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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 2018**

### **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 2018 (the “Period”), together with the unaudited figures for the six months ended 30 June 2017.

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

*For the six months ended 30 June 2018*

	<i>Notes</i>	<b>For the six months ended 30 June 2018 (Unaudited) HK\$</b>	<b>For the six months ended 30 June 2017 (Unaudited) HK\$</b>
<b>REVENUE</b>	4	<b>2,600,343</b>	622,150
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	5	<b>(16,716,301)</b>	(308,991,029)
Other operating expenses		<b>(12,414,547)</b>	(7,550,321)
<b>OPERATING EXPENSE</b>		<b>(26,530,505)</b>	(315,919,200)
Finance costs	6(a)	<b>(1,926,440)</b>	(13,674,122)
<b>LOSS BEFORE TAX</b>	6(b)	<b>(28,456,945)</b>	(329,593,322)
Income tax credit	9	<b>–</b>	54,498,414

		<b>For the six months ended 30 June 2018 (Unaudited) <i>HK\$</i></b>	For the six months ended 30 June 2017 (Unaudited) <i>HK\$</i>
	<i>Notes</i>		
<b>LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b><u>(28,456,945)</u></b>	<b><u>(275,094,908)</u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	10		
– Basic (restated for 2017)		<b><u>(0.03)</u></b>	<b><u>(0.38)</u></b>
– Diluted (restated for 2017)		<b><u>(0.03)</u></b>	<b><u>(0.38)</u></b>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

		30 June 2018 (Unaudited) <i>HK\$</i>	31 December 2017 (Audited) <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Deposits		<u>560,662</u>	<u>568,162</u>
<b>CURRENT ASSETS</b>			
Prepayments and other receivables		700,058	410,943
Amount due from brokers		6	5,732,651
Financial assets at fair value through profit or loss	11	139,471,261	182,231,485
Cash and cash equivalents		<u>5,673,143</u>	<u>3,653,633</u>
Total current assets		<u>145,844,468</u>	<u>192,028,712</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,097,248	1,714,058
Amount due to brokers		7,558,356	5,646,820
Amount due to a related company		80,000	80,000
Loan payable and borrowings		–	66,976,320
Total current liabilities		<u>8,735,604</u>	<u>74,417,198</u>
<b>NET CURRENT ASSETS</b>		<u>137,108,864</u>	<u>117,611,514</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>137,669,526</u>	<u>118,179,676</u>
<b>NET ASSETS</b>		<u><u>137,669,526</u></u>	<u><u>118,179,676</u></u>
<b>EQUITY</b>			
Issued capital	13	584,123,397	389,415,599
Reserves		<u>(446,453,871)</u>	<u>(271,235,923)</u>
Total equity		<u><u>137,669,526</u></u>	<u><u>118,179,676</u></u>
<b>NET ASSET VALUE PER SHARE</b>		<u><u>0.12</u></u>	<u><u>0.15</u></u>

## 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, Uglan 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") (the "Listing Rules"). 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 2017.

### 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 2017, except for the adoption of the new amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current period as described below:

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

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

The application of the new and amended 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 16	Leases <sup>1</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and Associate or Joint Venture <sup>2</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to IAS 28	Long-term Interests in Associates and Join Ventures <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle <sup>1</sup>
IFRIC – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>

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

<sup>2</sup> No mandatory effective date yet determined but available for adoption

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

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 2018 and 2017, the Company has two reportable operating segments as follows:

- Listed securities – Investments in equity securities listed on relevant stock exchange
- Unlisted securities – Investments in private equity funds and private equities

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:

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2018 (unaudited)			
Segment results	<u>(30,467,789)</u>	<u>15,351,486</u>	(15,116,303)
Bank interest income			345
Unallocated expenses			<u>(13,340,987)</u>
Loss before tax			<u>(28,456,945)</u>

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
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>
Loss before tax			<u>(329,593,322)</u>

For the six months ended 30 June 2018 and 2017, segment results represented the net gain 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 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 30 June 2018 (unaudited)			
Assets:			
Financial assets at fair value through profit or loss	<u>71,693,631</u>	<u>67,777,630</u>	139,471,261
Unallocated assets			<u>6,933,869</u>
Total assets			<u>146,405,130</u>
Liabilities:			
Unallocated liabilities			<u>8,735,604</u>
Total liabilities			<u>8,735,604</u>

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

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:

	<b>For the six months ended 30 June 2018 (Unaudited) <i>HK\$</i></b>	For the six months ended 30 June 2017 (Unaudited) <i>HK\$</i>
Dividend income from listed equity securities	–	158,094
Dividend income from unlisted equity securities	1,599,998	–
Bank interest income	345	316
Interest income – bonds	–	432,740
Income from profit guarantee	1,000,000	–
Other income	–	31,000
	<b>2,600,343</b>	622,150

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

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2018 (unaudited)			
Net realized loss on financial assets at fair value through profit or loss	(23,703,828)	14,541,479	(9,162,349)
Net unrealized loss on financial assets at fair value through profit or loss	<u>(6,763,961)</u>	<u>(789,991)</u>	<u>(7,553,952)</u>
Total net realized and unrealized loss included in profit or loss	<u><u>(30,467,789)</u></u>	<u><u>13,751,488</u></u>	<u><u>(16,716,301)</u></u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2017 (unaudited)			
Net realized loss on financial assets at fair value through profit or loss	(45,148,678)	280,836	(44,867,842)
Net unrealized loss on financial assets at fair value through profit or loss	<u>(265,898,581)</u>	<u>1,775,394</u>	<u>(264,123,187)</u>
Total net realized and unrealized loss included in profit or loss	<u><u>(311,047,259)</u></u>	<u><u>2,056,230</u></u>	<u><u>(308,991,029)</u></u>



## 6. LOSS BEFORE TAX

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

	For the six months ended 30 June 2018 HK\$	For the six months ended 30 June 2017 HK\$
(a) Finance costs		
Interest on other borrowings	822,309	10,060,460
Interest on notes	1,104,131	3,613,662
	<u>1,926,440</u>	<u>13,674,122</u>
(b) Other items		
Directors' remuneration		
– Fees	678,000	619,500
– Other emoluments	–	–
	<u>678,000</u>	<u>619,500</u>
Staff cost (excluding directors' remuneration)	1,241,218	775,821
Investment management fee ( <i>Note 8</i> )	480,000	480,000
Foreign exchange gain, net	–	(9,600)
Auditors' remuneration	425,000	140,000
Minimum operating lease payments in respect of properties	357,544	646,183
Consultancy fee	378,000	438,000
Legal and professional fees	1,794,018	1,913,051

## 7. INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the current reporting period (30 June 2017: 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 USD8,000 plus 7% disbursement charge (30 June 2017: USD7,500 plus 7% disbursement charge) and is payable monthly in arrears.

The administration fee for the current period is HK\$415,210 (30 June 2017: HK\$386,737). As at 30 June 2018, an administration fee of HK\$67,186 (31 December 2017: HK\$62,719) was payable to the Administrator.

### Custodian fee

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

The custodian fee is subject to a monthly minimum fee of USD2,500 (30 June 2017: USD2,500) and is payable monthly in arrears.

The custodian fee for the current period is HK\$118,205 (30 June 2017: HK\$120,749). As at 30 June 2018, a custodian fee of HK\$19,821 (31 December 2017: HK\$19,627) was payable to the Custodian.

### **Management fee**

The Investment Manager is entitled to a monthly management fee of HK\$80,000 (30 June 2017: HK\$80,000) and payable monthly in arrears.

The management fee for the current period is HK\$480,000 (30 June 2017: HK\$480,000). As at 30 June 2018, a management fee of HK\$80,000 (31 December 2017: 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**

Hong Kong Profits Tax is calculated at 16.5% (30 June 2017: 16.5%) of the estimated assessable profit arising in Hong Kong for the Period.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company did not generate any assessable profit for the Period.

During the period ended 30 June 2017, income tax credit of HK\$54,498,414 represents nil current Hong Kong profits tax and net deferred tax of HK\$54,498,414 have been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

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 have been offset in the interim condensed statement of financial position. The deferred tax assets/(liabilities) arising from unrealised investment valuation (losses)/gains amounted to HK\$Nil (31 December 2017: HK\$Nil) and deferred tax assets arising from losses available for offsetting against future taxable profits amounted to HK\$Nil (31 December 2017: HK\$Nil).

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.

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

The calculation of basic and diluted loss per share amount is based on the Company's loss of HK\$28,456,945 (30 June 2017: \$275,094,908) 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 983,220,599 (30 June 2017: 718,992,661 (restated) ordinary shares), as adjusted retrospectively to reflect the impact of bonus element of the rights issue and bonus issue completed on 23 January 2017.

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

	<b>30 June 2018 (Unaudited) HK\$</b>	31 December 2017 (Audited) HK\$
Listed equity securities – Hong Kong	<b>64,894,890</b>	68,865,123
Suspended listed equity securities – Hong Kong	<b>6,798,741</b>	6,798,741
Investments in private equity funds – The Cayman Islands	<b>531,630</b>	531,630
Investments in private equities – British Virgin Islands	<b>43,500,000</b>	70,940,000
Investments in private equities – Hong Kong	<b>23,746,000</b>	35,095,991
	<b>139,471,261</b>	182,231,485

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 and 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\$7,553,952 has been recognized in profit or loss in the interim condensed statement of profit or loss and other comprehensive income (30 June 2017: HK\$264,123,187).

## 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:

	<b>30 June 2018 (Unaudited) HK\$</b>	31 December 2017 (Audited) HK\$
Within one year	<b>354,000</b>	495,000
In the second year	<b>–</b>	176,000
	<b>354,000</b>	671,000

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

### 13. ISSUED CAPITAL

	Number of shares	Nominal amount HK\$
Issued and fully paid		
Ordinary shares as at 30 June 2018	<b>1,168,246,794</b>	<b>584,123,397</b>
Ordinary shares as at 31 December 2017	778,831,198	389,415,599

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

	Number of shares in issue	Issued capital HK\$	Share premium account HK\$	Total HK\$
At 1 January 2017	222,523,200	111,261,600	372,383,562	483,645,162
Rights issue with bonus issue ( <i>Note (a)</i> )	556,307,998	278,153,999	(111,261,599)	166,892,400
Share issue expenses	–	–	(5,848,831)	(5,848,831)
At 31 December 2017	<b>778,831,198</b>	<b>389,415,599</b>	<b>255,273,132</b>	<b>644,688,731</b>
Rights issue with bonus issue ( <i>Note (b)</i> )	<b>389,415,596</b>	<b>194,707,798</b>	<b>(146,030,849)</b>	<b>48,676,949</b>
Share issue expenses	–	–	(730,154)	(730,154)
At 30 June 2018	<b>1,168,246,794</b>	<b>584,123,397</b>	<b>108,512,129</b>	<b>692,635,526</b>

*Notes:*

- (a) 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.
- (b) On 27 March 2018, a total of 97,353,899 ordinary shares at par value of HK\$0.50 per share and 292,061,697 bonus shares were issued for a total cash consideration, before the related issue expenses, of HK\$48,676,949. The issued and fully paid capital of the Company was increased to HK\$584,123,397, before deducting the rights issue expenses of HK\$730,154.

## **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 twelve investments in Hong Kong-listed companies, one private equity fund and three private equities investments as of 30 June 2018. One of our major investments is in the financial services sector focusing on the Hong Kong market. The Company reported net loss attributable to shareholders of HK\$28,456,945 during the Period, which consisted of the net loss in fair value of HK\$16,716,301 taken on the investment positions in the portfolio.

The net asset value per share of the Company decreased during the Period alongside with the slowdown in the Chinese economy and the rising volatility of the global stock market. As at 30 June 2018, the Company reported an unaudited net asset value of approximately HK\$0.12 per share. The net loss is mainly attributable to both net realized loss HK\$9,162,349 and net unrealized loss HK\$7,553,952 on financial assets at fair value through profit or loss as a result of stock market volatility. The Company will continue to monitor investments cautiously due to recent uncertain market conditions.

## **BUSINESS REVIEW AND PROSPECT**

During the first month of 2018, upbeat market sentiment continued and the Mainland China and Hong Kong equity markets extend its strong upward performance. Both market reached its highest point on 29 January 2018, especially the Hang Seng Index made its record high level of 33,484 points on that day.

However, the robust job data in the U.S. triggered a faster rate hike by the Federal Reserve which raised the interest rates in March and June's meetings. More importantly, the tension of US-China trade war keeps weighing on the market sentiment since March. Thus, Hang Seng Index plunged 964 points or 3.2% to the level of 28,955 points in the first half of 2018. At the same time, Hang Seng Chinese Enterprises Index, which dropped 5.4%, performed worse than Hang Seng Index.

During the Period, the Company adopted a timely and appropriate investment measure during the various ups and downs in response to the volatile market sentiment. We had reduced two investments in our listed equity portfolio to reflect our prudential approach to the Hong Kong listed equity market.

As at 30 June 2018, the Company held sixteen investments, comprising twelve equity securities listed in Hong Kong, one private equity fund and three private equities. We believe that it is a responsible approach to increase cash level amidst the turbulent financial market as U.S. President Donald Trump has increased the pressure on China over its trade policy, the People's Republic of China (the "PRC") Government allowed RMB to devalue and started to soften its deleveraging campaign. In July, the PRC Government had unveiled plans to step up fiscal policy in order to support expansion of internal demand and structural adjustments to expedite growth of the real economy. These measures can boost the market sentiment in Mainland China and Hong Kong equity markets.

The Company believes that the change in global monetary policies will escalate the volatility in global equity market, but we remains cautiously optimistic on the prospects of equity markets in Mainland China and Hong Kong.

As the sustainable GDP growths of US and China are still promising, together with the pro-growth fiscal and monetary policy approach adopted by PRC Government recently, we will continue to deploy an investment strategy focusing on the Greater China region. 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 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 2018**

### *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	% of gross assets of the Company
								received/ receivable during the Period	
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
(a) Power Financial Group Limited (Formerly known as Jun Yang Financial Holdings Limited)	Bermuda	135,170,000 ordinary shares of HK\$0.01 each	4.38%	29,476	24,331	(5,145)	HK\$78.80 million	–	16.62
(b) Kin Pang Holdings Limited	The Cayman Islands	35,960,000 ordinary shares of HK\$0.01 each	3.60%	16,188	15,643	(545)	MOP7.11 million	–	10.68
(c) Classified Group (Holdings) Limited	The Cayman Islands	8,440,000 ordinary shares of HK\$0.01 each	1.89%	10,429	9,537	(892)	HK\$2.04 million	–	6.51
(d) Universe International Financial Holdings Limited	Bermuda	12,250,000 ordinary shares of HK\$0.01 each	1.35%	8,897	7,963	(934)	HK\$13.96 million	–	5.44
(e) 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\$16.03 million	–	2.52
(f) Sino Vision Worldwide Holdings Limited (Formerly known as DX.com Holdings Limited)	Bermuda	14,600,000 ordinary shares of HK\$0.01 each	0.53%	4,126	3,592	(534)	HK\$1.32 million	–	2.45
(g) Lerado Financial Group Company Limited	Bermuda	90,000,000 ordinary shares of HK\$0.50 each	3.91%	18,000	2,113	(15,887)	HK\$83.52 million	–	1.44

### ***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	% of gross assets of the Company
								received/ receivable during the Period	
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2) HK\$'000	HK\$'000	
(h) 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	–	29.71

### ***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	% of gross assets of the Company
								received/ receivable during the Period	
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2) HK\$'000	HK\$'000	
(i) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	16,570	(2,430)	HK\$15.94 million	–	11.32
(j) Sense Key Design Holdings Limited	Hong Kong	199 shares	19.90%	25,000	7,176	(17,824)	HK\$0.94 million	–	4.90



## 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	(Note 3) HK\$'000	(Note 2) million	HK\$'000	
Power Financial Group Limited (Formerly known as Jun Yang Financial Holdings Limited)	Bermuda	140,000,000 ordinary shares of HK\$0.01 each	4.54%	30,529	50,400	19,871	HK\$91.22 million	–	26.17
Xinhua News Media Holdings Limited	The Cayman Islands	18,493,000 ordinary shares of HK\$0.01 each	1.28%	4,218	5,455	1,238	HK\$1.68 million	–	2.83
Classified Group (Holdings) Limited	The Cayman Islands	2,400,000 ordinary shares of HK\$0.01 each	0.54%	3,360	4,080	720	HK\$0.63 million	–	2.12
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
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	(Note 3) HK\$'000	(Note 2) million	HK\$'000	
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
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	(Note 3) HK\$'000	(Note 2)	HK\$'000	
Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	16,570	(2,430)	HK\$15.94 million	-	8.60
Alpha Financial Group Limited (Formerly known as Ample Orient Capital Limited)	Hong Kong	555,555 shares	9.99%	8,000	11,350	3,350	HK\$5.97 million	-	5.89
Sense Key Design Holdings Limited	Hong Kong	199 shares	19.90%	25,000	7,176	(17,824)	HK\$0.94 million	-	3.73

### Notes:

- (1) The 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 2017.

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

- (a) Power Financial Group Limited (“Power Financial”) is principally engaged in financial businesses. The Company operates through four segments. Assets Investment segment is engaged in the investment in listed and unlisted securities and funds investment. Green Energy segment is engaged in the provision of green energy-related consultancy services and the sales of electricity in China. Money lending segment is engaged in the provision of loan financing in Hong Kong. Financial Services segment is engaged in the provision of financial services, including the broking, placing and underwriting of securities in Hong Kong. The unaudited loss attributable to shareholders of Power Financial for the six months ended 30 June 2018 was approximately HK\$202,559,000 and the unaudited net assets attributable to shareholders of Power Financial as at 30 June 2018 was approximately HK\$1,799,005,000. The fair value of the investment in Power Financial is based on quoted market bid prices.

- (b) Kin Pang Holdings Limited (“Kin Pang”) is principally engaged in the provision of building and ancillary services. The Company operates its business through two segments. Building and Ancillary Services Segment is mainly engaged in the foundation associated works, hard landscaping, alteration and addition works, road works, water pipe works, electrical and mechanical works and other ancillary building works. Emergency Repair Services Segment is mainly engaged in the provision of repair services in relation to infrastructure of electricity and water supply on a term contract basis. The audited profit attributable to shareholders of Kin Pang for the year ended 31 December 2017 was approximately MOP6,062,000 and the audited net assets attributable to shareholders of Kin Pang as at 31 December 2017 was approximately MOP197,495,000. The fair value of the investment in Kin Pang is based on quoted market bid prices.
- (c) Classified Group (Holdings) Limited (“Classified”) is principally engaged in the operation of restaurants and the production and sales of bakery products. The Company mainly operates through three segments, including casual restaurant operation, full service restaurant operation, as well as production and sales of bakery products. The unaudited loss attributable to shareholders of Classified for the six months ended 30 June 2018 was approximately HK\$9,103,000 and the unaudited net assets attributable to shareholders of Classified as at 30 June 2018 was approximately HK\$107,761,000. The fair value of the investment in Classified is based on quoted market bid prices.
- (d) Universe International Financial Holdings Limited (“Universe International”) is principally engaged in the operation of films and securities investment businesses. The Company operates through five business segments: distribution of films in various videograms formats segment, film exhibition, licensing and sub-licensing of film rights segment, leasing of investment properties segment, securities investments segment and money lending segment. The unaudited loss attributable to shareholders of Universe International for the six months ended 31 December 2017 was approximately HK\$6,028,000 and the unaudited net assets attributable to shareholders of Universe International as at 31 December 2017 was approximately HK\$1,033,733,000. The fair value of the investment in Universe International is based on quoted market bid prices.
- (e) 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 Company operates its business through four segments. The Provision of Healthcare and Dental Services segment is engaged in the operations of the medical and dental practices, medical centers and the trading of healthcare products. The Managed Care Business segment is engaged in the operations of managed care centers and networks. The Beauty and Cosmetic Medicine Business segment is engaged in the operations of beauty and cosmetic medicine centers. The Investments in Securities and Properties and Treasury Management segment is engaged in the trading of listed securities and leasing of properties. The unaudited profit attributable to shareholders of Town Health for the six months ended 30 June 2018 was approximately HK\$57,627,000 and the unaudited net assets attributable to shareholders

of Town Health as at 30 June 2018 was approximately HK\$4,109,743,000. The trading of shares of Town Health has been suspended since 27 November 2017. The fair value of the investment in Town Health is based on valuation by independent valuer.

- (f) Sino Vision Worldwide Holdings Limited (“Sino Vision”) is principally engaged in the e-commerce business and the provision of online sales platforms. The e-commerce business is a business to customer (B2C) business operated in the form of websites, mainly under the name of DX.com. The provision of online sales platform business is a Web-based customer to customer sales service where the Company acts as an intermediary by matching customers and charging a service fee on both sides. The unaudited loss attributable to shareholders of Sino Vision for the six months ended 31 December 2017 was approximately HK\$30,391,000 and the unaudited net assets attributable to shareholders of Sino Vision as at 31 December 2017 was approximately HK\$248,341,000. The fair value of the investment in Sino Vision is based on quoted market bid prices.
- (g) Lerado Financial Group Company Limited (“Lerado”) is principally engaged in the manufacture and sales of medical products and plastic toys business. The Company operates through four business segments. The Medical Products and Plastic Toys Business segment is engaged in the manufacture and distribution of medical care products and plastic toys. The Trading of Garments segment is engaged in the trading of garments accessories, including nylon type, polyester and polyester string. The Securities Brokerage Business segment is engaged in the businesses of securities brokerage, margin financing and underwriting and placements. The Money Lending Business and other Financial Services segment is engaged in the provision of loan services and other financial services. The audited loss attributable to shareholders of Lerado for the year ended 31 December 2017 was approximately HK\$534,962,000 and the audited net assets attributable to shareholders of Lerado as at 31 December 2017 was approximately HK\$2,136,062,000. 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.
- (h) 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.
- (i) 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.

- (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 Period are summarised as below:

**Top three realized gain for the Period**

<b>Name of investment</b>	<b>Realized gain</b> <i>HK\$'000</i>
WinHealth International Company Limited	10,586
Alpha Financial Group Limited	4,000
Xinhua News Media Holdings Limited	465

**Top three realized loss for the Period**

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

**LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

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

As at 30 June 2018, the gearing ratio, defined as total borrowings divided by shareholders' equities, was 5.5% (31 December 2017: 61.5%). As at 30 June 2018, the Company has margin payables to brokers of total HK\$7,558,356 with interest rates 12% per annum (31 December 2017: HK\$5,646,820 with interest rate 8%, short term loan HK\$35,000,000 and outstanding coupon notes HK\$31,976,320).

**INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend during the Period (30 June 2017: Nil).

## **CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES**

As at 30 June 2018, the Company had pledged Hong Kong listed securities of approximately HK\$63.2 million to secure the margin payables to the brokers (31 December 2017: HK\$62.8 million).

There were no significant contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

## **CAPITAL STRUCTURE**

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 30 June 2018, the capital of the Company comprises of 1,168,246,794 ordinary shares of HK\$0.5 each.

## **RIGHTS ISSUE**

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

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

## **CAPITAL EXPENDITURE AND COMMITMENT**

Save as disclosed in note 12 of interim condensed financial statements, as at 30 June 2018, the Company made no capital expenditure or any other commitment (31 December 2017: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Period, the Company did not acquire or dispose of any subsidiaries or associated companies (31 December 2017: Nil).

## **USE OF PROCEEDS**

The Company has sixteen investments as of 30 June 2018, comprising of equity securities listed in Hong Kong, private equity fund and 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 30 June 2018, the Company had five full-time employees (31 December 2017: 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 options 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\$1,241,218 (30 June 2017: HK\$775,821).

## **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**

### **Proposed capital reduction of issued shares and sub-division of unissued shares**

The Company had proposed to implement the capital reduction involving the reduction of the par value of each issued ordinary share from HK\$0.50 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.49 per issued ordinary share so that following such reduction, each issued ordinary share with a par value of HK\$0.50 in the share capital of the Company shall become one new ordinary share.

Immediately following the capital reduction becoming effective, each authorised but unissued ordinary share will be sub-divided into 50 unissued new ordinary shares with a par value of HK\$0.01 each.

As at the date of the announcement dated 1 August 2018, 1,168,246,794 ordinary shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 1,168,246,794 issued ordinary shares will be reduced from HK\$0.50 to HK\$0.01 per issued ordinary share by cancelling the paid up share capital to the extent of HK\$0.49 per issued ordinary share by way of a reduction of capital, so as to form issued new ordinary shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$584,123,397 will be reduced by HK\$572,440,929.06 to HK\$11,682,467.94.

Details of the proposed capital reduction of issued shares and sub-division of unissued shares were set out in the announcement of the Company dated 1 August 2018 and circular dated 21 August 2018.

## **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 the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. 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 one non-executive Director, Mr. Lam Chun Ho, and three independent non-executive Directors, namely Mr. Chong Ching Hoi (being the chairman with professional qualifications in accountancy), Mr. 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, risk management and internal control systems 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](http://www.hkexnews.hk)) and the Company ([www.chinaneweconomyfund.com](http://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 2018

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