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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

UNAUDITED INTERIM RESULTS

The board of directors (the “Board” or the “Directors”) of China New Economy Fund Limited (the “Company”) is pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2017 (the “Period”), together with the unaudited figures for the six months ended 30 June 2016.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	<i>Notes</i>	For the six months ended 30 June 2017 (Unaudited) HK\$	For the six months ended 30 June 2016 (Unaudited) HK\$
REVENUE	4	622,150	1,966,258
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	5	(308,991,029)	78,550,810
Other operating expenses		(7,550,321)	(9,683,720)
OPERATING (EXPENSE)/PROFIT		(315,919,200)	70,833,348
Finance costs	6(a)	(13,674,122)	(5,048,546)
(LOSS)/PROFIT BEFORE TAX	6(b)	(329,593,322)	65,784,802
Income tax credit/(expense)	9	54,498,414	(10,396,467)

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<u><u>(275,094,908)</u></u>	<u><u>55,388,335</u></u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
	10	
– Basic (restated for 2016)	<u><u>(0.39)</u></u>	<u><u>0.14</u></u>
– Diluted (restated for 2016)	<u><u>(0.39)</u></u>	<u><u>0.14</u></u>

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
	<i>Notes</i>		
NON-CURRENT ASSETS			
Deferred tax assets	9	55,859,476	1,361,062
Deposits		771,611	522,206
		<hr/>	<hr/>
Total non-current assets		56,631,087	1,883,268
		<hr/>	<hr/>
CURRENT ASSETS			
Prepayments and other receivables		633,649	371,230
Amount due from brokers		642,911	13
Financial assets at fair value through profit or loss	11	570,812,223	700,199,558
Cash and cash equivalents		5,205,398	13,824,284
		<hr/>	<hr/>
Total current assets		577,294,181	714,395,085
		<hr/>	<hr/>
CURRENT LIABILITIES			
Other payables and accruals		1,223,842	1,913,826
Amount due to brokers		186,998,852	169,125,134
Amount due to a related company		160,000	80,000
Loan payable and borrowings		91,720,148	8,000,000
		<hr/>	<hr/>
Total current liabilities		280,102,842	179,118,960
		<hr/>	<hr/>
NET CURRENT ASSETS		297,191,339	535,276,125
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		353,822,426	537,159,393
		<hr/>	<hr/>
NON-CURRENT LIABILITY			
Borrowings		–	69,285,628
		<hr/>	<hr/>
NET ASSETS		353,822,426	467,873,765
		<hr/> <hr/>	<hr/> <hr/>

		30 June	31 December
		2017	2016
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
EQUITY			
Issued capital	13	389,415,599	111,261,600
Reserves		(35,593,173)	356,612,165
		<hr/>	<hr/>
Total equity		353,822,426	467,873,765
		<hr/> <hr/>	<hr/> <hr/>
NET ASSET VALUE PER SHARE			
		0.45	2.10
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting and the applicable disclosure requirements of Appendix 16 of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). They have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss which have been measured at fair values. The interim condensed financial statements are presented in Hong Kong dollars ("HK\$") except when otherwise indicated.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2016.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed 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 International Financial Reporting Standards ("IFRS") that are first effective for the current period as described below:

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

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

The application of the new and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed financial statements and/or disclosures set out in these condensed financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has not early applied the following new or revised 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
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
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 15	Clarifications to IFRS 15 ¹
Amendments to IFRS 40	Transfers of Investment Property ¹
Amendments to IFRS	Annual Improvements to IFRSs 2014–2016 Cycle ¹
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

The Company is in the process of making an assessment of the impact of adopting the above new, revised or amended standards to the Company but is not yet in a position to state whether those amendments to standards would have a significant impact on the Company's accounting policies and presentation of the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on the categories of investments. During the periods ended 30 June 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, bond fund and private equities

Further details of the Company's investments are included in note 11.

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

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the six months ended 30 June 2017 (unaudited)			
Segment results	<u>(310,889,165)</u>	<u>2,056,229</u>	(308,832,936)
Bank interest income			316
Unallocated expenses			<u>(20,760,702)</u>
Profit before tax			<u>(329,593,322)</u>
	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the six months ended 30 June 2016 (unaudited)			
Segment results	<u>70,169,846</u>	<u>10,346,975</u>	80,516,821
Bank interest income			247
Unallocated expenses			<u>(14,732,266)</u>
Loss before tax			<u>65,784,802</u>

For the six months ended 30 June 2017 and 2016, segment results represented the net gain on fair values of listed equities, 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 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 HK\$	Unlisted securities HK\$	Total HK\$
As at 30 June 2017 (unaudited)			
Assets:			
Financial assets at fair value through profit or loss	418,998,160	151,814,063	570,812,223
Unallocated assets			63,113,045
Total assets			633,925,268
Liabilities:			
Unallocated liabilities			280,102,842
Total liabilities			280,102,842
	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
As at 31 December 2016 (audited)			
Assets:			
Financial assets at fair value through profit or loss	600,251,989	99,947,569	700,199,558
Unallocated assets			16,078,795
Total assets			716,278,353
Liabilities:			
Unallocated liabilities			248,404,588
Total liabilities			248,404,588

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:

	For the six months ended 30 June 2017 (Unaudited) HK\$	For the six months ended 30 June 2016 (Unaudited) HK\$
Dividend income from listed equity securities	158,094	1,086,012
Dividend income from unlisted equity securities	–	879,999
Bank interest income	316	247
Interest income – bonds	432,740	–
Other income	31,000	–
	<u>622,150</u>	<u>1,966,258</u>

5. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the six months ended 30 June 2017 (unaudited)			
Net realized (loss)/gain on financial assets at fair value through profit or loss	(45,148,678)	280,836	(44,867,842)
Net unrealized (loss)/gain on financial assets at fair value through profit or loss	(265,898,581)	1,775,394	(264,123,187)
Total net realized and unrealized (loss)/gain included in profit or loss	<u>(311,047,259)</u>	<u>2,056,230</u>	<u>(308,991,029)</u>
	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the six months ended 30 June 2016 (unaudited)			
Net realized gain on financial assets at fair value through profit or loss	16,918,967	–	16,918,967
Net unrealized gain on financial assets at fair value through profit or loss	52,164,867	9,466,976	61,631,843
Total net realized and unrealized gain included in profit or loss	<u>69,083,834</u>	<u>9,466,976</u>	<u>78,550,810</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June 2017 HK\$	For the six months ended 30 June 2016 HK\$
(a) Finance costs		
Interest on other borrowings	10,060,460	3,742,137
Interest on notes	3,613,662	1,306,409
	13,674,122	5,048,546
(b) Other items		
Directors' remuneration		
– Fees	619,500	635,467
– Other emoluments	–	–
	619,500	635,467
Staff cost (excluding directors' remuneration)	775,821	1,302,153
Investment management fee (note 8)	480,000	480,000
Foreign exchange (gain)/loss, net	(9,600)	170
Auditors' remuneration	140,000	177,500
Minimum operating lease payments in respect of properties	646,183	643,052
Consultancy fees	438,000	2,941,456
Legal and professional fees	1,913,051	725,427

7. INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the current reporting period (30 June 2016: Nil).

8. 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 (30 June 2016: USD7,500 plus 7% disbursement charge) and is payable monthly in arrears.

The administration fee for the current period is HK\$386,737 (30 June 2016: HK\$374,126). As at 30 June 2017, an administration fee of HK\$62,634 (31 December 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 (30 June 2016: USD2,500) and is payable monthly in arrears.

The custodian fee for the current period is HK\$120,749 (30 June 2016: HK\$143,594). As at 30 June 2017, a custodian fee of HK\$19,615 (31 December 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 (30 June 2016: HK\$80,000) and payable monthly in arrears.

The management fee for the current period is HK\$480,000 (30 June 2016: HK\$480,000). As at 30 June 2017, a management fee of HK\$160,000 (31 December 2016: HK\$80,000) was payable to the Investment Manager.

9. TAXATION

The Company calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings.

Cayman Islands

Under the current Cayman Islands law, there are no income tax, corporation tax, capital gains tax or any other kinds of tax on profits or gains or tax in the nature of estate duty or inheritance tax currently in effect. The Company received an undertaking from the Governor-in-Council of the Cayman Islands to the effect that, for a period of twenty years from the date of the undertaking, no law that is hereafter enacted in the Cayman Islands imposing any tax on income will be levied on the Company.

Hong Kong

Income tax credit of HK\$54,498,414 (Income tax expense of 30 June 2015: HK\$10,394,915) representing nil current Hong Kong profits tax (30 June 2016: Nil) and net deferred tax of HK\$54,498,414 (30 June 2016: HK\$10,394,915) that have been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period (30 June 2016: 16.5%).

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

For presentation purposes, deferred tax assets and liabilities as at 30 June 2017 have been offset in the interim condensed statement of financial position. The deferred tax assets arising from unrealized investment valuation loss amounted to HK\$22,999,773 and deferred tax assets arising from losses available to offsetting against future taxable profits amounted to HK\$32,859,703 (31 December 2016: deferred tax liabilities arising from unrealized investment valuation gains amounted to HK\$10,357,717 and deferred tax assets arising from losses available to offsetting against future taxable profits amounted to HK\$11,718,779).

PRC

No provision was made for taxation in the interim condensed financial statements as the Company did not generate any PRC sourced income during the current period (30 June 2016: PRC withholding tax HK\$1,552).

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

The calculation of basic and diluted loss per share amount (30 June 2016: earnings) is based on the Company's loss of HK\$275,094,908 (30 June 2016: profit of HK\$55,388,355) for the Period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the Period of 711,213,651 (30 June 2016: 405,405,700 (restated) ordinary shares), as adjusted to reflect the impact of rights issue and bonus issue completed on 20 January 2017.

No adjustment has been made to the basic loss per share amount presented for the Period in respect of a dilution as the Company had no dilutive ordinary shares in issue during the Period (30 June 2016: No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Listed equity securities – Hong Kong	418,998,160	600,251,989
Investments in private equity funds – The Cayman Islands	7,318,648	20,608,602
Investments in bond fund – The Cayman Islands	11,776,448	–
Investments in private equities – British Virgin Islands	86,918,976	52,538,976
Investments in private equities – Hong Kong	45,799,991	26,799,991
	<u>570,812,223</u>	<u>700,199,558</u>

The listed equity securities were classified as held for trading and their fair values are determined based on the quoted market bid prices available on the relevant stock exchanges at the end of the reporting period.

The above investments in private equities, bond fund and private equity funds were classified as held for trading and their values are determined based on valuation techniques for which inputs that have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Movement in net unrealized loss on financial assets held for trading of HK\$264,123,187 has been recognized in profit or loss in the interim condensed statement of profit or loss and other comprehensive income (30 June 2016: net unrealised gain of HK\$61,631,843).

12. COMMITMENTS

The Company had the total future lease payments under the tenancy agreement falling due at the end of the reporting period approximately as follows:

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Within one year	858,000	948,000
In the second year	354,000	140,000
	<u>1,212,000</u>	<u>1,088,000</u>

Operating leases relate to office premises with initial lease terms of 2–3 years.

13. ISSUED CAPITAL

	Number of shares	Nominal amount <i>HK\$</i>
Issued and fully paid:		
Ordinary shares as at 30 June 2017	<u>778,831,198</u>	<u>389,415,599</u>
Ordinary shares as 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 <i>HK\$</i>	Share premium account <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2016	618,120,000	61,812,000	326,516,058	388,328,058
Right issue (<i>Note (a)</i>)	309,060,000	30,906,000	41,723,100	72,629,100
Placing shares (<i>Note (b)</i>)	185,436,000	18,543,600	7,417,440	25,961,040
Share consolidation (<i>Note (c)</i>)	<u>(890,092,800)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	222,523,200	111,261,600	375,656,598	486,918,198
Share issue expenses	<u>–</u>	<u>–</u>	<u>(3,273,036)</u>	<u>(3,273,036)</u>
At 31 December 2016	222,523,200	111,261,600	372,383,562	483,645,162
Right issue with bonus issue (<i>Note (d)</i>)	<u>556,307,998</u>	<u>278,153,999</u>	<u>(111,261,599)</u>	<u>166,892,400</u>
	778,831,198	389,415,599	261,121,963	650,537,562
Share issue expenses	<u>–</u>	<u>–</u>	<u>(5,848,831)</u>	<u>(5,848,831)</u>
At 30 June 2017	<u>778,831,198</u>	<u>389,415,599</u>	<u>255,273,132</u>	<u>644,688,731</u>

Notes:

- (a) On 14 January 2016, a total of 309,060,000 ordinary shares of HK\$0.10 each were issued at a price of HK\$0.235 per share for a total cash consideration, before the related issue expenses, of HK\$72,629,100. The issued and fully paid capital of the Company was increased to HK\$92,718,000 and resulted in a share premium of HK\$41,723,100, before deducting the rights issues expenses of HK\$2,494,204.
- (b) On 23 June 2016, a total of 185,436,000 ordinary shares of HK\$0.10 each were placed at a price of HK\$0.14 per share for a total cash consideration, before the related issue expense, of HK\$25,961,040. The issued and fully paid capital of the Company was increased to HK\$111,261,600 and resulted in a share premium of HK\$7,417,440, before deducting the share placement expense of HK\$778,832.
- (c) In September 2016, share consolidation of every five issued and unissued shares of HK\$0.10 each into one consolidated share of HK\$0.50.
- (d) On 23 January 2017, a total of 333,784,800 ordinary shares at par value of HK\$0.50 per share and 222,523,198 bonus shares were issued for a total cash consideration, before the related issue expenses, of HK\$166,892,400. The issued and fully paid capital of the Company was increased to HK\$389,415,599, before deducting the rights issue expenses of HK\$5,848,831.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of China New Economy Fund Limited are pleased to present the Company's interim results for the Period.

The Company is a closed-ended investment company established on 1 February 2010. By investing in both private and public enterprises supported by the new economies of Greater China, the Company is devoted to achieving long-term capital appreciation for professional investors.

FINANCIAL HIGHLIGHTS

During the Period, the Company maintained a long-term investment strategy in both public, private equity and bond markets. The Company held thirty-nine investments in Hong Kong-listed companies, one private equity fund, one bond fund and five private equities investments as of 30 June 2017. One of our major investments is in the money lending sector focusing on the Hong Kong market. The Company reported net loss attributable to shareholders of HK\$275,094,908 during the Period, which consisted of the net loss in fair value of HK\$308,991,029 taken on the investment positions in the portfolio.

The net asset value of the Company decreased during the Period alongside with the slowdown in the Chinese economy and the rising volatility of the Hong Kong stock market. As at 30 June 2017, the Company reported an unaudited net asset value of approximately HK\$0.45 per share. The net loss is mainly attributable to both net realized loss HK\$44,867,842 and net unrealized loss HK\$264,123,187 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 Period, 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, China's gross domestic product (GDP) recorded an increase of 6.9% in the first half of 2017, realizing the target of 6.5%–7% set by PRC Government in the beginning of 2016, however in line with the market expectation as the government has indicated that the PRC economy has entered into a new normal era featured with medium growth rates and economic structure optimization driven by capacity cuts and consumption upgrade.

The benchmark of Shanghai Composite Index increased merely approximately 2.9% during the first half of 2017, while Hang Seng Index increased approximately 17.1%. During the Period, the Company adopted a timely and appropriate investment approach in response to the volatile market sentiment and complicated government policies, and to detect 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 stable returns on investments for our shareholders.

During the Period, the Company has invested two new private equities and one bond fund, making a total of seven unlisted investments in our diversified portfolio. The Company believes they will bring a potential return alongside with listed investments in the long-run. Our Company will explore more investment opportunities toward private equities and other unlisted investments.

As global economy and politics are facing more risk, the Company expects that the US Federal Reserve will be more cautious to raise interest rate and possibly one more hike by the end of 2017. In addition, the PRC Government has lowered its GDP growth target, focusing 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

Pursuant to the requirements stipulated in Rule 21.12 of the Rules Governing the Listing of Securities on the Stock Exchange (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 30 June 2017

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	Unrealized gain/(loss) recognized (Note 1) HK\$’000	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the Period HK\$’000	% of gross assets of the Company
(a) First Credit Finance Group Limited	Bermuda	99,460,000 ordinary shares of HK\$0.02 each	2.74%	44,733	57,687	12,954	HK\$26.27 million	–	9.10
(b) Hong Kong Education (Int’l) Investments Limited	Bermuda	25,600,000 ordinary shares of HK\$0.05 each	4.68%	15,006	36,864	21,858	HK\$18.08 million	–	5.82
(c) Universe International Financial Holdings Limited	Bermuda	40,338,500 ordinary shares of HK\$0.01 each	4.73%	37,413	36,708	(705)	HK\$43.51 million	–	5.79
(d) Xinhua News Media Holdings Limited	The Cayman Islands	67,284,000 ordinary shares of HK\$0.01 each	4.67%	16,204	30,614	14,410	HK\$5.79 million	–	4.83
(e) LEAP Holdings Group Limited	The Cayman Islands	140,000,000 ordinary shares of HK\$0.005 each	2.66%	26,250	29,540	3,290	HK\$9.18 million	–	4.66
(f) China Parenting Network Holdings Limited	The Cayman Islands	15,080,000 ordinary shares of HK\$0.01 each	1.47%	22,031	26,088	4,057	RMB5.42 million	–	4.12
(g) Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	19,798	(22,037)	HK\$16.07 million	82	3.12

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 Period	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2) HK\$'000	HK\$'000	
(h) Gransing Financial Holdings Limited	British Virgin Islands	48 ordinary shares of USD1 each	17.52%	42,799	56,919	14,120	HK\$31.56 million	–	8.98
(i) WinHealth International Company Limited	British Virgin Islands	84 ordinary shares of HK\$1.00 each	8.40%	30,000	30,000	–	HK\$2.46 million	–	4.73

Private Equity – 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 Period	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2) HK\$'000	HK\$'000	
(j) Help U Credit Finance Limited	Hong Kong	37,000 ordinary shares of HK\$1.00 each	19.95%	19,000	19,000	–	HK\$17.56 million	–	3.00

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	
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	(Note 3) HK\$'000	(Note 2) million	HK\$'000	
Gransing Financial Holdings Limited	British Virgin Islands	24 shares of USD1 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 Period.
- (2) The calculation of net assets attributable to the Company is based on the latest published interim/annual report of the respective investments as at the latest practicable date 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) First Credit Finance Group Limited (“First Credit”) is principally engaged in money lending business. The unaudited profit attributable to shareholders of First Credit for the six months ended 30 June 2017 was approximately HK\$40,765,000 and the unaudited net assets attributable to shareholders of First Credit as at 30 June 2017 was approximately HK\$958,919,000. The fair value of the investment in First Credit is based on quoted market bid prices.
- (b) Hong Kong Education (Int’l) Investments Limited (“HK Education”) is principally engaged in provision of private educational services, investment in securities, property investments and money lending business. The unaudited loss attributable to shareholders of HK Education for the six months ended 31 December 2016 was approximately HK\$223,294,000 and the unaudited net assets attributable to shareholders of HK Education as at 31 December 2016 was approximately HK\$386,220,000. The fair value of the investment in HK Education is based on quoted market bid prices.
- (c) Universe International Financial Holdings Limited (“Universe Int’l”) is principally engaged in film distribution & exhibition, licensing & sub-licensing of film rights, properties & securities investment, money lending, trade, wholesale & retail of optical, watch & jewellery products, securities brokerage & margin financing. The unaudited loss attributable to shareholders of Universe Int’l for the six months ended 31 December 2016 was approximately HK\$39,496,000 and the unaudited net assets attributable to shareholders of Universe Int’l as at 31 December 2016 was approximately HK\$919,817,000. The fair value of the investment in Universe Int’l is based on quoted market bid prices.

- (d) Xinhua News Media Holdings Limited (“XH News Media”) is principally engaged in provision of cleaning and related services, medical waste treatment service, waste treatment service and television screen broadcast business. The audited loss attributable to shareholders of XH News Media for the year ended 31 March 2017 was approximately HK\$18,033,000 and the audited net assets attributable to shareholders of XH News Media as at 31 March 2017 was approximately HK\$123,926,000. The fair value of the investment in XH News Media is based on quoted market bid prices.
- (e) LEAP Holdings Group Limited (“LEAP Holdings GP”) is principally engaged in provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. The audited profit attributable to shareholders of LEAP Holdings GP for the year ended 31 March 2017 was approximately HK\$8,359,000 and the audited net assets attributable to shareholders of LEAP Holdings GP as at 31 March 2017 was approximately HK\$345,060,000. The fair value of the investment in LEAP Holdings GP is based on quoted market bid prices.
- (f) China Parenting Network Holdings Limited (“China Parenting Network”) is principally engaged in online platform focusing on the children, babies and maternity market in China to provide marketing and promotional service; e-commerce business; and licensing of smart-hardware devices. The unaudited profit attributable to shareholders of China Parenting Network for the six months ended 30 June 2017 was approximately RMB16,522,000 and the unaudited net assets attributable to shareholders of China Parenting Network as at 30 June 2017 was approximately RMB368,822,000. The fair value of the investment in China Parenting Network is based on quoted market bid prices.
- (g) Town Health International Medical Group Limited (“Town Health”) is principally engaged in healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities. 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 fair value of the investment in Town Health is based on quoted market bid prices.
- (h) Gransing Financial Holdings Limited (“Gransing Holdings”) 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 Gransing Holdings is stated as recent arm’s length market transactions.

- (i) 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 stated as initial cost.
- (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 stated as initial cost.

The top three investments with realized gain and loss for the Period are summarised as below:

Top three realized gain for the Period

Name of investment	Realized gain <i>HK\$'000</i>
Luen Wong Group Holdings Limited	4,261
Finsoft Financial Investment Holdings Limited	3,725
Rui Kang Pharmaceutical Group Investments Limited	2,161

Top three realized loss for the Period

Name of investment	Realized loss <i>HK\$'000</i>
Interactive Entertainment China Cultural Technology Investment Limited	30,996
IR Resources Limited	10,472
Tianyun International Holdings Limited	6,511

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 30 June 2017, the gearing ratio, defined as total borrowings divided by shareholders' equities, was 78.8% (31 December 2016: 52.7%). As at 30 June 2017, the Company has margin payables to brokers of total HK\$186,998,852 (31 December 2016: HK\$169,125,134) with interest rates ranged from 8% to 10% per annum, a short term loan HK\$35,000,000 (31 December 2016: Nil) and two outstanding coupon unlisted and unsecured notes at amortised cost of HK\$48,720,148 and HK\$8,000,000 with interest rate 7.5% and 8% per annum (31 December 2016: HK\$69,285,628 and HK\$8,000,000 respectively). Details of the issuance of notes can be referred to the announcement dated 11 March 2016 and 21 September 2016.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend during the Period (30 June 2016: Nil).

CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

As at 30 June 2017, the Company had pledged Hong Kong listed securities of approximately HK\$375.7 million to secure the margin payables to the brokers (31 December 2016: HK\$495.9 million).

There were no significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

CAPITAL STRUCTURE

On 6 January 2011 (the "Listing Date"), 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 30 June 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 Period, the Company had raised an approximately HK\$159 million, net of expenses, by way of the rights issue of 333,784,800 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 shares 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.

CAPITAL EXPENDITURE AND COMMITMENT

Save as disclosed in note 12 of interim condensed financial statements, as at 30 June 2017, the Company made no capital expenditure or any other commitment (31 December 2016: Nil).

MATERIAL ACQUISITION AND DISPOSAL

During the Period, the Company did not acquire or dispose of any subsidiaries or associated companies (31 December 2016: Nil).

USE OF PROCEEDS

The Company has forty-six investments as of 30 June 2017, comprising of equity securities listed in Hong Kong, private equity fund, bond fund and private equities. The largest one held by the Company is in the money lending sector focusing on 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 30 June 2017, the Company had three full-time employees (31 December 2016: three). 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 and the policy is periodically reviewed. Apart from mandatory provident fund, salaries increment, share option and discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Company for the Period was approximately HK\$775,821 (30 June 2016: HK\$1,302,153).

FOREIGN CURRENCY FLUCTUATION

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

EVENTS AFTER REPORTING PERIOD

The Company's principal place of business in Hong Kong has been changed to Suite 902, 9/F, Ovest, 77 Wing Lok Street, Hong Kong with effect from 7 August 2017.

Apart from the above, there were no other significant events since the end of the reporting period.

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

The Company has not purchased, sold or redeemed any of the Company's Shares during the Period.

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 Period, the Company was in compliance with the code provisions as set out in the CG Code, save and except for code provision A.2.1 which stipulates the roles of Chairman and Chief Executive should be separated.

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. Throughout the Period, Mr. Gu Xu has been both the Chairman and Chief Executive Officer of the Company. He provides 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 allow 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 Period.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lam Chun Ho (being the chairman with professional qualifications in accountancy), Mr. Faris Ibrahim Taha Ayoub 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, internal control or other matters of the Company.

The unaudited interim financial information and the interim report of the Company for the Period have been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the Period containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaneweconomyfund.com) in due course.

By order of the Board

China New Economy Fund Limited

Gu Xu

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 August 2017

As at the date of this announcement, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors; Mr. LAM Chun Ho, Mr. Faris Ibrahim Taha AYOUB and Mr. PUN Tit Shan as independent non-executive Directors.