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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 2020**

### **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 2020 (the “Period”), together with the unaudited figures for the six months ended 30 June 2019.

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

*For the six months ended 30 June 2020*

	<i>Notes</i>	<b>For the six months ended 30 June 2020 (Unaudited) HK\$</b>	<b>For the six months ended 30 June 2019 (Unaudited) HK\$</b>
<b>REVENUE</b>	4	<b>1,686,482</b>	2,702,633
Net loss on financial assets at fair value through profit or loss	5	<b>(11,908,044)</b>	(8,063,123)
Other operating expenses		<b>(5,386,600)</b>	(6,812,254)
<b>OPERATING LOSS</b>		<b>(15,608,162)</b>	(12,172,744)
Finance costs	6(a)	<b>(272,173)</b>	(616,812)
<b>LOSS BEFORE TAX</b>	6(b)	<b>(15,880,335)</b>	(12,789,556)
Income tax expense	9	<b>—</b>	—

		<b>For the six months ended 30 June 2020 (Unaudited) <i>HK\$</i></b>	For the six months ended 30 June 2019 (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>(15,880,335)</u></b>	<b><u>(12,789,556)</u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	10		
– Basic (restated for 2019)		<b><u>(0.04)</u></b>	<b><u>(0.03)</u></b>
– Diluted (restated for 2019)		<b><u>(0.04)</u></b>	<b><u>(0.03)</u></b>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

	<i>Notes</i>	<b>30 June 2020 (Unaudited) HK\$</b>	31 December 2019 (Audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Right-of-use asset		157,103	242,796
Deposits		72,205	72,205
Total non-current assets		<u>229,308</u>	<u>315,001</u>
<b>CURRENT ASSETS</b>			
Prepayments and other receivables		798,886	283,437
Amount due from brokers		190,118	203,762
Financial assets at fair value through profit or loss	11	88,042,218	70,866,968
Cash and cash equivalents		4,422,648	403,338
Total current assets		<u>93,453,870</u>	<u>71,757,505</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,461,541	1,496,119
Amount due to brokers		5,849,205	8,718,501
Amount due to a related company		150,000	160,000
Lease liability		167,362	179,379
Total current liabilities		<u>7,628,108</u>	<u>10,553,999</u>
<b>NET CURRENT ASSETS</b>		<u>85,825,762</u>	<u>61,203,506</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>86,055,070</u>	<u>61,518,507</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability		–	77,107
Total non-current liabilities		–	77,107
<b>NET ASSETS</b>		<u>86,055,070</u>	<u>61,441,400</u>
<b>EQUITY</b>			
Issued capital	12	24,005,969	13,882,468
Reserves		62,049,101	47,558,932
Total equity		<u>86,055,070</u>	<u>61,441,400</u>
<b>NET ASSET VALUE PER SHARE</b>		<u>0.14</u>	<u>0.04</u>
<b>NET ASSET VALUE PER SHARE</b> (restated 2019 for 4 to 1 share consolidation in 2020)		<u>0.14</u>	<u>0.18</u>

# NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2020

## 1. CORPORATION INFORMATION

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

The Company's registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at 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 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 for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting and the applicable 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 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 2019.

## 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 used in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") as noted below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company has adopted the following revised IFRSs for the first time for the current period's unaudited condensed financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

The directors of the Company considered that the application of the revised IFRSs and IASs do not have material impact on the Company's interim financial results.

### 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 2020 and 2019, 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 fund, private equities and promissory note

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 2020 (unaudited)			
Segment results	<u><b>(11,191,660)</b></u>	<u><b>(376,044)</b></u>	<b>(11,567,704)</b>
Bank interest income			<b>46</b>
Unallocated expenses			<u><b>(4,312,677)</b></u>
Loss before tax			<u><u><b>(15,880,335)</b></u></u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2019 (unaudited)			
Segment results	<u><b>(8,063,123)</b></u>	<u><b>–</b></u>	<b>(8,063,123)</b>
Bank interest income			15,645
Unallocated expenses			<u><b>(4,742,078)</b></u>
Loss before tax			<u><u><b>(12,789,556)</b></u></u>

For the six months ended 30 June 2020 and 2019, segment results represented the net losses on fair values of listed equity securities, unlisted private equity fund, private equities and promissory note classified as financial assets at fair value through profit or loss and the corresponding interest income, 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 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 or segment revenue 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 30 June 2020 (unaudited)			
Segment assets:			
Financial assets at fair value through profit or loss	<u>45,119,478</u>	<u>42,922,740</u>	88,042,218
Unallocated assets			<u>5,640,960</u>
Total assets			<u>93,683,178</u>
Liabilities:			
Unallocated liabilities			<u>7,628,108</u>
Total liabilities			<u>7,628,108</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2019 (audited)			
Segment assets:			
Financial assets at fair value through profit or loss	<u>46,483,968</u>	<u>24,383,000</u>	70,866,968
Unallocated assets			<u>1,205,538</u>
Total assets			<u>72,072,506</u>
Liabilities:			
Unallocated liabilities			<u>10,631,106</u>
Total liabilities			<u>10,631,106</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 and other receivables, amount due from brokers and cash and cash equivalents.

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June 2020 (Unaudited) HK\$</b>	For the six months ended 30 June 2019 (Unaudited) HK\$
Dividend income from listed equity securities	362,840	–
Interest income from promissory note	161,096	–
Bank interest income	46	15,645
Income from profit guarantee	1,020,000	2,686,988
Other income	142,500	–
	<u>1,686,482</u>	<u>2,702,633</u>

#### 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 six months ended 30 June 2020 (unaudited)			
Net realised loss on financial assets at fair value through profit or loss	(25,502,364)	–	(25,502,364)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>13,970,364</u>	<u>(376,044)</u>	<u>13,594,320</u>
Total of net realised and unrealised loss included in profit or loss	<u>(11,532,000)</u>	<u>(376,044)</u>	<u>(11,908,044)</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2019 (unaudited)			
Net realised loss on financial assets at fair value through profit or loss	(3,578,207)	(37,500,000)	(41,078,207)
Net unrealised (loss)/gain on financial assets at fair value through profit or loss	<u>(4,484,916)</u>	<u>37,500,000</u>	<u>33,015,084</u>
Total net realised and unrealised loss included in profit or loss	<u>(8,063,123)</u>	<u>–</u>	<u>(8,063,123)</u>

## 6. LOSS BEFORE TAX

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

	<b>For the six months ended 30 June 2020 (Unaudited)</b>	For the six months ended 30 June 2019 (Unaudited)
(a) Finance costs		
Interest on other borrowings	269,557	613,571
Interest on lease liability	<u>2,616</u>	<u>3,241</u>
	<u><b>272,173</b></u>	<u><b>616,812</b></u>
(b) Other operating expenses		
Directors' remuneration		
– Fees	626,650	669,550
– Other emoluments	<u>–</u>	<u>–</u>
	<u><b>626,650</b></u>	<u><b>669,550</b></u>
Staff cost (excluding directors' remuneration)	1,671,211	1,788,419
Investment management fee ( <i>note 8</i> )	300,000	480,000
Foreign exchange loss, net	167,106	77,156
Auditors' remuneration	250,000	365,000
Minimum operating lease payments in respect of properties	–	204,568
Lease payments not included in the measurement of lease liability	9,384	–
Consultancy fee	–	63,000
Legal and professional fees	1,023,448	824,158
Depreciation of right-of-use asset	<u>85,693</u>	<u>12,962</u>

## 7. INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the current reporting period (30 June 2019: Nil).



## **8. FEES**

### **Administration fee**

Amicorp Fund Services Asia 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 USD4,000 plus 7% disbursement charge (30 June 2019: 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) and is payable monthly in arrears.

The administration fee for the Period is HK\$199,278 (30 June 2019: HK\$369,286). As at 30 June 2020, an administration fee of HK\$66,347 (31 December 2019: HK\$66,870) was payable to the Administrator.

### **Custodian fee**

Bank of Communications Trustee Limited (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 (30 June 2019: USD3,750) and is payable monthly in arrears.

The custodian fee for the Period is HK\$75,470 (30 June 2019: HK\$166,631). As at 30 June 2020, a custodian fee of HK\$25,000 (31 December 2019: HK\$25,094) was payable to the Custodian.

### **Management fee**

The Investment Manager is entitled to a monthly management fee of HK\$50,000 (30 June 2019: HK\$80,000) and payable monthly in arrears.

The management fee for the Period is HK\$300,000 (30 June 2019: HK\$480,000). As at 30 June 2020, a management fee of HK\$150,000 (31 December 2019: HK\$160,000) 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. Effective from the date of incorporation of the Company, and for a period of twenty years, no law that is hereafter enacted in the Cayman Islands imposing any tax on income will be levied on the Company.

## Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was published in gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the Company will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

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.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

### 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\$15,880,335 (30 June 2019: loss of HK\$12,789,556) 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 412,419,467 (30 June 2019: 324,879,378 (restated) ordinary shares), as adjusted to reflect the impact of share consolidation and rights issue completed on 7 April 2020 and 15 May 2020 respectively.

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

	<b>30 June 2020 (Unaudited) HK\$</b>	31 December 2019 (Audited) HK\$
Listed equity securities – Hong Kong	<b>37,063,806</b>	37,961,240
Listed equity security – Australia	<b>1,685,345</b>	2,104,911
Suspended listed equity securities – Hong Kong	<b>4,198,626</b>	4,198,626
Suspended listed equity security – Australia	<b>2,171,701</b>	2,219,191
Investments in private equity – British Virgin Islands	<b>17,133,000</b>	17,133,000
Investments in private equities – Hong Kong	<b>7,250,000</b>	7,250,000
Investments in private equity fund – The Cayman Islands	<b>3,539,740</b>	–
Investments in promissory note – Hong Kong	<b>15,000,000</b>	–
	<b><u>88,042,218</u></b>	<b><u>70,866,968</u></b>

The fair values of the listed equity securities, except for suspended listed equity securities, are determined based on the quoted market bid prices available on the relevant stock exchanges at the end of the reporting period.

The fair values of the private equities 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).

Net unrealised gain on financial assets at fair value through profit or loss of HK\$13,594,320 has been recognised in profit or loss in the interim statement of profit or loss and other comprehensive income (30 June 2019: net gain HK\$33,015,084).

## 12. ISSUED CAPITAL

	Number of shares	Nominal amount HK\$
Issued and fully paid		
Ordinary shares of nominal amount HK\$0.04 each at 30 June 2020	<b>600,149,228</b>	<b>24,005,969</b>
Ordinary shares of nominal amount HK\$0.01 each at 31 December 2019	1,388,246,794	13,882,468

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 2019	1,168,246,794	11,682,468	108,512,129	120,194,597
Placing of shares ( <i>Note (a)</i> )	220,000,000	2,200,000	19,800,000	22,000,000
Share issue expenses	–	–	(771,694)	(771,694)
At 31 December 2019 and 1 January 2020	<b>1,388,246,794</b>	<b>13,882,468</b>	<b>127,540,435</b>	<b>141,422,903</b>
Share consolidation ( <i>Note (b)</i> )	<b>(1,041,185,096)</b>	–	–	–
Rights issue ( <i>Note (c)</i> )	<b>253,087,530</b>	<b>10,123,501</b>	<b>30,370,503</b>	<b>40,494,004</b>
At 30 June 2020 (unaudited)	<b>600,149,228</b>	<b>24,005,969</b>	<b>157,910,938</b>	<b>181,916,907</b>

*Notes:*

- (a) On 14 March 2019, a total of 220,000,000 ordinary shares of HK\$0.01 each were placed at a price of HK\$0.10 per share (the "Placing Shares") for a total cash consideration, before the related issue expense, of HK\$22,000,000. The issued and fully paid capital of the Company was increased to HK\$13,882,468 and resulted in a share premium of HK\$19,800,000, before deducting the share placement expense of HK\$771,694. The net proceeds of the Placing Shares, after deduction of the costs of the Company, were subsequently applied for the investment in line with its ordinary course of business and pursuant to the investment objectives of the Company and for the general working capital of the Company to meet the running expenses of the Company such as rental and staff costs.
- (b) On 7 April 2020, the Company completed share consolidation of every four issued and unissued share 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 became 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 had been in issue, the board lot size for trading on the Stock Exchange changed from 20,000 shares to 10,000.
- (c) On 15 May 2020, the Company had raised an approximately HK\$39.6 million, net of expenses by way of the rights issue of 253,087,530 rights shares on the basis of one rights share for every one consolidated share at the subscription price of HK\$0.16 per rights share.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Board of the Company is 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 longterm capital appreciation for professional investors.

### **FINANCIAL HIGHLIGHTS**

During the Period, the Company maintained a long-term investment strategy in both public and private equity markets. The Company held seventeen investments in Hong Kong-listed companies, two investments in Australia-listed companies, three private equities investments, one private equity fund and one promissory note as of 30 June 2020. 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\$15,880,335 during the Period, which consisted of the net loss in fair value of HK\$11,908,044 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 due to the global pandemic. As at 30 June 2020, the Company reported an unaudited net asset value of approximately HK\$0.14 per share. The net loss is mainly attributable to net realised loss of HK\$25,502,364 offsetted by net unrealised gain HK\$13,594,320 on financial assets at fair value through profit or loss as a result of recent stock market volatility. The Company will continue to monitor investments cautiously due to recent uncertain market conditions.

### **BUSINESS REVIEW AND PROSPECT**

During the Period, the continuing of China-US trade frictions and local political issues were still giving great impact to the Chinese and Hong Kong's economy, which grew at a slower pace. However, the outbreak of the coronavirus disease (the "COVID-19") starting from the beginning 2020, due to the global economy was deeply dampened. The recovery of business in the second half of the year would be hugely challenging and recovery may take a long time when it starts.

In response to the impact of the COVID-19, China have adopted strict public health measures and actions including the travel restrictions to restrain the spread of the pandemic, which have seriously hindered the development and recovery of business activities in various industries. The overall national economy of China is slowing down with all countries over the world. According to the data of the National Bureau of Statistics of China, the gross domestic product ("GDP") of China in the first half of 2020 decreased to RMB45,661.4 billion over the corresponding period, which represents a decrease of 1.6% compared with the first half of 2019. The GDP of the second quarter of 2020 went up by 3.2% on a year-to-year basis.

Hang Seng Index dropped 13.3% in the first half of 2020. At the same time, Hang Seng Chinese Enterprises Index, which reduced 12.6%, performed better than Hang Seng Index. On the other hand, the U.S. Federal Reserve Board cut interest rates twice in March by 1.5 percentage point as total. Since the outbreak of COVID-19 in U.S. with the number of infections amounted almost 4 million and killed over 140 thousand of people, these impacts dragged down the GDP growth in U.S. straightly. It left lots of uncertainties in the market.

The Company expects that the U.S. Federal Reserve will be more cautious about cutting interest rate but there is not much room for cut it again by the end of 2020 since Federal Reserve cut the Fed Funds rate to nearly zero in March this year. The Company believes that the change in global monetary policies will escalate the volatility extremely in global equity market. Since the market has already priced in the impact of COVID-19 in the first half of 2020, if the pandemic would under control, investment market may occur a bounce by the end of the year. Therefore, the Company remains cautiously optimistic 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 Period, the Company has further invested in several listed companies in Hong Kong including high-yield China leading 5G telecommunication service provider like China Mobile Limited (941.HK) and China Telecom Corporation Limited (728.HK).

Even though the Company had no new private equity investment in Period, the Company believes private equity investments will 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 on health care (including High-Technology and Online Medical) as well as telecommunication (including Internet of Things) sectors.

The Company is well aware of the upcoming challenges ahead and will continue to deploy a well-diversified 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 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 2020**

### *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 <i>(Note 1)</i>	Net asset attributable to the Company <i>(Note 2)</i>	Dividend received/ receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
(a) Kin Pang Holdings Limited	The Cayman Islands	44,630,000 ordinary shares of HK\$0.01 each	4.46%	9,324	6,204	(3,121)	MOP10.21 million	–	6.62
(b) SEM Holdings Limited	The Cayman Islands	54,580,000 ordinary shares of HK\$0.01 each	2.73%	6,484	5,513	(971)	MOP4.13 million	–	5.88
(c) China Mobile Limited	Hong Kong	80,000 ordinary shares	–	4,678	4,176	(502)	RMB4.40 million	138	4.46
(d) InvesTech Holdings Limited	The Cayman Islands	33,132,000 ordinary shares of USD0.02 each	2.36%	6,083	4,075	(2,008)	RMB18.44 million	–	4.35
(e) Finsoft Financial Investment Holdings Limited	The Cayman Islands	74,050,000 ordinary shares of HK\$0.005 each	5.87%	4,304	4,073	(231)	HK\$9.55 million	–	4.35
(f) China Telecom Corporation Limited	PRC	1,800,000 ordinary shares of RMB1 each	–	4,382	3,870	(512)	RMB7.94 million	225	4.13

### ***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	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	
(g) Gransing Financial Group Limited	British Virgin Islands	48 shares of USD1 each	15.53%	42,799	17,133	(25,666)	HK\$23.53 million	–	18.29

### ***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	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	
(h) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	6,530	(12,470)	HK\$14.46 million	–	6.97

### ***Private Equity Fund – The Cayman 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	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	
(i) Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund SP	The Cayman Islands	642.52 shares	16.29%	3,916	3,540	(376)	USD0.46 million	–	3.78

## Promissory Note – Hong Kong

Name of issuer	Place of incorporation	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Yield per annum (%)	Maturity date	Interest received/accrued during the Period HK\$'000	% of gross assets of the Company
(j) Gransing Finance Limited	Hong Kong	15,000	15,000	–	8	12 November 2020	161	16.01

## 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 HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised (Note 3) HK\$'000	Net asset/(liability) attributable to the Company (Note 2)	Dividend received/receivable during the year HK\$'000	% of gross assets of the Company
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
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
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
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
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
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 gain/(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 3) HK\$'000	(Note 2)	HK\$'000	
Dongfang Modern Agriculture Holding Group Limited	Australia	803,000 ordinary shares	0.19%	3,961	2,219	(1,742)	RMB5.4 million	–	3.08
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 gain/(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 3) HK\$'000	(Note 2)	HK\$'000	
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 gain/(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 3) HK\$'000	(Note 2)	HK\$'000	
Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	6,530	(12,470)	HK\$14.46 million	–	9.06

*Notes:*

- (1) The unrealised 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 unrealised gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2019.

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) SEM Holdings Limited (“SEM”) is principally engaged in the provision of electrical and mechanical (“E&M”) engineering works. The audited profit attributable to shareholders of SEM for the financial year ended 31 December 2019 was approximately MOP20,267,000 and the audited net assets attributable to shareholders of SEM as at 31 December 2019 was approximately MOP151,407,000. The Macau Government has promoted the construction of Smart City, ranging from hospitality facilities, transportation management to telecommunications and 5G network. The sustained renovations in urban renewal and upgrade of buildings will be expected, meaning the potential market in future coming years and thus, SEM is optimistic about the E&M market of Macau in the coming years. The fair value of the investment in SEM is based on quoted market bid prices.
- (c) China Mobile Limited (“China Mobile”) is principally engaged in telecommunication and related businesses. The unaudited profit attributable to shareholders of China Mobile for the six months ended 30 June 2020 was approximately RMB55,765 million and the unaudited net assets attributable to shareholders of China Mobile as at 30 June 2020 was approximately RMB1,126,395 million . The unexpected occurrence of COVID-19 in the first half of 2020, it has given rise to a surge in demand for informatization in every industry sector, created new growth opportunities for the China Mobile. China Mobile will continue to strive for stable growth, centering on the key strategy of high-quality development and focus on transforming and upgrading the business while devoting an

ongoing effort to reform and innovate. The emphasis will remain on implementing “5G+” plans. The fair value of the investment in China Mobile is based on quoted market bid prices.

- (d) 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 RMB781,362,000. InvesTech will develop and upgrade its mobile office automation (the “OA”) software continuously, actively explore 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.
- (e) Finsoft Financial Investment Holdings Limited (“Finsoft”) is principally engaged in the provision of financial trading software solutions. The unaudited loss attributable to shareholders of Finsoft for the six months ended 30 June 2020 was approximately HKD5,674,000 and the unaudited net assets attributable to shareholders of Finsoft as at 30 June 2020 was approximately HKD162,643,000. Finsoft expected that the overall business environment and operations of banks and brokerage firms will be adversely affected by the outbreak of COVID-19. Due to their customers of financial trading software solutions’ demand will remain strong, the general impact may be limited. By being financially prepared to enhance the system, Finsoft hopes to attract more customers with an enhanced system to seize opportunities for business expansion and create higher returns. The fair value of the investment in Finsoft is based on quoted market bid prices.
- (f) China Telecom Corporation Limited (“China Telecom”) is principally engaged in telecommunications and related businesses. The unaudited profit attributable to shareholders of China Telecom for the six months ended 30 June 2020 was approximately RMB13,949 million and the unaudited net assets attributable to shareholders of China Telecom as at 30 June 2020 was approximately RMB357,170 million. The sudden outbreak of the pandemic has impacted and challenged China Telecom’s operation and development, while at the same time, also spawning new informatisation demand from the society. China Telecom accelerated 5G scale commercialisation, expanded integrated information services and strived to push forward the scale development with effectiveness. The fair value of the investment in China Telecom is based on quoted market bid prices.

- (g) 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. With the enhancement of artificial intelligence (“A.I.”) technology, Gransing Financial launched several new services included the online opening account services for new customers in Hong Kong and China. Moreover, by the help of advanced intelligent technology, Gransing Financial’s A.I. analyst would serve their clients with stock monitoring, investment strategies and stock scoring services. All of the above would improve Gransing Financial’s operation efficiency and earn more new potential clients as a whole. The fair value of the investment in Gransing Financial is based on valuation by independent valuer.
- (h) Help U Credit Finance Limited (“Help U”) is principally engaged in money lending business in Hong Kong. Help U is a licensed money lender and provides secured and unsecured loans to both individuals and corporations. The fair value of the investment in Help U is based on valuation by independent valuer.
- (i) Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund SP (“Quasar”) is an exempted company incorporated with limited liability and registered as a segregated portfolio company in the Cayman Islands. Quasar is principally focuses on uncovering undervalued assets around the globe to seek capital gain and interest return. Quasar will seek to achieve that by utilising the investment strategies, investing in listed and unlisted equities (including those prior to the making of an initial public offering), exchange-traded funds, debt securities and obligations (which may be below investment grade) and derivative instruments. Quasar engaged in the business of discretionary investment management and advising clients. The fair value of the investment in Quasar is based on net asset value.
- (j) Gransing Finance Limited (“Gransing Finance”) is a private company which principally engages in the business of money lending. Gransing Finance has approached the Company for issuing a 6-month guarantee note (“Note”), Note size is HKD15,000,000 with coupon of 8% per annum. The fair value of the investment in the Note is based on valuation by cost.

During the Period, there are no investments with realised gain and the top three investments with realised loss for the Period are summarised as below:

**Top three realised loss for the Period**

<b>Name of investment</b>	<b>Realised loss</b> <i>HK\$’000</i>
Kin Pang Holdings Limited	9,398
Power Financial Group Limited	8,007
Century Ginwa Retail Holdings Limited	3,482

## **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 2020, the gearing ratio, defined as total borrowings divided by shareholders' equities, was 6.8% (31 December 2019: 14.2%). As at 30 June 2020, the Company has margin payables to brokers of total HK\$5,849,205 with interest rates approximately 2.8% per annum (31 December 2019: HK\$ 8,718,501 with interest rates 12.125% and 12%).

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend during the Period (30 June 2019: Nil).

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

As at 30 June 2020, the Company had pledged Hong Kong listed securities of approximately HK\$8.1 million to secure the margin payables to the brokers (31 December 2019: HK\$40 million).

There were no significant contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

## **CAPITAL STRUCTURE**

On 6 January 2011 (the "Listing Date"), the Company completed a share placement and a total of 303,000,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$1.03 per share for a total cash consideration, excluding the related issue expenses, for approximately HK\$312.1 million. Subsequent to the listing, the Company had acquired additional capital by completion of rights issue and placing of new shares under general mandate. As at 30 June 2020, the capital of the Company comprises of 600,149,228 ordinary shares of HK\$0.04 each.

## **SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE**

During the Period, the Company completed share consolidation of every four issued and unissued share 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 became 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 had been in issue, the board lot size for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") changed from 20,000 shares to 10,000. Details of the share consolidation and change in board lot size were set out in the announcements of the Company dated 3 March 2020 and 3 April 2020, and circular dated 16 March 2020.

## **RIGHTS ISSUE**

### **Rights Issue on the basis of one rights share for every one consolidated share on a non-underwritten basis**

During the Period, the Company had raised an approximately HK\$39.6 million, net of expenses, by way of the rights issue of 253,087,530 rights shares to the qualifying shareholders at a subscription price of HK\$0.16 per rights share on the basis of one rights share for every one consolidated shares (closing price of the shares of the Company was HK\$0.22 as at the date of announcement of the rights issue). The Company had applied such net proceeds from the rights issue for repayment of margin payable to brokers, working capital and investment (including but not limited to the medical and telecommunication sectors) in line with its ordinary course of business. Details of the rights issue were set out in the announcement of the Company dated 3 March 2020 and 11 May 2020, circular dated 16 March 2020 and prospectus dated 21 April 2020.

## **CAPITAL EXPENDITURE AND COMMITMENT**

As at 30 June 2020, the Company made no capital expenditure or any other commitments (31 December 2019: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Period, the Company did not acquire or dispose of any subsidiaries or associated companies (31 December 2019: Nil).

## **USE OF PROCEEDS**

The Company has twenty four investments as of 30 June 2020, comprising of equity securities listed in Hong Kong and Australia, private equities, private equity fund and a promissory note. 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 2020, the Company had six full-time employees (31 December 2019: five). 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\$1,671,211 (30 June 2019: HK\$1,788,419).

## **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**

There has been no material event affecting the Company since the end of reporting period.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied most of the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that throughout the Period, the Company was in compliance with the code provisions as set out in the CG Code, save and except for code provision A.2.1 which stipulates the roles of Chairman and Chief Executive should be separated.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **AUDIT COMMITTEE**

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. 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, internal control or other matters of the Company.

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

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company for the Period containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the websites of the Stock Exchange ([www.hkexnews.hk](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, 27 August 2020

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