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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 2017

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 2017 (the “Year”), together with the comparative figures for the year ended 31 December 2016, as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 HK\$	2016 HK\$
REVENUE	4	821,073	2,470,078
Net (loss)/gain on financial assets at fair value through profit or loss	5	(472,963,362)	87,644,293
Other operating expenses		(13,713,844)	(17,067,148)
OPERATING (LOSS)/PROFIT		(485,856,133)	73,047,223
Finance costs	6	(23,520,463)	(16,006,085)
(LOSS)/PROFIT BEFORE TAX	6	(509,376,596)	57,041,138
Income tax expense	8	(1,361,062)	(9,167,538)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		(510,737,658)	47,873,600
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
– Basic (restated for 2016)		(0.68)	0.09
– Diluted (restated for 2016)		(0.68)	0.09

STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK\$	2016 HK\$
NON-CURRENT ASSETS			
Deferred tax assets	8	–	1,361,062
Deposits		<u>568,162</u>	<u>522,206</u>
Total non-current assets		<u>568,162</u>	<u>1,883,268</u>
CURRENT ASSETS			
Prepayments and other receivables		410,943	371,230
Amount due from brokers		5,732,651	13
Financial assets at fair value through profit or loss	10	182,231,485	700,199,558
Cash and cash equivalents		<u>3,653,633</u>	<u>13,824,284</u>
Total current assets		<u>192,028,712</u>	<u>714,395,085</u>
CURRENT LIABILITIES			
Other payables and accruals		1,714,058	1,913,826
Amount due to brokers		5,646,820	169,125,134
Amount due to a related company		80,000	80,000
Loan payable and borrowings		<u>66,976,320</u>	<u>8,000,000</u>
Total current liabilities		<u>74,417,198</u>	<u>179,118,960</u>
NET CURRENT ASSETS		<u>117,611,514</u>	<u>535,276,125</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>118,179,676</u>	<u>537,159,393</u>
NON-CURRENT LIABILITY			
Borrowings		–	69,285,628
Net assets		<u>118,179,676</u>	<u>467,873,765</u>
EQUITY			
Issued capital	11	389,415,599	111,261,600
Reserves		<u>(271,235,923)</u>	<u>356,612,165</u>
Total equity		<u>118,179,676</u>	<u>467,873,765</u>
NET ASSET VALUE PER SHARE		<u>0.15</u>	<u>2.10</u>

NOTES

1. CORPORATION INFORMATION

China New Economy Fund Limited (the “Company”) 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 POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2016, except for the adoption of the new amendments to IFRS that are first effective for the current year are as described below:

The nature and the impact of each amendment is described below:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	Annual Improvements to IFRSs 2014–2016 Cycle

The application of the new and amended IFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

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 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle ²
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC-Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

⁴ Effective for annual periods beginning on or after 1 January 2021

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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

The Company does not expect that the adoption of IFRS 9 to have a significant impact on the classification and measurement of its financial assets. It is expected to continue measuring at amortised cost all financial assets currently held at amortised costs. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Company expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Company will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its other receivables.

The Company does not expect the adoption of IFRS 15 will have a significant impact on the Company's financial performance and financial position. However, the presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Company has assessed that the impact of some of these disclosure requirements will be significant.

The Company expects to adopt IFRS 16 from 1 January 2019. The Company is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 12, at 31 December 2017, the Company had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$671,000. Upon adoption of IFRS 16, the amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Except as described above the Company anticipates that the application of other new and amended standards will have no material impact on the results and the financial position of the Company.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on the categories of investments. During the years ended 31 December 2017 and 2016, 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 2017 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:

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the year ended 31 December 2017			
Segment revenue and results	<u>(441,543,172)</u>	<u>(31,063,176)</u>	(472,606,348)
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>

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2016			
Segment revenue and results	<u>108,073,840</u>	<u>(17,959,716)</u>	90,114,124
Bank interest income			247
Unallocated expenses			<u>(33,073,233)</u>
Profit before tax			<u>57,041,138</u>

For the years ended 31 December 2017 and 2016, 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 as well as dividend income 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:

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
As at 31 December 2017			
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>

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
As at 31 December 2016			
Assets:			
Financial assets at fair value through profit or loss	<u>600,251,989</u>	<u>99,947,569</u>	700,199,558
Unallocated assets			<u>16,078,795</u>
Total assets			<u>716,278,353</u>
Liabilities:			
Unallocated liabilities			<u>248,404,588</u>
Total liabilities			<u>248,404,588</u>

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

4. REVENUE

An analysis of revenue is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Dividend income from listed equity securities	357,014	1,395,388
Dividend income from private equity	–	1,074,443
Interest earned from bond	432,739	–
Bank interest income	320	247
Other income	<u>31,000</u>	–
	<u>821,073</u>	<u>2,470,078</u>

5. NET (LOSS)/GAIN 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 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><u>(441,900,186)</u></u>	<u><u>(31,063,176)</u></u>	<u><u>(472,963,362)</u></u>

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2016			
Net realised loss on financial assets at fair value through profit or loss	(2,811,973)	–	(2,811,973)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>109,490,424</u>	<u>(19,034,158)</u>	<u>90,456,266</u>
Total of net realised and unrealised gain/(loss) included in profit or loss	<u><u>106,678,451</u></u>	<u><u>(19,034,158)</u></u>	<u><u>87,644,293</u></u>

6. (LOSS)/PROFIT BEFORE TAX

The Company's (loss)/profit before tax is arrived at after charging:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Finance costs		
Interest on other borrowings	14,929,372	11,149,659
Interest on notes and borrowings	<u>8,591,091</u>	<u>4,856,426</u>
	<u><u>23,520,463</u></u>	<u><u>16,006,085</u></u>
Investment management fee (<i>Note 7</i>)	960,000	960,000
Foreign exchange loss, net	20,561	424
Auditors' remuneration	850,000	280,000
Staff cost (excluding directors' remuneration)	1,543,790	2,266,198
Minimum operating lease payments in respect of properties	1,268,255	1,287,008
Consultancy fee	816,000	3,379,456
Legal and professional fees	<u>2,348,503</u>	<u>2,839,814</u>

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 USD7,500 plus 7% disbursement charge (2016: USD7,500 plus 7% disbursement charge) and is payable monthly in arrears.

The administration fee for the Year is HK\$762,723 (2016: HK\$747,571). As at 31 December 2017, an administration fee of HK\$62,719 (2016: HK\$62,231) 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 (2016: USD2,500) and is payable monthly in arrears.

The custodian fee for the Year is HK\$238,308 (2016: HK\$261,732). As at 31 December 2017, a custodian fee of HK\$19,627 (2016: HK\$20,222) was payable to the Custodian.

Management fee

The Investment Manager is entitled to a monthly management fee of HK\$80,000 (2016: HK\$80,000) and payable monthly in arrears.

The management fee for the Year is HK\$960,000 (2016: HK\$960,000). As at 31 December 2017, a management fee of HK\$80,000 (2016: HK\$80,000) was payable to the Investment Manager.

8. TAXATION

The major component of income tax charge for the years ended 31 December 2017 and 2016 are:

	2017	2016
	HK\$	HK\$
Current tax:		
Hong Kong Profits tax	–	–
Deferred tax	<u>1,361,062</u>	<u>9,167,538</u>
Tax charge for the year	<u>1,361,062</u>	<u>9,167,538</u>

Deferred tax of the Company are recognised based on tax rates that are expected to apply to the periods when the temporary differences are realised or settled.

At the end of the reporting period, the Company has unused tax losses for which no deferred tax asset has been recognised in the statement of financial position, amounting to approximately HK\$398,689,000 (31 December 2016: Nil). These unused tax losses are available indefinitely for offsetting against future profits. No deferred tax asset is recognised in respect of these losses due to the unpredictability of future profit streams. The Company also has deductible temporary differences for which no deferred tax asset has been recognised in the statement of financial position, amounting to approximately HK\$119,020,000 (31

December 2016: Nil). No deferred tax asset has been recognised in respect of such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per share amount (2016: earnings) is based on the Company's loss of HK\$510,737,658 (2016: profit of HK\$47,873,600) 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 749,157,841 (2016: 547,516,847 ordinary shares), as adjusted retrospectively to reflect the impact of rights issue and bonus issue completed on 23 January 2017.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK\$	HK\$
Listed equity securities – Hong Kong	68,865,123	600,251,989
Suspended listed equity securities – Hong Kong	6,798,741	–
Investments in private equity funds – The Cayman Islands	531,630	20,608,602
Investments in private equities – British Virgin Islands	70,940,000	52,538,976
Investments in private equities – Hong Kong	35,095,991	26,799,991
	<u>182,231,485</u>	<u>700,199,558</u>

11. ISSUED CAPITAL

	Number of shares	Nominal amount HK\$
Issued and fully paid		
Ordinary shares of nominal amount HK\$0.5 each at 31 December 2017	<u>778,831,198</u>	<u>389,415,599</u>
Ordinary shares of nominal amount HK\$0.5 each at 31 December 2016	<u>222,523,200</u>	<u>111,261,600</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 2016	618,120,000	61,812,000	326,516,058	388,328,058
Rights issue	309,060,000	30,906,000	41,723,100	72,629,100
Placing shares	185,436,000	18,543,600	7,417,440	25,961,040
Share consolidation	(890,092,800)	–	–	–
Share issue expenses	–	–	(3,273,036)	(3,273,036)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016 and 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)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	<u>778,831,198</u>	<u>389,415,599</u>	<u>255,273,132</u>	<u>644,688,731</u>

12. COMMITMENTS

As at 31 December 2017, the Company had future aggregate minimum lease payments under non-cancellable operating leases approximately as follows:

	2017 HK\$	2016 HK\$
Within one year	495,000	948,000
In the second year	176,000	140,000
	<hr/>	<hr/>
	<u>671,000</u>	<u>1,088,000</u>

13. EVENTS AFTER REPORTING PERIOD

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

After the reporting period, the Company has 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 shares for every eight existing shares with bonus issue on the basis of three bonus shares for every one rights shares 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 is tended to apply such proceeds from the Rights Issue for the 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 announcements of the Company dated 23 January 2018, circular dated 5 February 2018 and prospectus dated 6 March 2018.

FINANCIAL HIGHLIGHTS

During the Year, the Company maintained a long-term investment strategy in both public and private equity markets. The Company held fourteen equity securities listed in Hong Kong, one private equity fund and five private equities as of 31 December 2017, 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\$510,737,658 during the Year, which consisted of the net loss in fair value of HK\$472,963,362 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 2017, the Company reported an audited net asset value of approximately HK\$0.15 per share. The net loss is mainly attributable to both net realized loss of HK\$291,987,125 and net unrealized loss of HK\$180,976,237 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, the People's Republic of China (the "PRC") Government deepened its structural reform aiming to create a healthy social environment for a sustainable yet efficient economic growth. According to the National Bureau of Statistics of China, during the Year China's gross domestic product (GDP) recorded an increase of 6.9%, as the official figure topped the government target of around 6.5% and beating analyst poll. The old economy which is slowing down, but the new economy are showing signs of growth and strength, which may surprise many analysts.

The benchmark of Shanghai Composite Index increased merely approximately 6.6% during the Year, while Hang Seng Index surged approximately 36.0%. During the Year, the Company adopted a timely and appropriate investment measure during the various ups and downs in response to the volatile market sentiment and complicated government policies. The Company explored and detected 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 to our shareholders. During the Year, the Company has invested two new private equities, making a total of six unlisted investments in our diversified portfolio. The Company believes they will potentially bring greater return with the upcoming reform alongside with listed investments in portfolio. Our Company will explore more investment opportunities toward private equities and other unlisted investments to benefit our investors and shareholders.

As global economy and politics are facing more risk, especially with Trump's administrative and DPRK politic risks, the Company will exercise risk management control. The US Federal Reserve will be cautious to raise interest rate regarding its inflation rate and many expects three hikes by the end of 2018. In addition, the PRC Government continues to focus on quality

over quantity as it overhauls its growth model. 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 maximize profit for our shareholders.

INVESTMENT REVIEW

The Company held twenty investments as of 31 December 2017, comprising fourteen equity securities listed in Hong Kong, one private equity fund in the Cayman Islands, three private equities in Hong Kong and two private equities in British Virgin Islands.

Pursuant to the requirements stipulated in Rule 21.12 of the 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 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	Unrealized gain/(loss) recognized	Net asset attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	
(a) 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
(b) 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
(c) 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
(d) Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	3,686	(38,150)	HK\$16.07 million	82	1.91
(e) 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	Unrealized gain/(loss) recognized	Net asset attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(f) Morris Global Group Limited (Formerly known as Gransing Financial Holdings Limited)	British Virgin Islands	48 shares of USD1 each	17.52%	42,799	43,500	701	HK\$31.54 million	–	22.59
(g) 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	Unrealized gain/(loss) recognized	Net asset attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(h) Help U Credit Finance Limited	Hong Kong	37,000 shares of HK\$1 each	19.95%	19,000	16,570	(2,430)	HK\$15.94 million	–	8.60
(i) Alpha Financial Group Limited (Formerly known as Ample Orient Capital Limited)	Hong Kong	555,555 shares of HK\$1 each	9.99%	8,000	11,350	3,350	HK\$5.97 million	–	5.89
(j) Sense Key Design Holdings Limited	Hong Kong	199 shares of HK\$1 each	19.90%	25,000	7,176	(17,824)	HK\$0.94 million	–	3.73

At 31 December 2016

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	Unrealized gain/(loss) recognized	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	HK\$'000	
Luen Wong Group Holdings Limited	The Cayman Islands	8,120,000 ordinary shares of HK\$0.01 each	0.65%	2,111	149,570	147,459	HK\$0.54 million	–	20.88
China e-Wallet Payment Group Limited (Formerly known as RCG Holdings Limited)	Bermuda	69,600,000 ordinary shares of HK\$0.04 each	2.97%	22,294	45,240	22,946	HK\$17.83 million	–	6.32
Town Health International Medical Group Limited	Bermuda	31,704,000 ordinary shares of HK\$0.01 each	0.41%	46,708	39,313	(7,395)	HK\$17.92 million	311	5.49
China Parenting Network Holdings Limited	The Cayman Islands	14,002,000 ordinary shares of HK\$0.01 each	1.36%	19,463	36,405	16,942	RMB4.86 million	–	5.08
LEAP Holdings Group Limited	The Cayman Islands	70,000,000 ordinary shares of HK\$0.01 each	2.66%	26,250	36,400	10,150	HK\$9.22 million	–	5.08
Interactive Entertainment China Cultural Technology Investments Limited	Bermuda	289,800,000 ordinary shares of HK\$0.01 each	5.43%	40,297	30,719	(9,578)	HK\$53.94 million	–	4.29
Hong Kong Education (Int'l) Investments Limited	Bermuda	22,000,000 ordinary shares of HK\$0.05 each	4.02%	11,060	23,980	12,920	HK\$15.53 million	–	3.35
Convoy Global Holdings Limited	The Cayman Islands	93,564,000 ordinary shares of HK\$0.10 each	0.63%	47,221	21,426	(25,795)	HK\$30.83 million	–	2.99
AMCO United Holding Limited	Bermuda	36,240,000 ordinary shares of HK\$0.01 each	1.95%	14,748	21,019	6,271	HK\$5.91 million	–	2.93

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	Unrealized gain/(loss) recognized	Net asset attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Morris Global Group Limited (Formerly known as Gransing Financial Holdings Limited)	British Virgin Islands	24 shares of US\$1 each	17.52%	38,419	52,539	14,120	HK\$21.05 million	-	7.33

Notes:

- (1) The unrealized 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 unrealized gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2016.

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

- (a) Jun Yang Financial Holdings Limited (“Jun Yang”) is principally engaged in financial services businesses. The audited loss attributable to shareholders of Jun Yang for the year ended 31 December 2017 was approximately HK\$922,661,000 and the audited net assets attributable to shareholders of Jun Yang as at 31 December 2017 was approximately HK\$2,009,327,000. The fair value of the investment in Jun Yang is based on quoted market bid prices.
- (b) Xinhua News Media Holdings Limited (“Xinhua”) is principally engaged in cleaning and media businesses. The unaudited loss attributable to shareholders of Xinhua for the six months ended 30 September 2017 was approximately HK\$7,775,000 and the unaudited net assets attributable to shareholders of Xinhua as at 30 September 2017 was approximately HK\$131,038,000. The fair value of the investment in Xinhua is based on quoted market bid prices.
- (c) Classified Group (Holdings) Limited (“Classified”) and its subsidiaries are principally engaged in the operation of restaurants and the production and sales of bakery products. The audited loss attributable to shareholders of Classified for the year ended 31 December 2017 was approximately HK\$35,972,000 and the audited net assets attributable to shareholders of Classified as at 31 December 2017 was approximately HK\$116,864,000. The fair value of the investment in Classified is based on quoted market bid prices.

- (d) 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 2017 was approximately HK\$43,517,000 and the unaudited net assets attributable to shareholders of Town Health as at 30 June 2017 was approximately HK\$4,119,476,000. 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.
- (e) Lerado Financial Group Company Limited (“Lerado”) is principally engaged in the financial services, manufacture and sales of medical products and plastic toys business. The unaudited loss attributable to shareholders of Lerado for the six months ended 30 June 2017 was approximately HK\$461,741,000 and the unaudited net assets attributable to shareholders of Lerado as at 30 June 2017 was approximately HK\$1,371,710,000. The trading of shares of Lerado has been suspended since 6 June 2017. The fair value of the investment in Lerado is based on valuation by independent valuer.
- (f) Morris Global Group Limited (“Morris Global”) is principally engaged in provision of quality brokerage, corporate finance, asset management and financial adviser services to institutional and individual investors through its subsidiaries. The fair value of the investment in Morris Global is based on valuation by independent valuer.
- (g) WinHealth International Company Limited (“WinHealth”) is principally engaged in pharmaceutical products distribution in mainland China through its subsidiaries. WinHealth owns a number of exclusive distribution rights on patented drugs in mainland China. The fair value of the investment in WinHealth is based on valuation by independent valuer.
- (h) 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.
- (i) Alpha Financial Group Limited (“Alpha”) is principally engaged in underwriting and placing of securities. The fair value of the investment in Alpha is based on valuation by independent valuer.
- (j) Sense Key Design Holdings Limited (“Sense Key”) is principally engaged in provision of custom interior design services for residential and commercial projects in a broad range of styles and sensibilities. The fair value of the investment in Sense Key is based on valuation by independent valuer.

The top three investments with realized gain and loss for the Year are summarized as below:

Top three realized gain for the Year

Name of investment	Realized gain <i>HK\$'000</i>
Winto Group (Holdings) Limited	5,738
Luen Wong Group Holdings Limited	4,261
Finsoft Financial Investment Holdings Limited	4,243

Top three realized loss for the Year

Name of investment	Realized loss <i>HK\$'000</i>
China Green (Holdings) Limited	50,661
First Credit Finance Group Limited	34,860
Interactive Entertainment China Cultural Technology Investment Limited	30,996

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 2017, the gearing ratio, defined as total debts divided by shareholders' equities, was 61.5% (31 December 2016: 52.7%). As at 31 December 2017, the Company has margin payable to securities brokers of HK\$5,646,820 with interest rate 8% per annum (31 December 2016: 8%–10%), a short term loan HK\$35,000,000 (31 December 2016: Nil) with interest rate 8.5% and one outstanding unlisted and unsecured coupon notes at amortized cost of HK\$31,976,320 with interest rate 7.5% per annum (31 December 2016: HK\$69,285,628). Details of the issuance of notes can be referred to the announcement dated 11 March 2016.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the Year (2016: Nil).

CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

As at 31 December 2017, the Company had pledged Hong Kong listed securities of approximately HK\$62.8 million to secure the margin payables to the securities broker (31 December 2016: HK\$495.9 million).

There were no significant contingent liabilities as at 31 December 2017 (31 December 2016: 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 acquired additional capital by completion of rights issue and placing of new shares under general mandate. As at 31 December 2017, the capital of the Company comprises of 778,831,198 ordinary shares of HK\$0.5 each.

RIGHTS ISSUE

Rights Issue on the basis of three rights shares for every two existing shares with bonus issue on the basis of two bonus shares for every three rights shares taken up

During the Year, the Company had raised an approximately HK\$159 million, net of expense, by way of the rights issue of 337,784,800 rights shares and 222,523,198 bonus shares to the qualifying shareholders at a subscription price of HK\$0.5 (effective subscription price HK\$0.3) per rights share on the basis of three rights share for every two existing shares with bonus issue on the basis of two bonus shares for every three rights shares taken up (closing price of the shares of the Company was HK\$0.435 as at the date of announcement). The Company had applied such net proceeds from the rights issue for margin repayment to a broker of HK\$150 million. Details of the rights issue were set out in the announcements of the Company dated 4 November 2016, circular dated 21 November 2016 and prospectus dated 23 December 2016.

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 2017, the Company made no capital expenditure or any other commitments (2016: Nil).

MATERIAL ACQUISITION AND DISPOSAL

During the Year, the Company did not acquire or dispose of any subsidiaries or associated companies (2016: Nil).

USE OF PROCEEDS

The Company has twenty investments as of 31 December 2017, comprising fourteen equity securities listed in Hong Kong, one private equity fund and five 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 2017, the Company had three full-time employees (31 December 2016: 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\$1,543,790 (31 December 2016: HK\$2,266,198).

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 2017, the Company was in compliance with the code provisions as set out in the CG Code, save and except for the deviation from code provisions 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 four 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 2017.

AUDIT COMMITTEE

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, internal control 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 2017 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 2017 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 2018

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, Mr. Faris Ibrahim Taha AYOUB, Mr. PUN Tit Shan and Mr. CHONG Ching Hoi as independent non-executive Directors.