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CHINA NEW ECONOMY FUND LIMITED

中國新經濟投資有限公司

(Incorporated in the Cayman Islands as an exempted company with limited liability)

(Stock code: 80)

ANNOUNCEMENT

Reference is made to the announcement (the “**Announcement**”) of the Company dated 30 December 2016 in relation to the re-appointment of China Everbright Securities (HK) Limited as investment manager of the Company. Capitalised terms used in the Announcement shall have the same meaning herein unless otherwise defined.

The Board would like to provide further information in respect of the management fee payable to the Investment Manager and its measures to avoid potential conflict of interests as follows:

MANAGEMENT FEE

The management fee of the Investment Manager was negotiated on an arm’s length basis having considered the risk, return, prospects and services to be provided by the Investment Manager to the Company, the scope of which has been set out in detail in the Announcement. As the ultimate investment decision remains with the Board and the Investment Committee of the Company (which comprises Mr. Gu Xu and Mr. Chan Cheong Yee) and the Investment Manager is obliged to take directions and execute investment and divestment decisions in accordance with instructions from the Investment Committee, the Board considers that a flat fee of HK\$960,000 per annum is justified as the Investment Manager is to provide only non-discretionary investment management services to the Company under the New Investment Management Agreement.

POTENTIAL CONFLICT OF INTERESTS

The Investment Manager is currently the investment manager of five other investment companies listed on the Stock Exchange excluding the Company. From time to time, conflict of interest may arise between the interest of the Company and other clients of the Investment Manager. The Investment Manager has adopted the following measures to serve its clients and at the same time avoid potential conflict of interest:

- (a) The Investment Manager will maintain a clear understanding of the investment policy, investment objective and investment strategy of each of its clients including the Company. Only clients with suitable investment appetite will be introduced to relevant potential investment opportunities;

- (b) In the event that more than one client of the Investment Manager fit into any particular investment criteria, such investment opportunities sourced by the Investment Manager will be submitted to all those suitable clients for consideration. If more than one client is interested to participate in the same investment and the available investment is insufficient to satisfy these demands, the Investment Manager will allocate the investment to those clients on a pro-rate basis depending on the respective subscription requests;
- (c) When deciding the subscription size of any investment for the Company and other clients, the Investment Manager will consider factors such as current weighting of assets, risk parameters, market outlook, constrains of investment exposure and the financial resources available to the Company and other clients; and
- (d) Proposed investment terms of each client of the Investment Manager will be treated with extreme confidentiality.

The Investment Manager considers that by following the above arrangement and that the investment manager team is oversighted by a committee formed by the Investment Manager's management and control units to ensure the investment management services are rendered in a professional and compliant manner, no conflict of interest would arise between the Company and other clients of the Investment Manager.

By Order of the Board
China New Economy Fund Limited
Gu Xu
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 16 January 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.