (loss)/gain on financial assets at fair value through profit or loss	(30,057,839)	14,585,951	(15,471,888)
Net unrealised loss on financial assets at fair value through profit or loss	<u>(29,534,874)</u>	<u>(35,514,621)</u>	<u>(65,049,495)</u>
Total of net realised and unrealised loss included in profit or loss	<u>(59,592,713)</u>	<u>(20,928,670)</u>	<u>(80,521,383)</u>
	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2017			
Net realised (loss)/gain on financial assets at fair value through profit or loss	(292,683,897)	696,772	(291,987,125)
Net unrealised loss on financial assets at fair value through profit or loss	<u>(149,216,289)</u>	<u>(31,759,948)</u>	<u>(180,976,237)</u>
Total of net realised and unrealised loss included in profit or loss	<u>(441,900,186)</u>	<u>(31,063,176)</u>	<u>(472,963,362)</u>



## 6. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
(a) Finance costs		
Interest on other borrowings	1,019,901	14,929,372
Interest on notes and borrowings	1,823,091	8,591,091
	<u>2,842,992</u>	<u>23,520,463</u>
(b) Other items		
Investment management fee ( <i>Note 7</i> )	960,000	960,000
Foreign exchange loss, net	44,472	20,561
Auditors' remuneration	730,000	850,000
Staff cost (excluding directors' remuneration)	2,699,065	1,543,790
Minimum operating lease payments in respect of properties	561,294	1,268,255
Consultancy fee	756,000	816,000
Legal and professional fees	2,168,369	2,348,503
Commission and other charges	5,672,160	1,801,696

## 7. FEES

### Administration fee

Amicorp Hong Kong Limited (the "Administrator") is entitled to receive an administration fee which is calculated based on the net asset value of the Company at valuation day equal to the rate of 0.11% per annum.

The administration fee is subject to a monthly minimum fee of USD8,000 plus 7% disbursement charge (2017: USD7,500 plus 7% disbursement charge) and is payable monthly in arrears.

The administration fee for the Year is HK\$817,711 (2017: HK\$762,723). As at 31 December 2018, an administration fee of HK\$67,041 (2017: HK\$62,719) was payable to the Administrator.

### Custodian fee

Deutsche Bank AG, Hong Kong Branch (the "Custodian") is entitled to a custodian fee which is calculated based on the net asset value of the Company at valuation day equal to the rate of 0.02% per annum.

The custodian fee is subject to a monthly minimum fee of USD2,500 for the period from 1 January 2018 to 30 September 2018 and USD3,750 from 1 October 2018 (2017: USD2,500) and is payable monthly in arrears.

The custodian fee for the Year is HK\$264,895 (2017: HK\$238,308). As at 31 December 2018, a custodian fee of HK\$29,370 (2017: HK\$19,627) was payable to the Custodian.

### Management fee

The Investment Manager is entitled to a monthly management fee of HK\$80,000 (2017: HK\$80,000) and payable monthly in arrears.

The management fee for the Year is HK\$960,000 (2017: HK\$960,000). As at 31 December 2018, management fee of HK\$80,000 (2017: HK\$80,000) was payable to the Investment Manager.

## 8. TAXATION

The major component of income tax charge for the years ended 31 December 2018 and 2017 are:

	<b>2018</b>	2017
	<b>HK\$</b>	<b>HK\$</b>
Current tax:		
Hong Kong Profits tax	–	–
Deferred tax	–	1,361,062
	<u>–</u>	<u>1,361,062</u>
Tax charge for the year	<u>–</u>	<u>1,361,062</u>

## 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per share amount is based on the Company's loss of HK\$92,959,437 (2017: HK\$510,737,658) for the Year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the Year of 1,076,494,078 (2017: 749,157,841 ordinary shares).

No adjustment has been made to the basic loss per share amounts for the years ended 31 December 2018 and 2017 in respect of dilution as the Company had no potential ordinary shares in issue during the years ended 31 December 2018 and 2017.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2018</b>	2017
	<b>HK\$</b>	<b>HK\$</b>
Listed equity securities – Hong Kong	<b>48,612,324</b>	68,865,123
Suspended listed equity securities – Hong Kong	<b>4,191,312</b>	6,798,741
Investments in private equity fund – The Cayman Islands	–	531,630
Investments in private equities – British Virgin Islands	<b>24,607,000</b>	70,940,000
Investments in private equities – Hong Kong	<b>8,446,000</b>	35,095,991
	<u><b>85,856,636</b></u>	<u>182,231,485</u>

## 11. ISSUED CAPITAL

	<b>Number of shares</b>	<b>Nominal amount HK\$</b>
Issued and fully paid		
Ordinary shares of nominal amount HK\$0.01 each as at 31 December 2018	<u><b>1,168,246,794</b></u>	<u><b>11,682,468</b></u>
Ordinary shares of nominal amount HK\$0.5 each as at 31 December 2017	<u>778,831,198</u>	<u>389,415,599</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital HK\$	Share premium account HK\$	Total HK\$
At 1 January 2017	222,523,200	111,261,600	372,383,562	483,645,162
Rights issue with bonus issue	556,307,998	278,153,999	(111,261,599)	166,892,400
Share issue expenses	—	—	(5,848,831)	(5,848,831)
At 31 December 2017 and 1 January 2018	<b>778,831,198</b>	<b>389,415,599</b>	<b>255,273,132</b>	<b>644,688,731</b>
Rights issue with bonus issue	<b>389,415,596</b>	<b>194,707,798</b>	<b>(146,030,849)</b>	<b>48,676,949</b>
Capital reduction	—	<b>(572,440,929)</b>	—	<b>(572,440,929)</b>
Share issue expenses	—	—	<b>(730,154)</b>	<b>(730,154)</b>
At 31 December 2018	<b><u>1,168,246,794</u></b>	<b><u>11,682,468</u></b>	<b><u>108,512,129</u></b>	<b><u>120,194,597</u></b>

## 12. COMMITMENTS

As at 31 December 2018, the Company had future aggregate minimum lease payments under non-cancellable operating leases approximately as follows:

	2018 HK\$	2017 HK\$
Within one year	176,000	495,000
In the second year	—	176,000
	<b><u>176,000</u></b>	<b><u>671,000</u></b>

## 13. EVENTS AFTER REPORTING PERIOD

### Placing of new shares under general mandate

After the reporting period, the Company had raised approximately HK\$21 million, net of expenses, by way of entering a placing agreement with the placing agent, to place 220,000,000 placing shares to six places which are professional investors and independent third party with the Company. The placing shares are issued at a gross price of HK\$0.1 and net price of HK\$0.095 per placing share (closing price of the shares of the Company was HK\$0.097 as at the date of announcement) under the general mandate granted to the Directors at the annual general meeting of the Company held on 29 May 2018. The Company intends to use the net proceeds arising from the placing as to approximately 80% for investment in line with its ordinary course of business and pursuant to the investment objectives of the Company and as to approximately 20% for the general working capital of the Company to meet the running expenses of the Company such as rental and staff costs. Details of the placing of new shares under general mandate can be referred to the announcements dated 18 February 2019 and 14 March 2019 respectively.

## **FINANCIAL HIGHLIGHTS**

During the Year, the Company maintained a long-term investment strategy in both public and private equity markets. The Company held eighteen equity securities listed in Hong Kong, one private equity fund and three private equities as of 31 December 2018, in which the largest one is in the financial services sector focusing on Hong Kong market. The Company reported net loss attributable to shareholders of HK\$92,959,437 during the Year, which consisted of the net loss in fair value of HK\$80,521,383 taken on the investment positions in the portfolio.

The net asset value of the Company decreased during the Year alongside with the slowdown in the Chinese economy and the rising volatility of the Hong Kong stock market. As at 31 December 2018, the Company reported an audited net asset value of approximately HK\$0.06 per share. The net loss is mainly attributable to both net realised loss of HK\$15,471,888 and net unrealised loss of HK\$65,049,495 on financial assets at fair value through profit or loss as a result of recent Hong Kong stock market volatility. The Company will continue to monitor investments cautiously due to recent uncertain market conditions.

## **BUSINESS REVIEW AND PROSPECT**

During the Year, China had been faced with complicated external and domestic economic conditions, especially the China–United States trade war gave a big impact to economy and the slowdown of gross domestic product (GDP) growth. According to the National Bureau of Statistics, China’s GDP recorded an increase of 6.9% in 2018, slightly higher than 6.5% targeted by the PRC Government in the beginning of 2018. The government has indicated that the PRC economy has entered into a new normal era. The new economy is showing signs of growth and strength, which optimisation driven by technology advance and institutional innovations.

Market confidence was generally impacted by China–United States trade turbulence and uncertainty on macroeconomic outlook which led the global stock market volatile. The securities markets in China and Hong Kong have been full of ups and downs through 2018. The benchmark Shanghai Composite Index and Hang Seng Index dropped by 24.59% and 13.61% in 2018 respectively. During the Year, the Company adopted a timely and appropriate investment approach in response to the volatile market sentiment and complicated government policies. The Company is well aware of the challenges ahead and explored investment opportunities emerging from the sectors benefiting from the economic transformation in PRC, to obtain a substantial net asset appreciation. The Company will continue to implement its comprehensive risk management strategy with an aim to achieve growing returns on investments for our shareholders.

The Company believes private equity investments shall diversify the risk of investments and will potentially bring greater return with the upcoming reform alongside with listed investments in portfolio. However, the Company had no new private equity investment in the current year due to uncertain economic condition. In the near future, the Company will continue to look for further investment opportunities in private equities and other unlisted investments to benefit our investors and shareholders.

As global economy and politics are facing more risk, especially with the China–United States trade war and US President Donald Trump’s swinging politic risks. In the second half year of 2018, the global and domestic economy slows down its growth due to ongoing China–United States trade argument and downturn in the Chinese economy. China may significantly hurt by tariff trade war in all indicators, including welfare and GDP. Thus, these actions not only affect each other but also the entire world. The Company will exercise risk management control to prevent the potential risk to the portfolio. The Company expects that the US Federal Reserve will be more cautious to raise interest rate regarding its inflation rate and many expects one to two hikes by the end of 2019. In addition, the PRC Government has lowered its 2019 GDP growth target at around 6% to 6.5%. Therefore, the Company remains cautiously optimistic on the prospects of securities market in China and Hong Kong.

The Company will continue to deploy an investment strategy focusing on Greater China and closely monitor changes in the global markets. With our professional investment and risk management team, we are confident to capture valuable investment opportunities to maximise profit for our shareholders.

## INVESTMENT REVIEW

The Company held twenty-two investments as of 31 December 2018, comprising eighteen equity securities listed in Hong Kong, one private equity fund in the Cayman Islands, two private equities in Hong Kong and one private equity in British Virgin Islands.

Pursuant to the requirements stipulated in Rule 21.12 of Listing Rules, the Company discloses its ten largest investments and all individual investments with value exceeding 5% of the Company's gross assets with brief description of the investee companies as follows:

### At 31 December 2018

#### Listed Equity Securities – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised (Note 1) HK\$'000	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the Year HK\$'000	% of gross assets of the Company
(a) Kin Pang Holdings Limited	The Cayman Islands	34,980,000 ordinary shares of HK\$0.01 each	3.50%	16,314	14,867	(1,447)	MOP7.33 million	–	16.21
(b) Power Financial Group Limited (Formerly known as Jun Yang Financial Holdings Limited)	Bermuda	126,400,000 ordinary shares of HK\$0.01 each	4.54%	27,563	10,744	(16,819)	HK\$65.55 million	–	11.72
(c) Evershine Group Holdings Limited	Hong Kong	4,047,000 ordinary shares	0.22%	5,337	5,099	(238)	HK\$0.31 million	–	5.56
(d) Hanvey Group Holdings Limited	The Cayman Islands	25,960,000 ordinary shares of HK\$0.01 each	2.60%	8,672	4,543	(4,129)	HK\$2.00 million	–	4.95
(e) China Construction Bank Corporation	PRC	520,000 ordinary shares of CNY1 each	–	3,317	3,354	37	CNY4.11 million	–	3.66
(f) China Life Insurance Company Limited	PRC	194,000 ordinary shares of CNY1 each	–	3,194	3,228	34	CNY0.06 million	–	3.52
(g) Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	3,144	(38,691)	HK\$16.03 million	–	3.43
(h) Earthasia International Holdings Limited	The Cayman Islands	500,000 ordinary shares of HK\$0.01 each	0.12%	1,750	2,385	635	HK\$0.16 million	–	2.60

### Private Equity – British Virgin Islands

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/ (loss) recognised	Net asset attributable to the Company	Dividend received/ receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
(i) Gransing Financial Group Limited (Formerly known as Morris Global Group Limited)	British Virgin Islands	48 shares of USD1 each	17.52%	42,799	24,607	(18,192)	HK\$26.92 million	–	26.84

### Private Equity – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/ (loss) recognised	Net asset attributable to the Company	Dividend received/ receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
(j) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	7,270	(11,730)	HK\$7.19 million	–	7.93

### At 31 December 2017

### Listed Equity Securities – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/ (loss) recognised	Net asset attributable to the Company	Dividend received/ receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 3) HK\$'000	(Note 2)	HK\$'000	
Power Financial Group Limited (Formerly known as Jun Yang Financial Holdings Limited)	Bermuda	140,000,000 ordinary shares of HK\$0.01 each	4.54%	30,529	50,400	19,871	HK\$91.22 million	–	26.17
Xinhua News Media Holdings Limited	The Cayman Islands	18,493,000 ordinary shares of HK\$0.01 each	1.28%	4,218	5,455	1,238	HK\$1.68 million	–	2.83
Classified Group (Holdings) Limited	The Cayman Islands	2,400,000 ordinary shares of HK\$0.01 each	0.54%	3,360	4,080	720	HK\$0.63 million	–	2.12

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary share of HK\$0.01 each	0.39%	41,835	3,686	(38,150)	HK\$16.07 million	82	1.91
Lerado Financial Group Company Limited	Bermuda	90,000,000 ordinary shares of HK\$0.5 each	3.91%	18,000	2,113	(15,887)	HK\$53.63 million	–	1.10

### *Private Equities – British Virgin Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Gransing Financial Group Limited (Formerly known as Morris Global Group Limited)	British Virgin Islands	48 shares of USD1 each	17.52%	42,799	43,500	701	HK\$31.54 million	–	22.59
WinHealth International Company Limited	British Virgin Islands	84 shares of USD1 each	8.40%	30,000	27,440	(2,560)	HK\$4.60 million	–	14.25

### *Private Equities – Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	16,570	(2,430)	HK\$15.94 million	–	8.60
Alpha Financial Group Limited (Formerly known as Ample Orient Capital Limited)	Hong Kong	555,555 shares	9.99%	8,000	11,350	3,350	HK\$5.97 million	–	5.89
Sense Key Design Holdings Limited	Hong Kong	199 shares	19.90%	25,000	7,176	(17,824)	HK\$0.94 million	–	3.73



*Notes:*

- (1) The unrealised gain/(loss) represented the changes in fair value of the respective investments during the Year.
- (2) The calculation of net assets attributable to the Company is based on the latest published interim/annual reports of the respective investments at the end of each reporting period.
- (3) The unrealised gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2017.

A brief description of the business and financial information of the investments is as follows:

- (a) Kin Pang Holdings Limited (“Kin Pang”) is principally engaged in the provision of building and ancillary services. The unaudited profit attributable to shareholders of Kin Pang for the six months ended 30 June 2018 was approximately MOP11,947,000 and the unaudited net assets attributable to shareholders of Kin Pang as at 30 June 2018 was approximately MOP209,442,000. The fair value of the investment in Kin Pang is based on quoted market bid prices.
- (b) Power Financial Group Limited (“Power Financial”) is principally engaged in financial services businesses. The audited loss attributable to shareholders of Power Financial for the financial year ended 31 December 2018 was approximately HK\$437,330,000 and the audited net assets attributable to shareholders of Power Financial as at 31 December 2018 was approximately HK\$1,443,927,000. The fair value of the investment in Power Financial is based on quoted market bid prices.
- (c) Evershine Group Holdings Limited (“Evershine Group”) is mainly engaged in property development and investment business. The audited loss attributable to shareholders of Evershine Group for the financial year ended 31 December 2018 was approximately HK\$105,087,000 and the audited net assets attributable to shareholders of Evershine Group as at 31 December 2018 was approximately HK\$139,209,000. The fair value of the investment in Evershine Group is based on quoted market bid prices.
- (d) Hanvey Group Holdings Limited (“Hanvey Group”) is principally engaged in the design and development, manufacturing and distribution of watch products. The audited loss attributable to shareholders of Hanvey Group for the financial year ended 31 December 2018 was approximately HK\$7,104,000 and the audited net assets attributable to shareholders of Hanvey Group as at 31 December 2018 was approximately HK\$77,062,000. The fair value of the investment in Hanvey Group is based on quoted market bid prices.
- (e) China Construction Bank Corporation (“China Construction Bank”) is a commercial bank. The audited profit attributable to shareholders of China Construction Bank for the financial year ended 31 December 2018 was approximately CNY254,655,000,000 and the audited net assets attributable to shareholders of China Construction Bank as at 31 December 2018 was approximately CNY1,976,463,000,000. The fair value of the investment in China Construction Bank is based on quoted market bid prices.

- (f) China Life Insurance Company Limited (“China Life”) is a life insurance company provides a range of insurance products, including individual and group life insurance, health insurance and accident insurance products. The audited profit attributable to shareholders of China Life for the financial year ended 31 December 2018 was approximately CNY11,395,000,000 and the audited net assets attributable to shareholders of China Life as at 31 December 2018 was approximately CNY9,325,000,000. The fair value of the investment in China Life is based on quoted market bid prices.
- (g) Town Health International Medical Group Limited (“Town Health”) is principally engaged in the provision of healthcare and dental services, managed care business and beauty and cosmetic medicine business. The unaudited profit attributable to shareholders of Town Health for the six months ended 30 June 2018 was approximately HK\$57,627,000 and the unaudited net assets attributable to shareholders of Town Health as at 30 June 2018 was approximately HK\$4,109,743,000. The trading of shares of Town Health has been suspended since 27 November 2017. The fair value of the investment in Town Health is based on valuation by independent valuer.
- (h) Earthasia International Holdings Limited (“Earthasia”) is principally engaged in landscape architecture in Hong Kong, the Mainland China and the Philippines. The unaudited profit attributable to shareholders of Earthasia for the six months ended 30 June 2018 was approximately HK\$2,090,000 and the unaudited net assets attributable to shareholders of Earthasia as at 30 June 2018 was approximately HK\$132,858,000. The fair value of the investment in Earthasia is based on quoted market bid prices.
- (i) Gransing Financial Group Limited (“Gransing Financial”) is principally engaged in provision of quality brokerage, corporate finance, asset management, money lending and financial adviser services to institutional and individual investors in Hong Kong and Mainland China through its subsidiaries. The fair value of the investment in Gransing Financial is based on valuation by independent valuer.
- (j) Help U Credit Finance Limited (“Help U”) is principally engaged in money lending business in Hong Kong. Help U is a licensed money lender and provides secured and unsecured loans to both individuals and corporations. The fair value of the investment in Help U is based on valuation by independent valuer.

The top three investments with realised gain and loss for the Year are summarised as below:

**Top three realised gain for the Year**

<b>Name of investment</b>	<b>Realised gain</b> <i>HK\$'000</i>
WinHealth International Company Limited	10,586
Alpha Financial Group Limited (Formerly known as Ample Orient Capital Limited)	4,000
Kin Pang Holdings Limited	1,177

## Top three realised loss for the Year

Name of investment	Realised loss <i>HK\$'000</i>
China 33 Media Group Limited	4,699
Time2U International Holding Limited	4,029
AMCO United Holding Limited	3,500

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company has maintained a sufficient cash position which will allow it to capture opportunities with promising returns in both listed and private equities.

As at 31 December 2018, the gearing ratio, defined as total debts divided by shareholders' equities, was 23.4% (31 December 2017: 61.5%). As at 31 December 2018, the Company has margin payable to securities brokers of HK\$17,155,239 with interest rate 12.125% per annum (31 December 2017: HK\$5,646,820 with interest rate 8% per annum, a short term loan HK\$35,000,000 with interest rate 8.5% and one outstanding unlisted and unsecured coupon notes at amortised cost of HK\$31,976,320 with interest rate 7.5% per annum).

## FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the Year (2017: Nil).

## CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

As at 31 December 2018, the Company had pledged Hong Kong listed securities of approximately HK\$48.2 million to secure the margin payables to the broker (31 December 2017: HK\$62.9 million).

There were no significant contingent liabilities as at 31 December 2018 (31 December 2017: Nil).

## CAPITAL STRUCTURE

On the Listing Date on 6 January 2011, the Company completed a share placement and a total of 303,000,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$1.03 per share for a total cash consideration, excluding the related issue expenses, for approximately HK\$312.1 million. Subsequent to the listing, the Company had completed several fund raising activities and a capital reduction. As at 31 December 2018, the capital of the Company comprises of 1,168,246,794 ordinary shares of HK\$0.01 each.

## **RIGHTS ISSUE**

### **Rights issue on the basis of one rights share for every eight existing shares with bonus issue on the basis of three bonus shares for every one rights share taken up**

During the Year, the Company had raised an approximately HK\$47.1 million, net of expenses, by way of the rights issue of 97,353,899 rights shares and 292,061,697 bonus shares to the qualifying shareholders at a subscription price of HK\$0.5 (effective subscription price HK\$0.125) per rights share on the basis of one rights share for every eight existing shares with bonus issue on the basis of three bonus shares for every one rights share taken up (closing price of the shares of the Company was HK\$0.130 as at the date of announcement of the rights issue). The Company had applied such net proceeds from the rights issue for repayment of loan in the sum of HK\$35,000,000 and partial repayment of coupon notes in the sum of HK\$31,500,000. Details of the rights issue were set out in the announcement of the Company dated 23 January 2018, circular dated 5 February 2018 and prospectus dated 6 March 2018.

## **CAPITAL REDUCTION**

During the Year, the Company implemented the capital reduction involving the reduction of the par value of each issued shares from HK\$0.50 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.49 per issued ordinary share so that following such reduction, each issued ordinary share with a par value of HK\$0.50 in the share capital of the Company shall become one new ordinary share. The credit arising from the capital reduction had been applied towards offsetting the accumulated loss of the Company. The balance of credit has been transferred to the distributable reserve account of the Company which may be utilised by the Directors as a distributable reserve. As a result of capital reduction, par value of each of the 1,168,246,794 issued ordinary shares has been reduced from HK\$0.50 to HK\$0.01 per issued ordinary share by cancelling the paid up share capital to the extent of HK\$0.49 per issued ordinary share by way of a reduction of capital, so as to form issued new ordinary shares with par value of HK\$0.01 each, the Company's previous issued share capital of HK\$584,123,397 has been reduced by HK\$572,440,929 to HK\$11,682,468. Details of the capital reduction can be referred to the announcements dated 1 August 2018 and 10 December 2018 and circular dated 20 August 2018.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY**

The Company did not purchase, redeem or sell any of the Company's listed shares during the Year.

## **CAPITAL EXPENDITURE AND COMMITMENT**

Save as disclosed in note 12, as at 31 December 2018, the Company made no capital expenditure or any other commitments (31 December 2017: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Year, the Company did not acquire or dispose of any subsidiaries or associated companies (2017: Nil).

## **USE OF PROCEEDS**

The Company has twenty-two investments as of 31 December 2018, comprising eighteen equity securities listed in Hong Kong, one private equity fund and three private equities. The largest one held by the Company is in the financial services sector focusing in the Hong Kong market.

The rest of the net proceeds gained will be applied by the Board and the Investment Manager in making investments according to the investment objective, policies and restrictions of the Company and the requirements of the Articles of Association of the Company, the Listing Rules and the investment management agreement. Any proceeds not deployed are placed in bank deposits or invested in money market instruments or money market funds.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2018, the Company had six full-time employees (31 December 2017: three full-time employees). All of the Company's employees were based in Hong Kong.

The Company establishes its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. The policy is periodically reviewed. Apart from mandatory provident fund, salaries increment, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Company for the Year was approximately HK\$2,699,065 (2017: HK\$1,543,790).

## **FOREIGN CURRENCY FLUCTUATION**

The Board believes that foreign exchange risks are minimal as the Company mainly uses the Hong Kong or United States dollar to carry out its business transactions.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied most of the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that throughout the year ended 31 December 2018, the Company was in compliance with the code provisions as set out in the CG Code, save and except for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. During the Year, Mr. Gu Xu had been the Chairman and Chief Executive Officer of the Company. He provided leadership to the Board and is responsible for the Company's business development and daily management generally. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with three of them being independent non-executive Directors.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2018.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises one non-executive Director, Mr. Lam Chun Ho, and three independent non-executive Directors, namely Mr. Chong Ching Hoi (being the chairman with professional qualifications in accountancy), Mr. Leung Wai Lim and Mr. Pun Tit Shan.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, risk management and internal control systems, or other matters of the Company. The terms of reference of the Audit Committee are of no less exacting terms than those set out in CG Code.

The Audit Committee held two meetings to review interim and annual financial results and reports for year 2018 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of risk management and internal control systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee also met the external auditors once without the presence of the executive Directors.

## REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Company's results for the year ended 31 December 2018 have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Company's financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standard on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standard on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

By Order of the Board  
**China New Economy Fund Limited**  
**Gu Xu**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 28 March 2019

*As at the date of this announcement, the Directors of the Company are Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors, Mr. LAM Chun Ho as non-executive Director, and Mr. LEUNG Wai Lim, Mr. PUN Tit Shan and Mr. CHONG Ching Hoi as independent non-executive Directors.*