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## **CHINA NEW ECONOMY FUND LIMITED**

### **中國新經濟投資有限公司**

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

**(Stock Code: 80)**

## **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **RESULTS**

The board of Directors (the “Board” or the “Directors”) of China New Economy Fund Limited (the “Company”) is pleased to announce the results of the Company for the year ended 31 December 2019 (the “Year”), together with the comparative figures for the year ended 31 December 2018, as follows:

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

*For the year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <b>HK\$</b>	2018 <b>HK\$</b>
<b>REVENUE</b>	4	<u><b>5,447,693</b></u>	<u>9,403,558</u>
Net loss on financial assets at fair value through profit or loss	5	<b>(25,920,857)</b>	(80,521,383)
Other operating expenses		<u><b>(12,380,812)</b></u>	<u>(18,998,620)</u>
<b>OPERATING LOSS</b>		<b>(32,853,976)</b>	(90,116,445)
Finance costs	6(a)	<u><b>(1,216,964)</b></u>	<u>(2,842,992)</u>
<b>LOSS BEFORE TAX</b>	6(b)	<b>(34,070,940)</b>	(92,959,437)
Income tax expense	8	<u>—</u>	<u>—</u>
<b>LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<u><b>(34,070,940)</b></u>	<u>(92,959,437)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
– Basic		<u><b>(0.03)</b></u>	<u>(0.09)</u>
– Diluted		<u><b>(0.03)</b></u>	<u>(0.09)</u>

## STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$	2018 HK\$
<b>NON-CURRENT ASSETS</b>			
Right-of-use asset		242,796	–
Deposits		72,205	216,175
Total non-current assets		<u>315,001</u>	<u>216,175</u>
<b>CURRENT ASSETS</b>			
Prepayments		283,437	564,493
Amount due from brokers		203,762	2,271,370
Financial assets at fair value through profit or loss	10	70,866,968	85,856,636
Cash and cash equivalents		403,338	2,787,626
Total current assets		<u>71,757,505</u>	<u>91,480,125</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,496,119	1,293,827
Amount due to brokers		8,718,501	17,155,439
Amount due to a related company		160,000	80,000
Lease liability		179,379	–
Total current liabilities		<u>10,553,999</u>	<u>18,529,266</u>
<b>NET CURRENT ASSETS</b>		<u>61,203,506</u>	<u>72,950,859</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>61,518,507</u>	<u>73,167,034</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability		77,107	–
Total non-current liabilities		<u>77,107</u>	<u>–</u>
<b>NET ASSETS</b>		<u>61,441,400</u>	<u>73,167,034</u>
<b>EQUITY</b>			
Issued capital	11	13,882,468	11,682,468
Reserves		47,558,932	61,484,566
Total equity		<u>61,441,400</u>	<u>73,167,034</u>
<b>NET ASSET VALUE PER SHARE</b>		<u>0.04</u>	<u>0.06</u>

## NOTES

### 1. CORPORATION INFORMATION

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

The Company's registered office is at P.O. Box 309, Umland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at Unit 702, 7/F., 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong.

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

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

### 2.1 BASIS OF PREPARATION

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS16	Leases
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and Annual Improvements to IFRSs 2015–2017 Cycle, which are not relevant to the preparation of the Company's financial statements, the nature and the impact of the new and revised IFRSs are described below:

The adoption of IFRIC 23 and the amendments to IAS 28 during the current year did not have any material impact to the financial statements.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC – 15 *Operating Leases – Incentives* and SIC – 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Company is the lessor.

The Company has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

#### **New definition of a lease**

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### **As a lessee – Leases previously classified as operating leases**

##### ***Nature of the effect of adoption of IFRS 16***

The Company has lease contracts for office premises. As a lessee, the Company previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Company. Under IFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Company recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

##### ***Impact on transition***

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liability. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Company elected to present the right-of-use assets separately in the statement of financial position.

The Company has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

## Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	<b>Increases/ (decreases) HK\$</b>
<b>Non-current assets</b>	
Increase in right-of-use asset	–
<b>Current liabilities</b>	
Increase in lease liability	–
<b>Non-current liabilities</b>	
Increase in lease liability	–
	<b>–</b>

The lease liability as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	<i>HK\$</i>
<b>Operating lease commitments as at 31 December 2018</b>	<b>176,000</b>
Less: Commitments relating to leases with a remaining term ended on or before 31 December 2019	<u>(176,000)</u>
Weighted average incremental borrowing rate as at 1 January 2019	<u>N/A</u>
Discounted operating lease commitments as at 1 January 2019	–
Lease liability as at 1 January 2019	<b>–</b>

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

The Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	Definition of a Business <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
IFRS 17	Insurance Contracts <sup>2</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

The directors anticipate that the application of the above new and revised IFRSs will have no material impact on the financial statements in the foreseeable future.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on the categories of investments. During the years ended 31 December 2019 and 2018, the Company has two reportable operating segments as follows:

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

Unlisted securities – Investments in private equity funds and private equities

The geographical analysis of Company's turnover and segment results by geographical areas for the years ended 31 December 2019 and 2018 is not presented as significant transactions of the Company are mainly based in Hong Kong.

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

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

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2019				
Segment revenue	<u>72,785</u>	<u>5,373,975</u>	<u>933</u>	<u>5,447,693</u>
Segment results	<u>(17,178,072)</u>	<u>(3,296,025)</u>	<u>–</u>	<u>(20,474,097)</u>
Bank interest income				933
Unallocated expenses				<u>(13,597,776)</u>
Loss before tax				<u>(34,070,940)</u>
	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2018				
Segment revenue	<u>4,116,000</u>	<u>5,286,986</u>	<u>572</u>	<u>9,403,558</u>
Segment results	<u>(55,476,713)</u>	<u>(15,641,684)</u>	<u>–</u>	<u>(71,118,397)</u>
Bank interest income				572
Unallocated expenses				<u>(21,841,612)</u>
Loss before tax				<u>(92,959,437)</u>

For the years ended 31 December 2019 and 2018, segment results represented the net losses on fair values of listed equity securities, unlisted private equity funds and private equities classified as financial assets at fair value through profit or loss and the corresponding dividend income as well as income from profit guarantee earned by each segment without the allocation of administrative expenses, finance costs, interest income from bank deposits and the Investment Manager's fees.

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

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

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2019			
Segment assets:			
Financial assets at fair value through profit or loss	<u><b>46,483,968</b></u>	<u><b>24,383,000</b></u>	<b>70,866,968</b>
Unallocated assets			<u><b>1,205,538</b></u>
Total assets			<u><b>72,072,506</b></u>
Liabilities:			
Unallocated liabilities			<u><b>10,631,106</b></u>
Total liabilities			<u><b>10,631,106</b></u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2018			
Segment assets:			
Financial assets at fair value through profit or loss	<u><b>52,803,636</b></u>	<u><b>33,053,000</b></u>	<b>85,856,636</b>
Unallocated assets			<u><b>5,839,664</b></u>
Total assets			<u><b>91,696,300</b></u>
Liabilities:			
Unallocated liabilities			<u><b>18,529,266</b></u>
Total liabilities			<u><b>18,529,266</b></u>

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

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>2019</b>	2018
	<b>HK\$</b>	<b>HK\$</b>
Dividend income from listed equity securities	<b>72,785</b>	4,116,000
Dividend income from private equity	–	1,599,998
Bank interest income	<b>933</b>	572
Income from profit guarantee ( <i>Note</i> )	<b>5,373,975</b>	3,686,988
	<b>5,447,693</b>	9,403,558

*Note:*

Income from profit guarantee relates to amounts received and receivable in respect of a private equity investment in Hong Kong under the profit guarantee terms set out in the relevant agreement.

#### 5. NET LOSS ON 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 year ended 31 December 2019			
Net realised loss on financial assets at fair value through profit or loss	<b>(22,826,270)</b>	<b>(37,500,000)</b>	<b>(60,326,270)</b>
Net unrealised gain on financial assets at fair value through profit or loss	<b>5,575,413</b>	<b>28,830,000</b>	<b>34,405,413</b>
Total of net realised and unrealised loss included in profit or loss	<b>(17,250,857)</b>	<b>(8,670,000)</b>	<b>(25,920,857)</b>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the year ended 31 December 2018			
Net realised (loss)/gain on financial assets at fair value through profit or loss	<b>(30,057,839)</b>	14,585,951	<b>(15,471,888)</b>
Net unrealised loss on financial assets at fair value through profit or loss	<b>(29,534,874)</b>	<b>(35,514,621)</b>	<b>(65,049,495)</b>
Total of net realised and unrealised loss included in profit or loss	<b>(59,592,713)</b>	<b>(20,928,670)</b>	<b>(80,521,383)</b>



## 6. LOSS BEFORE TAX

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

	2019 <i>HK\$</i>	2018 <i>HK\$</i>
(a) Finance costs		
Interest on other borrowings	1,212,495	1,019,901
Interest on notes and borrowings	–	1,823,091
Interest on lease liability	4,469	–
	<u>1,216,964</u>	<u>2,842,992</u>
(b) Other items		
Staff cost (excluding directors' remuneration)	3,370,125	2,699,065
Investment management fee ( <i>Note 7</i> )	960,000	960,000
Foreign exchange loss, net	99,588	44,472
Auditors' remuneration	500,000	730,000
Minimum operating lease payments in respect of properties	213,951	561,294
Consultancy fee	63,000	756,000
Legal and professional fees	983,341	2,168,369
Commission and other charges	301,510	5,672,160
Depreciation of right-of-use asset	99,975	–
Equity-settled share-based payment	1,117,000	–

## 7. FEES

### Administration fee

Amicorp Hong Kong Limited 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. With effect from 1 October 2019, Amicorp Hong Kong Limited transfers all its rights and obligations to Amicorp Fund Services Asia Limited (the "Administrator") as a part of internal reorganisation.

The administration fee is subject to a monthly minimum fee of USD8,000 plus 7% disbursement charge for the period from 1 January 2019 to 31 May 2019 and USD4,000 plus 7% disbursement charge from 1 June 2019 (2018: USD8,000 plus 7% disbursement charge) and is payable monthly in arrears.

The administration fee for the Year is HK\$570,322 (2018: HK\$817,711). As at 31 December 2019, an administration fee of HK\$66,870 (2018: HK\$67,041) was payable to the Administrator.

### Custodian fee

The Company had terminated the custodian agreement with Deutsche Bank AG, Hong Kong Branch (the "Deutsche Bank Custodian Agreement") effective on 15 August 2019 and entered into a new custodian agreement with Bank of Communications Trustee Limited (the "Custodian").

Under the new custodian agreement, 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 0.04% per annum. The custodian fee is subject to a monthly minimum fee of HK\$12,500 and is payable monthly in arrears.

Prior to the termination of the Deutsche Bank Custodian Agreement, Deutsche Bank AG, Hong Kong Branch was entitled to receive a custodian fee which was 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 was subject to a monthly minimum fee of USD2,500 for the period from 1 January 2018 to 30 September 2018 and USD3,750 from 1 October 2018 and was payable monthly in arrears.

The custodian fee for the Year is HK\$288,677 (2018: HK\$264,895). As at 31 December 2019, a custodian fee of HK\$25,094 (2018: HK\$29,370) was payable to the Custodian.

### Management fee

The Investment Manager is entitled to a monthly management fee of HK\$80,000 (2018: HK\$80,000) and payable monthly in arrears.

The management fee for the Year is HK\$960,000 (2018: HK\$960,000). As at 31 December 2019, management fee of HK\$160,000 (2018: HK\$80,000) was payable to the Investment Manager.

## 8. TAXATION

The major components of income tax charge for the years ended 31 December 2019 and 2018 are:

	<b>2019</b>	2018
	<i>HK\$</i>	<i>HK\$</i>
Current tax:		
Hong Kong Profits tax	–	–
Deferred tax	–	–
	<hr/>	<hr/>
Tax charge for the year	<u>–</u>	<u>–</u>

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

The calculation of basic and diluted loss per share amount is based on the Company's loss of HK\$34,070,940 (2018: loss of HK\$92,959,437) for the Year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the Year of 1,344,246,794 (2018: 1,076,494,078 ordinary shares).

No adjustment has been made to the basic loss per share for the year ended 31 December 2019 in arriving at diluted loss per share as the outstanding share options of the Company had anti-dilutive effect for the year. No adjustment has been made to the basic loss per share amounts for the year ended 31 December 2018 in arriving at diluted loss per share.

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

	<b>2019</b>	2018
	<i>HK\$</i>	<i>HK\$</i>
Listed equity securities – Hong Kong	<b>37,961,240</b>	48,612,324
Listed equity security – Australia	<b>2,104,911</b>	–
Suspended listed equity securities – Hong Kong	<b>4,198,626</b>	4,191,312
Suspended listed equity security – Australia	<b>2,219,191</b>	–
Investments in private equity – British Virgin Islands	<b>17,133,000</b>	24,607,000
Investments in private equities – Hong Kong	<b>7,250,000</b>	8,446,000
	<hr/>	<hr/>
	<u><b>70,866,968</b></u>	<u>85,856,636</u>

## 11. ISSUED CAPITAL

	Number of shares	Nominal amount <i>HK\$</i>
Issued and fully paid		
Ordinary shares of nominal amount HK\$0.01 each at 31 December 2019	<b>1,388,246,794</b>	<b>13,882,468</b>
Ordinary shares of nominal amount HK\$0.01 each at 31 December 2018	1,168,246,794	11,682,468

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 2018	778,831,198	389,415,599	255,273,132	644,688,731
Rights issue with bonus issue	389,415,596	194,707,798	(146,030,849)	48,676,949
Capital reduction	–	(572,440,929)	–	(572,440,929)
Share issue expenses	–	–	(730,154)	(730,154)
At 31 December 2018 and 1 January 2019	<b>1,168,246,794</b>	<b>11,682,468</b>	<b>108,512,129</b>	<b>120,194,597</b>
Placing of shares	<b>220,000,000</b>	<b>2,200,000</b>	<b>19,800,000</b>	<b>22,000,000</b>
Share issue expenses	–	–	(771,694)	(771,694)
At 31 December 2019	<b>1,388,246,794</b>	<b>13,882,468</b>	<b>127,540,435</b>	<b>141,422,903</b>

## 12. EVENTS AFTER REPORTING PERIOD

### Proposed share consolidation, change in board lot size and rights issue

The Company proposed a share consolidation of every four issued and unissued existing shares of par value HK\$0.01 each into one consolidated share of par value of HK\$0.04, the authorised share capital of the Company will become HK\$1,000,000,000 divided into 25,000,000,000 consolidated shares of HK\$0.04 each, of which 347,061,698 consolidated shares will be in issue, the board lot size for trading on the Stock Exchange will change from 20,000 existing shares to 10,000 consolidated shares conditional upon the share consolidation becoming effective.

The Company proposed to implement a rights issue on the basis of one rights share for every one consolidated share at the subscription price of HK\$0.16 per rights share, to raise proceeds of approximately HK\$54.6 million after deducting expenses.

## **FINANCIAL HIGHLIGHTS**

During the Year, the Company maintained a long-term investment strategy in both public and private equity markets. The Company held seventeen equity securities listed in Hong Kong, two equity securities listed in Australia and three private equities as of 31 December 2019. 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\$34,070,940 during the Year, which consisted of the net loss in fair value of HK\$25,920,857 taken on the investment positions in the portfolio.

The net asset value of the Company decreased during the Year alongside with the slowdown in the Chinese economy and the rising volatility of the Hong Kong stock market. As at 31 December 2019, the Company reported an audited net asset value of approximately HK\$0.04 per share. The net loss is mainly attributable to both net realised loss of HK\$60,326,270 (listed securities: loss of HK\$22,826,270; unlisted securities: loss of HK\$37,500,000) and net unrealised gain of HK\$34,405,413 (listed securities: gain of HK\$5,575,413; unlisted securities: gain of HK\$28,830,000) 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**

In the 2019 financial year, even though China–United States trade war seems cooling down during the year, several natural disasters and serious diseases appeared in China, all of them made the economy ups and downs all over the year. The above gave a big impact to economy and the slowdown of gross domestic product (“GDP”) growth. According to the National Bureau of Statistics, China’s GDP recorded an increase of 6.1% in 2019, met the expected target of 6%-6.5% by the China Government in the beginning of 2019. The government has indicated that the national economy in 2019 has sustained the general stable momentum by pursuing progress while ensuring stability. However, the global economic and trade growth is slowing down, the instability sources and risk factors are increasing, the structural, systematic and cyclical problems at home are intertwined and the economy is facing with mounting downward pressure.

Market confidence was generally impacted by uncertainty on macroeconomic outlook and multiple protests in different countries for various issues led the global stock market volatile. The securities markets in China and Hong Kong have been full of ups and downs throughout 2019. The benchmark Shanghai Composite Index and Hang Seng Index raised by 22.3% and 9.07% in 2019 respectively. During the Year, the Company adopted a timely and appropriate investment approach in response to the volatile market sentiment and complicated government policies. The Company will continue to implement its comprehensive risk management strategy with an aim to achieve growing returns on investments for our shareholders.

As global economy and politics are facing more risk, although the China–United States trade war seems to be cooled down after China’s Vice Premier Liu He and United States President Donald Trump signed the China-United States Phase One trade deal in Washington DC on 15th January this year, lots of uncertainties remain in different aspects between both of them. In the second half year of 2019, the global and domestic economy slowed down its growth not only due to ongoing China–United States trade argument, but lots of social movements happened all over the world, especially in Hong Kong. Since June 2019, protests against Hong Kong extradition bill became serious, due to these complicated political factors, it brought a deep impact to the domestic economy. The Company will exercise risk management control to prevent the potential risk to the portfolio. The US Federal Reserve reduced interest rate for 3 times to interest rate target between 1.50% to 1.75% before the end of 2019. The Company expects that the US Federal Reserve will be more cautious to raise interest rate regarding its inflation rate and expects no hike by the end of 2020. In addition, by concluding different aspects of factors, we predict the China 2020 GDP growth target at around 6% to 6.1%. However, since the outbreak of Coronavirus Disease 2019 (the “COVID-19”) in December 2019, the COVID-19 spreaded to all provinces of China and all over the world. It may deeply decay the economic growth like Severe Acute Respiratory Syndrome (SARS) epidemic in 2003. Therefore, the Company remains cautious on the prospects of securities market in China and Hong Kong.

The main focus of the Company is to invest in listed securities in short to medium terms and will continue to seek opportunities to invest in listed companies with high potential. During the Year, the Company has further invested in several listed companies in Hong Kong and the largest one is Kin Pang Holdings Limited (1722.HK) which is principally engaged in provision of building and ancillary services.

Even though the Company had no new private equity investment in last year, the Company believes private equity investments shall diversify the risk of investments and will potentially bring greater return in long terms with the upcoming reform alongside with listed investments in portfolio. In the near future, the Company will continue to look for further investment opportunities in private equities focusing in health care (including High-Technology and Online Medical) as well as telecommunication (including Internet of Things) sectors.

The Company is well aware of the challenges ahead and explored investment opportunities emerging from the sectors benefiting from the economic transformation in China. 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 obtain a substantial net asset appreciation and maximise profit for our shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INVESTMENT REVIEW

The Company held twenty-two investments as of 31 December 2019, comprising seventeen equity securities listed in Hong Kong, two equity securities listed in Australia, two private equities in Hong Kong and one private equity in the British Virgin Islands.

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

#### At 31 December 2019

##### *Listed Equity Securities – Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised loss recognised	Net asset/ (liability) attributable to the Company	Dividend received/ receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
(a) Kin Pang Holdings Limited	The Cayman Islands	49,820,000 ordinary shares of HK\$0.01 each	4.98%	19,852	10,263	(9,589)	MOP11.40 million	–	14.24
(b) Hanvey Group Holdings Limited	The Cayman Islands	49,710,000 ordinary shares of HK\$0.01 each	4.97%	9,830	8,948	(882)	HK\$3.13 million	–	12.41
(c) Power Financial Group Limited	Bermuda	75,420,000 ordinary shares of HK\$0.01 each	2.71%	15,159	6,863	(8,296)	HK\$39.75 million	–	9.52
(d) Century Ginwa Retail Holdings Limited	Bermuda	22,412,000 ordinary shares of HK\$0.1 each	1.95%	6,697	4,953	(1,744)	RMB71.08 million	–	6.87
(e) Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	3,173	(38,662)	HK\$15.66 million	73	4.40
(f) InvesTech Holdings Limited	The Cayman Islands	15,216,000 ordinary shares of US\$0.02 each	1.08%	3,167	2,754	(413)	RMB7.86 million	–	3.82

### *Listed Equity Securities – Australia*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised loss recognised	Net asset/(liability) attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(g) Dongfang Modern Agriculture Holding Group Limited	Australia	803,000 ordinary shares	0.19%	3,961	2,219	(1,742)	RMB5.40 million	–	3.08
(h) Crater Gold Mining Limited	Australia	35,000,000 ordinary shares	2.85%	2,669	2,105	(564)	AUD(0.03) million	–	2.92

### *Private Equity – British Virgin Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised loss recognised	Net asset/(liability) attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(i) Gransing Financial Group Limited	British Virgin Islands	48 shares of USD1 each	15.53%	42,799	17,133	(25,666)	HK\$23.53 million	–	23.77

### *Private Equity – Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised loss recognised	Net asset/(liability) attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(j) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	6,530	(12,470)	HK\$14.46 million	–	9.06

## At 31 December 2018

### Listed Equity Securities – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/ (loss) recognised	Net asset attributable to the Company	Dividend received/ receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 3) HK\$'000	(Note 2)	HK\$'000	
Kin Pang Holdings Limited	The Cayman Islands	34,980,000 ordinary shares of HK\$0.01 each	3.50%	16,314	14,867	(1,447)	MOP7.33 million	–	16.21
Power Financial Group Limited (Formerly known as Jun Yang Financial Holdings Limited)	Bermuda	126,400,000 ordinary shares of HK\$0.01 each	4.54%	27,563	10,744	(16,819)	HK\$65.55 million	–	11.72
Evershine Group Holdings Limited	Hong Kong	4,047,000 ordinary shares	0.22%	5,337	5,099	(238)	HK\$0.31 million	–	5.56
Hanvey Group Holdings Limited	The Cayman Islands	25,960,000 ordinary shares of HK\$0.01 each	2.60%	8,672	4,543	(4,129)	HK\$2.00 million	–	4.95
China Construction Bank Corporation	PRC	520,000 ordinary shares of RMB1 each	–	3,317	3,354	37	RMB4.11 million	–	3.66
China Life Insurance Company Limited	PRC	194,000 ordinary shares of RMB1 each	–	3,194	3,228	34	RMB0.06 million	–	3.52
Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	3,144	(38,691)	HK\$16.03 million	–	3.43
Earthasia International Holdings Limited	The Cayman Islands	500,000 ordinary shares of HK\$0.01 each	0.12%	1,750	2,385	635	HK\$0.16 million	–	2.60



### Private Equity – British Virgin Islands

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/ (loss) recognised (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/ receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Gransing Financial Group Limited (Formerly known as Morris Global Group Limited)	British Virgin Islands	48 shares of USD1 each	17.52%	42,799	24,607	(18,192)	HK\$26.92 million	-	26.84

### Private Equity – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/ (loss) recognised (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/ receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	7,270	(11,730)	HK\$7.19 million	-	7.93

#### Notes:

- (1) The unrealised loss represented the changes in fair value of the respective investments during the Year.
- (2) The calculation of net asset/(liability) attributable to the Company is based on the latest published interim/ annual reports of the respective investments at the end of each reporting period.
- (3) The unrealised gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2018.

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

- (a) Kin Pang Holdings Limited (“Kin Pang”) is principally engaged in the provision of building and ancillary services. The audited profit attributable to shareholders of Kin Pang for the financial year ended 31 December 2019 was approximately MOP14,242,000 and the audited net assets attributable to shareholders of Kin Pang as at 31 December 2019 was approximately MOP228,922,000. Due to the outbreak of COVID-19, Kin Pang expects that may slow down market development in Hong Kong until the situation resumes relatively stable. Progress of the projects in Macau has been extended due to shortage of workers. The tenders from both public and private sectors may be postponed or suspended. It lead less projects awarded during 2020 and may have negative impact on Kin Pang’s financial performance. The fair value of the investment in Kin Pang is based on quoted market bid prices.

- (b) Hanvey Group Holdings Limited (“Hanvey Group”) is principally engaged in the design and development, manufacturing and distribution of watch products. The unaudited loss attributable to shareholders of Hanvey Group for the financial year ended 31 December 2019 was approximately HK\$14,548,000 and the unaudited net assets attributable to shareholders of Hanvey Group as at 31 December 2019 was approximately HK\$62,977,000. Hanvey Group intends to continue focusing on the core business, take efforts in strengthening the product design and development capability in order to maximise the long term returns of its shareholders. Hanvey Group will consider the opportunities associated with the COVID-19 global outbreak and explore actively while cautiously what the Hanvey Group is capable of doing to combat this global incident. The fair value of the investment in Hanvey Group is based on quoted market bid prices.
- (c) Power Financial Group Limited (“Power Financial”) is principally engaged in financial services businesses. The unaudited profit attributable to shareholders of Power Financial for the six months ended 30 June 2019 was approximately HK\$2,957,000 and the unaudited net assets attributable to shareholders of Power Financial as at 30 June 2019 was approximately HK\$1,466,681,000. Power Financial will target for high yield bonds with short to medium term maturities that serve as a stable and fixed income base. Thus, Power Financial will be more prudent in the allocation of resources to identify and seize appropriate securities/fund/bond investment opportunities. The fair value of the investment in Power Financial is based on quoted market bid prices.
- (d) Century Ginwa Retail Holdings Limited (“Century Ginwa”) is a Hong Kong-based investment holding company principally engaged in store operation. Century Ginwa operates through two segments. Department Stores and Shopping Malls segment operates five department stores and a shopping mall. Supermarkets segment operates seven supermarkets. Century Ginwa mainly operates businesses in the west regions of China. The unaudited loss attributable to shareholders of Century Ginwa for the six months ended 30 September 2019 was approximately RMB289,733,000 and the unaudited net assets attributable to shareholders of Century Ginwa as at 30 September 2019 was approximately RMB3,645,081,000. Century Ginwa will make full use of the successful practice and experience, integrate and optimise existing businesses and utilise various forms including light asset output, management output and goodwill output to increase the coverage of second-tier cities in Shaanxi to achieve healthy growth of scale. The fair value of the investment in Century Ginwa 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 audited loss attributable to shareholders of Town Health for the financial year ended 31 December 2019 was approximately HK\$8,414,000 and the audited net assets attributable to shareholders of Town Health as at 31 December 2019 was approximately HK\$4,015,547,000. The trading of shares of Town Health has been suspended since 27 November 2017. Business of Town Health is anticipated to be adversely impacted in the short-term, and the results for the first half of the year was dragged down by COVID-19 global outbreak. After the outbreak is over, Town Health expects medical demand will be gradually released, the demand for

quality medical services is always with high rigidity and expects to maintain a steady development. The fair value of the investment in Town Health is based on valuation by independent valuer.

- (f) InvesTech Holdings Limited (“InvesTech”), is an investment holding company principally engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and mobile internet software of mobile office automation software business, the network equipment rental business, the trading of telecommunications equipment and money lending business. The audited loss attributable to shareholders of InvesTech for the financial year ended 31 December 2019 was approximately RMB21,096,000 and the audited net assets attributable to shareholders of InvesTech as at 31 December 2019 was approximately RMB728,093,000. InvesTech will develops and upgrades its mobile office automation (the “OA”) software continuously, actively explores new business application and solutions, and enhance its competitiveness and accelerate the distribution channel of OA software. The fair value of the investment in InvesTech is based on quoted market bid prices.
- (g) Dongfang Modern Agriculture Holding Group Limited (“Dongfang Modern”) is a holding company which carries on business of cultivation and sales of navel oranges, pomelos, tangerines and camellia located in the Ghanzhou in China. The audited profit attributable to shareholders of Dongfang Modern for the financial year ended 31 December 2018 was approximately RMB405,176,000 and the audited net assets attributable to shareholders of Dongfang Modern as at 31 December 2018 was approximately RMB2,843,463,000. The trading of shares of Dongfang Modern has been suspended since 11 June 2019. Chinese consumption of citrus products and camellia continue to increase. Dongfang Modern has implemented measures to expand production through increasing plantation yield and efficiency, as well as improving fruit quality. The fair value of the investment in Dongfang Modern is based on valuation by independent valuer.
- (h) Crater Gold Mining Limited (“Crater Gold Mining”) is a company engaged in producing gold and developing gold and base metal projects in Papua New Guinea and Australia. The unaudited loss attributable to shareholders of Crater Gold Mining for the six months ended 31 December 2019 was approximately AUD2,515,356 and the unaudited net liabilities attributable to shareholders of Crater Gold Mining as at 31 December 2019 was approximately AUD1,022,537. Crater Gold Mining targets transformational increase in gold resources. Crater Gold Mining drills to increase epithermal gold resources to multi million ounces to plan larger scale gold production. Drilling outside existing resources targets confirmation of central zone of copper-gold porphyry. The fair value of the investment in Grater Gold Mining is based on quoted market bid prices.
- (i) Gransing Financial Group Limited (“Gransing Financial”) is principally engaged in provision of quality brokerage, corporate finance, asset management, money lending and financial adviser services to institutional and individual investors in Hong Kong and Mainland China through its subsidiaries. The fair value of the investment in Gransing Financial is based on valuation by independent valuer.

- (j) Help U Credit Finance Limited (“Help U”) is principally engaged in money lending business in Hong Kong. Help U is a licensed money lender and provides secured and unsecured loans to both individuals and corporations. The fair value of the investment in Help U is based on valuation by independent valuer.

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

#### **Top three realised gain for the Year**

<b>Name of investment</b>	<b>Realised gain</b> <i>HK\$'000</i>
Noble Engineering Group Holdings Limited	1,008
Xi'an Haitian Antenna Technologies Co., Ltd	108
Century Ginwa Retail Holdings Limited	79

#### **Top three realised loss for the Year**

<b>Name of investment</b>	<b>Realised loss</b> <i>HK\$'000</i>
Hydra Capital Spc	37,500
Power Financial Group Limited	7,357
China Creative Digital Entertainment Limited (Formerly known as HMV Digital China Group Limited)	6,262

### **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

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

As at 31 December 2019, the gearing ratio, defined as total debts divided by shareholders' equities, was 14.2% (31 December 2018: 23.4%). As at 31 December 2019, the Company has margin payable to securities brokers of HK\$8,718,501 with interest rate 12.125% per annum from 1 January 2019 to 31 October 2019 and 12% per annum from 1 November 2019 (31 December 2018: HK\$17,155,239 with interest rate 12.125% per annum).

### **FINAL DIVIDEND**

The Directors do not recommend the payment of any final dividend for the Year (2018: Nil).

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

As at 31 December 2019, the Company had pledged Hong Kong listed securities of approximately HK\$40 million to secure the margin payables to the securities broker (31 December 2018: HK\$48.2 million).

There were no significant contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

## **CAPITAL STRUCTURE**

On the Listing Date on 6 January 2011, the Company completed a share placement and a total of 303,000,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$1.03 per share for a total cash consideration, excluding the related issue expenses, for approximately HK\$312.1 million. Subsequent to the listing, the Company had completed several fund raising activities and a capital reduction. As at 31 December 2019, the capital of the Company comprises of 1,388,246,794 ordinary shares of HK\$0.01 each.

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

During the Year, the Company has raised an approximately HK\$21 million, net of expense, by way of entering into a placing agreement with the placing agent, to place 220,000,000 placing shares to not less than six placees which are professional investors and independent third parties with the Company. The placing shares are issued at a gross price of HK\$0.1 and net price of HK\$0.095 per placing shares (closing price of the shares of the Company was HK\$0.097 as at the date of announcement) under the general mandate granted to the Directors at the annual general meeting of the Company held on 29 May 2018. The Company had applied the net proceeds from the placing for investment in line with its ordinary course of business and the general working capital of the Company. Details of the placing of new shares under general mandate can be referred to the announcements dated 18 February 2019 and 14 March 2019 respectively.

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

The Company did not purchase, redeem or sell any of the Company's listed shares during the Year (2018: Nil).

## **CAPITAL EXPENDITURE AND COMMITMENT**

As at 31 December 2019, the Company made no capital expenditure or any other commitments (31 December 2018: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Year, the Company did not acquire or dispose of any subsidiaries or associated companies (2018: Nil).

## **USE OF PROCEEDS**

The Company has twenty-two investments as of 31 December 2019, comprising of seventeen equity securities listed in Hong Kong, two equity securities listed in Australia and three private equities. The largest one held by the Company is in the financial services sector focusing in the Hong Kong market.

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2019, the Company had five full-time employees (31 December 2018: six full-time employees). All of the Company's employees were based in Hong Kong.

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

The total remuneration cost incurred by the Company for the Year was approximately HK\$3,370,125 (2018: HK\$2,699,065).

## **FOREIGN CURRENCY FLUCTUATION**

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied most of the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that throughout the year ended 31 December 2019, the Company was in compliance with the code provisions as set out in the CG Code, save and except for the deviation from code provisions A.2.1.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2019.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chong Ching Hoi (being the chairman with professional qualifications in accountancy), Mr. Leung Wai Lim and Mr. Sun Boquan.

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

The Audit Committee held two meetings to review interim and annual financial results and reports for year 2019 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of risk management and internal control systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee also met the external auditors once without the presence of the executive Directors.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Company's results for the year ended 31 December 2019 have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Company's financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standard on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standard on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

By Order of the Board

**China New Economy Fund Limited**

**Gu Xu**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 30 March 2020

*As at the date of this announcement, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors, Mr. LEUNG Wai Lim, Mr. SUN Boquan and Mr. CHONG Ching Hoi as independent non-executive Directors.*