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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 2020

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 2020 (the “Year”), together with the comparative figures for the year ended 31 December 2019, as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$	2019 HK\$
REVENUE	4	3,417,096	5,447,693
Net loss on financial assets at fair value through profit or loss	5	(23,661,821)	(25,920,857)
Other operating expenses		(10,526,541)	(12,380,812)
OPERATING LOSS		(30,771,266)	(32,853,976)
Finance costs	6(a)	(335,425)	(1,216,964)
LOSS BEFORE TAX	6(b)	(31,106,691)	(34,070,940)
Income tax expense	8	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		(31,106,691)	(34,070,940)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
– Basic (restated for 2019)		(0.06)	(0.09)
– Diluted (restated for 2019)		(0.06)	(0.09)

STATEMENT OF FINANCIAL POSITION*At 31 December 2020*

	<i>Notes</i>	2020 HK\$	2019 HK\$
NON-CURRENT ASSETS			
Right-of-use asset		71,411	242,796
Deposits		72,205	72,205
Total non-current assets		143,616	315,001
CURRENT ASSETS			
Prepayments and other receivables		4,420,933	283,437
Amounts due from brokers		500,226	203,762
Financial assets at fair value through profit or loss	10	70,545,419	70,866,968
Cash and cash equivalents		2,000,472	403,338
Total current assets		77,467,050	71,757,505
CURRENT LIABILITIES			
Other payables and accruals		1,761,306	1,496,119
Amounts due to brokers		4,659,540	8,718,501
Amount due to a related company		–	160,000
Lease liability		77,107	179,379
Total current liabilities		6,497,953	10,553,999
NET CURRENT ASSETS		70,969,097	61,203,506
TOTAL ASSETS LESS CURRENT LIABILITIES		71,112,713	61,518,507
NON-CURRENT LIABILITIES			
Lease liability		–	77,107
Total non-current liabilities		–	77,107
NET ASSETS		71,112,713	61,441,400
EQUITY			
Issued capital	11	24,005,969	13,882,468
Reserves		47,106,744	47,558,932
Total equity		71,112,713	61,441,400
NET ASSET VALUE PER SHARE		0.12	0.04
NET ASSET VALUE PER SHARE (restated 2019 for 4 to 1 shares consolidation in 2020)		0.12	0.18

NOTES

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 Year, the Company's investment activities are managed by China Everbright Securities (HK) Limited (the "Investment Manager"). China Everbright Securities (HK) Limited ceased to be the Investment Manager from 30 November 2020 and the Company appointed Evergrande Securities (Hong Kong) Limited as new investment manager effective on 1 January 2021.

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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's 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 nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Company.

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Company as the Company does not have any interest rate hedging relationships.
- (c) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments did not have any significant impact on the financial position and performance of the Company.

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	Reference to the Conceptual Framework ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
IFRS 17	Insurance Contracts ⁴
Amendments to IFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to IFRS 17	Insurance Contracts ^{4,7}
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ^{4,6}
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Annual Improvements to IFRSs 2018 – 2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ³

1. Effective for annual periods beginning on or after 1 June 2020
2. Effective for annual periods beginning on or after 1 January 2021
3. Effective for annual periods beginning on or after 1 January 2022
4. Effective for annual periods beginning on or after 1 January 2023
5. No mandatory effective date yet determined but available for adoption
6. As a consequence of the amendments to IAS 1, International Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
7. As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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 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 funds, private equity securities and promissory notes

The geographical analysis of Company's turnover and segment results by geographical areas for the years ended 31 December 2020 and 2019 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 HK\$	Unlisted securities HK\$	Unallocated HK\$	Total HK\$
For the year ended 31 December 2020				
Segment revenue	<u>587,675</u>	<u>2,544,027</u>	<u>285,394</u>	<u>3,417,096</u>
Segment results	<u>(18,404,062)</u>	<u>(2,126,057)</u>	<u>–</u>	<u>(20,530,119)</u>
Bank interest income				394
Government grants				285,000
Unallocated expenses				<u>(10,861,966)</u>
Loss before tax				<u>(31,106,691)</u>
	Listed securities HK\$	Unlisted securities HK\$	Unallocated HK\$	Total HK\$
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>

For the years ended 31 December 2020 and 2019, segment results represented the net gain or losses on fair values of listed equity securities, private equity securities, private equity fund and promissory notes 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, government grants 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:

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
As at 31 December 2020			
Segment assets:			
Financial assets at fair value through profit or loss	<u><u>32,690,419</u></u>	<u><u>37,855,000</u></u>	70,545,419
Unallocated assets			<u>7,065,247</u>
Total assets			<u><u>77,610,666</u></u>
Liabilities:			
Unallocated liabilities			<u>6,497,953</u>
Total liabilities			<u><u>6,497,953</u></u>
	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
As at 31 December 2019			
Segment assets:			
Financial assets at fair value through profit or loss	<u><u>46,483,968</u></u>	<u><u>24,383,000</u></u>	70,866,968
Unallocated assets			<u>1,205,538</u>
Total assets			<u><u>72,072,506</u></u>
Liabilities:			
Unallocated liabilities			<u>10,631,106</u>
Total liabilities			<u><u>10,631,106</u></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, amounts due from brokers and cash and cash equivalents.

4. REVENUE

An analysis of revenue is as follows:

	2020 HK\$	2019 HK\$
Dividend income from listed equity securities	587,675	72,785
Interest income from promissory notes	924,027	–
Bank interest income	394	933
Income from profit guarantee (<i>Note (i)</i>)	1,620,000	5,373,975
Government grants (<i>Note (ii)</i>)	285,000	–
	<u>3,417,096</u>	<u>5,447,693</u>

Notes:

- (i) 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.
- (ii) Government grants from Hong Kong Special Administrative Region (“HKSAR”) Government Employment Support Scheme (“ESS”) have been received for retaining employees who may otherwise be made redundant. The related salary expenditure for which government grant intended to compensate has been fully undertaken and recognised as revenue. There are no unfulfilled conditions or contingencies relating to these grants.

5. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the year ended 31 December 2020			
Net realised loss on financial assets at fair value through profit or loss	(31,974,470)	(1,142,084)	(33,116,554)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>12,982,733</u>	<u>(3,528,000)</u>	<u>9,454,733</u>
Total of net realised and unrealised loss included in profit or loss	<u>(18,991,737)</u>	<u>(4,670,084)</u>	<u>(23,661,821)</u>
	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the year ended 31 December 2019			
Net realised loss on financial assets at fair value through profit or loss	(22,826,270)	(37,500,000)	(60,326,270)
Net unrealised gain on financial assets at fair value through profit or loss	<u>5,575,413</u>	<u>28,830,000</u>	<u>34,405,413</u>
Total of net realised and unrealised loss included in profit or loss	<u>(17,250,857)</u>	<u>(8,670,000)</u>	<u>(25,920,857)</u>

6. LOSS BEFORE TAX

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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
(a) Finance costs		
Interest on other borrowings	331,324	1,212,495
Interest on lease liability	4,101	4,469
	<u>335,425</u>	<u>1,216,964</u>
(b) Other operating expenses		
Staff cost (excluding directors' remuneration and share-based payment)	3,132,616	3,370,125
Investment management fee (<i>Note 7</i>)	550,000	960,000
Foreign exchange loss, net	24,094	99,588
Auditors' remuneration	500,000	500,000
Lease payments not included in the measurement of lease liability	17,204	213,951
Consultancy fee	–	63,000
Legal and professional fees	1,557,177	983,341
Commission and other charges	319,574	301,510
Depreciation of right-of-use asset	171,385	99,975
Equity-settled share-based payment	284,000	1,117,000

7. 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 (2019:USD8,000 plus 7% disbursement charge from 1 January 2019 to 31 May 2019 and USD4,000 plus 7% disbursement charge from 1 June 2019 to 31 December 2019) and is payable monthly in arrears.

The administration fee for the Year is HK\$398,329 (2019: HK\$570,322). As at 31 December 2020, an administration fee of HK\$66,359 (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 and is payable monthly in arrears.

The custodian fee for the Year is HK\$150,866 (2019: HK\$288,677). As at 31 December 2020, a custodian fee of HK\$25,000 (2019: HK\$25,094) was payable to the Custodian.

Management fee

The Company had terminated the investment management agreement with China Everbright Securities (HK) Limited (the “China Everbright Agreement”) effective on 30 November 2020 and entered into a new investment management agreement with Evergrande Securities (Hong Kong) Limited (the “New Investment Manager”) effective on 1 January 2021.

The New Investment Manager is entitled to a monthly management fee of HK\$50,000 and payable monthly in advance.

Prior to the termination of the China Everbright Agreement, the Investment Manager was entitled to a monthly management fee of HK\$50,000 and payable monthly in arrears.

The management fee for the Year is HK\$550,000 (2019: HK\$960,000). As at 31 December 2020, no management fee (2019: HK\$160,000) was payable to the Investment Manager.

8. TAXATION

The major components of income tax charge for the years ended 31 December 2020 and 2019 are:

	2020	2019
	<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\$31,106,691 (2019: loss of HK\$34,070,940) 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 521,728,970 (2019: 379,735,531 (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.

No adjustment has been made to the basic loss per share for the year ended 31 December 2020 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 2020 in arriving at diluted loss per share as the Company had no potential ordinary shares in issue during the Year.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Listed equity securities – Hong Kong	25,761,027	37,961,240
Listed equity security – Australia	3,131,048	2,104,911
Suspended listed equity securities – Hong Kong	3,798,344	4,198,626
Suspended listed equity security – Australia	–	2,219,191
Investments in private equity – British Virgin Islands	14,068,000	17,133,000
Investments in private equities – Hong Kong	6,787,000	7,250,000
Investments in private equity – Australia	–	–
Investments in promissory notes	17,000,000	–
	70,545,419	70,866,968

11. ISSUED CAPITAL

	Number of shares	Nominal amount <i>HK\$</i>
Issued and fully paid		
Ordinary shares of nominal amount HK\$0.04 each at 31 December 2020	600,149,228	24,005,969
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 <i>HK\$</i>	Share premium account <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2019	1,168,246,794	11,682,468	108,512,129	120,194,597
Placing of shares	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	1,388,246,794	13,882,468	127,540,435	141,422,903
Share consolidation	(1,041,185,096)	–	–	–
Rights issue	253,087,530	10,123,501	30,370,503	40,494,004
At 31 December 2020	600,149,228	24,005,969	157,910,938	181,916,907

12. EVENTS AFTER REPORTING PERIOD

There is no significant event after the reporting period.

FINANCIAL HIGHLIGHTS

During the Year, the Company maintained a long-term investment strategy in both public and private equities. The Company held eighteen investments in Hong Kong-listed companies, one investment in Australia-listed company, four private equity securities investments and three promissory notes as of 31 December 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\$31,106,691 during the Year, which consisted of the net loss in fair value of HK\$23,661,821 taken on the investment positions in the portfolio.

The net asset value per share of the Company decreased during the Year alongside with the slowdown in the Chinese economy and the rising volatility of the global stock market due to the global pandemic. As at 31 December 2020, the Company reported an audited net asset value of approximately HK\$0.12 per share. The net loss is mainly attributable to both net realised loss of HK\$33,116,554 (Listed securities: loss of HK\$31,974,470; Unlisted securities: loss of HK\$1,142,084) and net unrealised gain of HK\$9,454,733 (Listed securities: gain of HK\$12,982,733; unlisted securities: loss of HK\$3,528,000) 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

During the Year, even though the issues of China-US trade frictions and local political issues were cooled down, the outbreak of the Coronavirus Disease 2019 (the “COVID-19”) had a huge impact to the entire world. Starting from the beginning of the year 2020, the global economy was deeply dampened.

In response to the impact of the COVID-19, China has adopted strict public health measures and actions including the travel restrictions to restrain the spread of the epidemic. These actions made an effective result and restored business activities in various industries in the second half of the Year. The overall national economy is slowing down in all countries over the world, except China. According to the data of the National Bureau of Statistics of China, the gross domestic product (“GDP”) of China in year 2020 increased to RMB101,598.6 billion over the corresponding period, which represents an increase of 2.3% compared with the year 2019. The GDP of the first quarter of 2020 dropped 6.8% and climbed up by 3.2%, 4.9% and 6.5% in the rest of the quarters in 2020 respectively on a year-to-year basis.

Hang Seng Index dropped 3.4% in year 2020. At the same time, Hang Seng Chinese Enterprises Index, which reduced 3.8%, performed worse than Hang Seng Index. On the other hand, the US Federal Reserve Board (the “US Federal Reserve”) cut interest rates twice in March by 1.5 percentage point as total. Since the outbreak of COVID-19 in US’ millions of people were infected and hundred thousands of people were killed by COVID-19, these impacts slowed down the GDP growth in US straightly. It left lots of uncertainties in the market.

The Company expects that the US Federal Reserve will be more cautious about changing of interest rate but there are not much room for further reduction by the end of 2021, since US Federal Reserve cut the Fed Funds rate to nearly zero in March 2020, or even interest hike once in 2021. The Company believes that the change in global monetary policies will escalate the volatility extremely in global equity market. Since the market already priced in the impact of COVID-19 in year 2020 and the vaccine started shipping to different countries in first quarter of 2021, if the epidemic would be under control, investment market may occur a bounce by the end of year 2021. Therefore, the Company remains cautiously optimistic on the prospects of securities market in China and Hong Kong.

The 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 including high yield China leading 5G telecommunication service provider like China Mobile Limited (941.HK) and China Telecom Corporation Limited (728.HK).

The other focus of the Company is to invest in private equity securities and other unlisted investments in long term. The Company believes this strategy can diversify the risk of investments and will potentially bring greater return in long run with the upcoming reform alongside with listed investments in portfolio. During the Year, the largest investment in private equities is Gransing Financial Group Limited (“Gransing Financial”) which 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 including the online account opening services for new customers in Hong Kong and China. Gransing Financial’s A.I. analyst would serve their clients with stock monitoring, investment strategies and stock scoring services. Even though the Company had no new private equity investment in the Year, the Company will continue to look for further investment opportunities in private equities. 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.

With our professional investment and risk management team, we are confident to capture valuable investment opportunities to maximise profit for our shareholders. The Company will continue to deploy an investment strategy focusing on Greater China and other global major markets.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT REVIEW

The Company held twenty-six investments as of 31 December 2020, comprising eighteen equity securities in Hong Kong-listed companies, one equity security in Australia-listed company, four private equity securities and three promissory notes.

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 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 (Note 1)	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	
(a) CROSSTEC Group Holdings Limited	The Cayman Islands	23,095,000 ordinary shares of HK\$0.04 each	3.21%	4,083	4,388	305	HK\$0.49 million	–	5.65
(b) InvesTech Holdings Limited	The Cayman Islands	41,090,000 ordinary shares of US\$0.02 each	2.93%	6,990	3,780	(3,210)	RMB15.59 million	–	4.87
(c) China Mobile Limited	Hong Kong	80,000 ordinary shares	–	4,678	3,536	(1,142)	RMB4.49 million	260	4.56
(d) Finsoft Financial Investment Holdings Limited	The Cayman Islands	75,350,000 ordinary shares of HK\$0.005 each	5.98%	4,369	2,863	(1,506)	HK\$7.27 million	–	3.69
(e) Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	2,795	(39,040)	HK\$14.74 million	–	3.60
(f) SEM Holdings Limited	The Cayman Islands	33,660,000 ordinary shares of HK\$0.01 each	1.68%	3,573	2,726	(847)	MOP4.20 million	–	3.51

Listed Equity Security – 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 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	
(g) Crater Gold Mining Limited	Australia	35,000,000 ordinary shares	2.85%	2,669	3,131	462	AUD(0.15) million	–	4.03

Private Equity Security – 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 received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
(h) Gransing Financial Group Limited	British Virgin Islands	48 shares of USD1 each	15.53%	42,799	14,068	(28,731)	HK\$19.79 million	–	18.13

Private Equity Security – 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 1) HK\$'000	(Note 2)	HK\$'000	
(i) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	6,390	(12,610)	HK\$14.00 million	–	8.23

Promissory Note – Hong Kong

Name of investee	Place of incorporation	Cost	Market value	Unrealised gain/(loss) recognised	Yield per annum	Maturity date	Interest received/receivable during the Year	% of gross assets of the Company
		HK\$'000	HK\$'000	HK\$'000	%		HK\$'000	
(j) Gransing Finance Limited	Hong Kong	15,000	15,000	–	8	12 May 2021	766	19.33

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 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	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 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)	RMB5.40 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 Security – 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	(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 Security – 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 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) recognised 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 reports of the respective investments at the end of each reporting period.
- (3) The unrealised loss recognised 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) CROSSTEC Group Holdings Limited (“CROSSTEC”), is a Hong Kong-based investment holding company, along with its subsidiaries, is principally engaged in the trading of millwork, furniture and facade fabrication, as well as the provision of interior design, project consultancy and interior solutions services. The unaudited loss attributable to shareholders of CROSSTEC for the six months ended 31 December 2020 was approximately HK\$3,755,000 and the unaudited net assets attributable to shareholders of CROSSTEC as at 31 December 2020 was approximately HK\$15,340,000. In 2020, the ongoing COVID-19 pandemic keeps leading to the suspension of overseas business activities of Asia, US, Middle East, United Kingdom and other European countries, which adversely affected CROSSTEC’s overseas business. In view of the gradual recovery from the COVID-19 pandemic upon the available of vaccine, CROSSTEC is putting more effort to resume the overseas business. The fair value of the investment in CROSSTEC is based on quoted market bid prices.

- (b) InvesTech Holdings Limited (“InvesTech”), is an investment holding company principally engaged in the design, development and provision of communication system, as well as the manufacture and sales of signal transmission and connectivity products. The unaudited loss attributable to shareholders of InvesTech for the six months ended 30 June 2020 was approximately RMB66,595,000 and the unaudited net assets attributable to shareholders of InvesTech as at 30 June 2020 was approximately RMB532,649,000. 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.

- (c) China Mobile Limited (“China Mobile”) is an investment holding company principally engaged in telecommunication and related businesses. The audited profit attributable to shareholders of China Mobile for the year ended 31 December 2020 was approximately RMB107,843 million and the audited net assets attributable to shareholders of China Mobile as at 31 December 2020 was approximately RMB1,148,916 million. COVID-19 affected all aspects of life, while the digital transformation of the economy and society further accelerated. China Mobile took steps to accelerate the shift toward online, intelligence and the cloud, and cultivated greater value by leveraging the scale of their business and promoting the balance. The fair value of the investment in China Mobile is based on quoted market bid prices.

- (d) Finsoft Financial Investment Holdings Limited (“Finsoft”) is principally engaged in the provision of financial trading software solutions. The audited loss attributable to shareholders of Finsoft for the year ended 31 December 2020 was approximately HK\$49,111,000 and the audited net assets attributable to shareholders of Finsoft as at 31 December 2020 was approximately HK\$121,589,000. Finsoft hoped Hong Kong economy will rebound in light of the recent launch of the COVID-19 Vaccination Programme in Hong Kong and the re-opening of Hong Kong-China border in future. Finsoft will continue to strive for excellence in its products and services in order to maintain its competitiveness and enhance its growth in the fintech industry. The fair value of the investment in Finsoft is based on quoted market bid prices.
- (e) Town Health International Medical Group Limited (“Town Health”) is an investment holding company principally engaged in the provision of medical services. The audited loss attributable to shareholders of Town Health for the year ended 31 December 2020 was approximately HK\$281,038,000 and the audited net assets attributable to shareholders of Town Health as at 31 December 2020 was approximately HK\$3,810,481,000. The trading of shares of Town Health has been suspended since 27 November 2017 and resumed trading since 1 March 2021. The outbreak of the COVID-19 pandemic since January 2020 has significantly affected the business operation of Town Health, causing decline in revenue of Town Health for year 2020. Facing the severe challenges posed by the outbreak of the pandemic, Town Health flexibly adjusted its operation and management strategies, expanded revenue sources and reduced expenditures and strictly controlled costs. The fair value of the investment in Town Health is based on valuation by independent valuer.
- (f) SEM Holdings Limited (“SEM”) is an investment holding company principally engaged in the provision of electrical and mechanical (“E&M”) engineering works. The unaudited loss attributable to shareholders of SEM for the six months ended 30 June 2020 was approximately MOP6,463,000 and the unaudited net assets attributable to shareholders of SEM as at 30 June 2020 was approximately MOP249,619,000. 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.

- (g) Crater Gold Mining Limited (“Crater Gold Mining”) is principally 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 2020 was approximately AUD1,699,686 and the unaudited net liabilities attributable to shareholders of Crater Gold Mining as at 31 December 2020 was approximately AUD5,300,037. Crater Gold Mining is well positioned to continue to grow through acquisition and improving the performance of their existing plantations. The fair value of the investment in Crater Gold Mining is based on quoted market bid prices.
- (h) 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 A.I. technology, Gransing Financial launched several new services included the online account opening 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 the above would improve Gransing Financial’s operation efficiency and earn more new potential clients. The fair value of the investment in Gransing Financial is based on valuation by independent valuer.
- (i) Help U Credit Finance Limited (“Help U”) is principally engaged in money lending business in Hong Kong. Help U is a licensed money lender and provides secured and unsecured loans to both individuals and corporations. The fair value of the investment in Help U is based on valuation by independent valuer.
- (j) Gransing Finance Limited (“Gransing Finance”) is engaged in the provision of money lending. Gransing Finance is held by Gransing Financial and which is the sole director of Gransing Finance. The fair value of the investment in Gransing Finance is based on valuation by management of the Company.

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

Top three realised gain for the Year

Name of investment	Realised gain <i>HK\$’000</i>
Beaver Group (Holding) Company Limited	382
China Telecom Corporation Limited	112
Vesync Company Limited	12

Top three realised loss for the Year

Name of investment	Realised loss <i>HK\$'000</i>
Kin Pang Holdings Limited	13,875
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 31 December 2020, the gearing ratio, defined as total debts divided by shareholders' equities, was 6.6% (31 December 2019: 14.2%). As at 31 December 2020, the Company has margin payable to securities brokers of HK\$4,659,540 with interest rate approximately 2.6% per annum (31 December 2019: HK\$8,718,501 with interest rate 12% per annum).

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the Year (2019: Nil).

CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

As at 31 December 2020, the Company had pledged Hong Kong listed securities of approximately HK\$11 million to secure the margin payables to the securities broker (31 December 2019: HK\$40 million).

There were no significant contingent liabilities as at 31 December 2020 (31 December 2019: 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 acquired additional capital by completion of rights issue and placing of new shares under general mandate. As at 31 December 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 Year, 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 (the “Stock Exchange”) changed from 20,000 shares to 10,000 consolidated shares. 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 Year, 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 announcements of the Company dated 3 March 2020 and 11 May 2020, circular dated 16 March 2020 and prospectus dated 21 April 2020.

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 (2019: Nil).

CAPITAL EXPENDITURE AND COMMITMENT

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

MATERIAL ACQUISITION AND DISPOSAL

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

USE OF PROCEEDS

The Company has twenty-six investments as of 31 December 2020, comprising of equity securities listed in Hong Kong and Australia, private equities and promissory notes. 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 New 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 2020, the Company had seven full-time employees (31 December 2019: five 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\$3,132,616 (2019: HK\$3,370,125).

FOREIGN CURRENCY FLUCTUATION

The Board believes that foreign exchange risks are minimal as the Company mainly uses the Hong Kong 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 2020, the Company was in compliance with the code provisions as set out in the CG Code, save and except for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. During the Year, 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 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 "Mode 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 2020.

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 system, internal control 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 CG Code.

The Audit Committee held two meetings to review interim and annual financial results and reports 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 during the Year.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Company's results for the year ended 31 December 2020 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, 29 March 2021

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; Mr. LEUNG Wai Lim, Mr. SUN Boquan and Mr. CHONG Ching Hoi as independent non-executive Directors.