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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 2016**

### **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 2016 (the “Period”), together with the unaudited figures for the six months ended 30 June 2015.

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

*For the six months ended 30 June 2016*

	<i>Notes</i>	<b>For the six months ended 30 June 2016 (Unaudited) HK\$</b>	<b>For the six months ended 30 June 2015 (Unaudited) HK\$</b>
<b>REVENUE</b>	4	<b>1,966,258</b>	548,740
Net change in fair value of financial assets at fair value through profit or loss	5	<b>78,550,810</b>	83,448,196
Other operating expenses		<b>(9,683,720)</b>	(9,141,178)
<b>OPERATING PROFIT</b>		<b>70,833,348</b>	74,855,758
Finance costs	6(a)	<b>(5,048,546)</b>	–
<b>PROFIT BEFORE TAX</b>	6(b)	<b>65,784,802</b>	74,855,758
Income tax expense	9	<b>(10,396,467)</b>	(12,509,947)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b>55,388,335</b>	62,345,811

	<i>Notes</i>	<b>For the six months ended 30 June 2016 (Unaudited) <i>HK\$</i></b>	For the six months ended 30 June 2015 (Unaudited) <i>HK\$</i>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<i>10</i>		
— Basic		<u><u>0.06</u></u>	<u><u>0.12</u></u>
— Diluted		<u><u>0.06</u></u>	<u><u>0.12</u></u>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2016*

	<i>Notes</i>	<b>30 June 2016 (Unaudited) HK\$</b>	31 December 2015 (Audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Deferred tax assets	9	<b>133,685</b>	10,528,600
Deposits		<b>506,545</b>	506,545
Total non-current assets		<b>640,230</b>	11,035,145
<b>CURRENT ASSETS</b>			
Prepayments and other receivables		<b>3,134,071</b>	400,928
Amount due from brokers		<b>4,016,985</b>	14,556,735
Financial assets at fair value through profit or loss	11	<b>656,206,319</b>	300,993,458
Cash and cash equivalents		<b>31,397,818</b>	13,083,050
Total current assets		<b>694,755,193</b>	329,034,171
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>1,407,718</b>	660,628
Amount due to brokers		<b>149,947,594</b>	14,645,627
Amount due to a related company		<b>80,000</b>	80,000
Total current liabilities		<b>151,435,312</b>	15,386,255
<b>NET CURRENT ASSETS</b>		<b>543,319,881</b>	313,647,916
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>543,960,111</b>	324,683,061
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		<b>68,571,611</b>	–
<b>NET ASSETS</b>		<b>475,388,500</b>	324,683,061
<b>EQUITY</b>			
Issued capital	13	<b>111,261,600</b>	61,812,000
Reserves		<b>364,126,900</b>	262,871,061
Total equity		<b>475,388,500</b>	324,683,061
<b>NET ASSET VALUE PER SHARE</b>		<b>0.43</b>	0.53

## **NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

### **1. CORPORATION INFORMATION**

China New Economy Fund Limited (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, Uglan House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at Room 707, 7/F, New World Tower 1, 16–18 Queen’s Road Central, Central, Hong Kong.

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

During the Period, the Company’s investment activities are managed by China Everbright Securities (HK) Limited (the “Investment Manager”).

### **2.1 BASIS OF PREPARATION**

The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting and the applicable disclosure requirements of Appendix 16 of the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”). 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 2015.

### **2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2015, except for the adoption of the new amendments to International Financial Reporting Standards (“IFRS”) that are first effective for the current period as described below:

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

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle
IFRS 14	Regulatory Deferral Accounts

The application of the new and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

The Company has not early applied the following new or revised IFRSs that have been issued but are not yet effective.

Amendments to IAS 7	Disclosure Initiative <sup>1</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
IFRS 9 (2014)	Financial Instruments <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective date is deferred

The Company is in the process of making an assessment of the impact of adopting the above new, revised or amended standards to the Company but is not yet in a position to state whether those amendments to standards would have a significant impact on the Company's accounting policies and presentation of the financial statements.

### 3. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker, being the board of directors, that are used to making strategic decisions. For management purposes, the Company is organised into business units based on the categories of investments. During the Period, the Company has two reportable operating segments as follows:

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

Further details of the Company's investments are included in note 11.

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

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2016 (unaudited)			
Segment results	<u>70,169,846</u>	<u>10,346,975</u>	80,516,821
Bank interest income			247
Unallocated expenses			<u>(14,732,266)</u>
Profit before tax			<u>65,784,802</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2015 (unaudited)			
Segment results	<u>76,480,289</u>	<u>7,513,452</u>	83,993,741
Bank interest income			3,195
Unallocated expenses			<u>(9,141,178)</u>
Profit before tax			<u>74,855,758</u>

For the six months ended 30 June 2016 and 2015, segment results represented the net gain on fair values of listed equities, unlisted private equity funds and private equities classified as financial assets at fair value through profit or loss and the corresponding interest income as well as dividend income earned by each segment without the allocation of administrative expenses, finance costs, interest income from bank deposits and investment manager's fees. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

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

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

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
At 30 June 2016 (unaudited)			
Assets:			
Financial assets at fair value through profit or loss	<u>534,557,616</u>	<u>121,648,703</u>	656,206,319
Unallocated assets			<u>39,189,104</u>
Total assets			<u>695,395,423</u>
Liabilities:			
Unallocated liabilities			<u>220,006,923</u>
Total liabilities			<u>220,006,923</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
At 31 December 2015 (audited)			
Assets			
Financial assets at fair value through profit or loss	<u>220,430,771</u>	<u>80,562,687</u>	300,993,458
Unallocated assets			<u>39,075,858</u>
Total assets			<u>340,069,316</u>
Liabilities:			
Unallocated liabilities			<u>15,386,255</u>
Total liabilities			<u>15,386,255</u>

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

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June 2016 (Unaudited) HK\$</b>	For the six months ended 30 June 2015 (Unaudited) HK\$
Dividend income from listed equity securities	<b>1,086,012</b>	545,545
Dividend income from unlisted equity securities	<b>879,999</b>	–
Bank interest income	<b>247</b>	3,195
	<b><u>1,966,258</u></b>	<u>548,740</u>

#### 5. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2016 (unaudited)			
Net realized gain on financial assets at fair value through profit or loss	<b>16,918,967</b>	–	<b>16,918,967</b>
Net unrealized gain on financial assets at fair value through profit or loss	<b>52,164,867</b>	<b>9,466,976</b>	<b>61,631,843</b>
	<b><u>69,083,834</u></b>	<b><u>9,466,976</u></b>	<b><u>78,550,810</u></b>
For the six months ended 30 June 2015 (unaudited)			
Net realized gain on financial assets at fair value through profit or loss	78,357,822	–	78,357,822
Net unrealized (loss)/gain on financial assets at fair value through profit or loss	(2,423,078)	7,513,452	5,090,374
	<b><u>75,934,744</u></b>	<b><u>7,513,452</u></b>	<b><u>83,448,196</u></b>



## 6. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June 2016 (Unaudited) HK\$</b>	For the six months ended 30 June 2015 (Unaudited) HK\$
(a) Finance costs		
Interest on other borrowings	3,742,137	–
Interest on unlisted and unsecured notes	<u>1,306,409</u>	<u>–</u>
	<u>5,048,546</u>	<u>–</u>
(b) Other items		
Directors' remuneration:		
Fees	635,467	812,540
Bonus	<u>–</u>	<u>1,000,000</u>
	<u>635,467</u>	<u>1,812,540</u>
Staff costs (excluding directors' remuneration)	1,302,153	990,973
Investment management fee (note 8)	480,000	480,000
Auditors' remuneration	177,500	149,250
Foreign exchange loss/(gain), net	170	(5,569)
Minimum operating lease payments in respect of properties	643,052	435,549
Consultancy fees	2,941,456	838,000
Legal and professional fees	<u>725,427</u>	<u>799,181</u>

## 7. INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the current reporting period (30 June 2015: Nil).

## 8. FEES

### Administration fee

The Company had terminated the administration agreement with HSBC Trustee (Cayman) Limited (the "HSBC Administration Agreement") effective on 2 August 2015 and entered into a new administration agreement with Amicorp Hong Kong Limited.

Amicorp Hong Kong Limited (the "Administrator") is entitled to receive an administration fee which is calculated based on the net asset value of the Company at valuation day equal to the rate of 0.11% per annum.

Prior to the termination of the HSBC Administration Agreement, HSBC Trustee (Cayman) Limited was entitled to receive an administration fee which was calculated at each valuation day at the following rates:

First HK\$800 million of net asset value 0.140% per annum

Next HK\$1,200 million of net asset value 0.125% per annum

On the remainder of net asset value 0.110% per annum

The administration fee is subject to a monthly minimum fee of USD7,500 plus 7% disbursement charge (30 June 2015: HK\$73,000) and is payable monthly in arrears.

The administration fee for the current period is HK\$374,126 (30 June 2015: HK\$509,790). As at 30 June 2016, an administration fee of HK\$62,354 (31 December 2015: HK\$62,209) was payable to the Administrator.

### **Custodian fee**

The Company had terminated the custodian agreement with HSBC Institutional Trust Services (Asia) Limited (the “HSBC Custodian Agreement”) effective on 2 August 2015 and entered into a new custodian agreement with Deutsche Bank AG, Hong Kong Branch.

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

Prior to the termination of the HSBC Custodian Agreement, HSBC Institutional Trust Services (Asia) Limited was entitled to receive a custodian fee which was calculated at each valuation day at the following rates:

First HK\$800 million of net asset value 0.040% per annum

Next HK\$1,200 million of net asset value 0.035% per annum

On the remainder of net asset value 0.030% per annum

The custodian fee is subject to a monthly minimum fee of US\$2,500 (30 June 2015: HK\$15,000) and is payable monthly in arrears.

The custodian fee for the current period is HK\$143,594 (30 June 2015: HK\$114,651). As at 30 June 2016, a custodian fee of HK\$20,563 (31 December 2015: HK\$23,625) was payable to the Custodian.

### **Management fee**

The Investment Manager was entitled to a monthly management fee of HK\$80,000 (30 June 2015: HK\$80,000) and payable monthly in arrears.

The management fee for the current period is HK\$480,000 (30 June 2015: HK\$480,000). As at 30 June 2016, a management fee of HK\$80,000 (31 December 2015: HK\$80,000) was payable to the Investment Manager.

## **9. TAXATION**

The Company calculates the income tax expenses of the Period using the tax rate that would be applicable to the expected total annual earnings.

### **Cayman Islands**

Under the current Cayman Islands law, there are no income tax, corporation tax, capital gains tax or any other kinds of tax on profits or gains or tax in the nature of estate duty or inheritance tax currently in effect. The Company received an undertaking from the Governor-in-Council of the Cayman Islands to the effect that, for a period of twenty years from the date of the undertaking, no law that is hereafter enacted in the Cayman Islands imposing any tax on income will be levied on the Company.

## Hong Kong

Income tax expense of HK\$10,394,915 (30 June 2015: HK\$12,509,947) representing nil current Hong Kong profits tax (30 June 2015: HK\$7,195,830) and net deferred tax of HK\$10,394,915 (30 June 2015: HK\$5,314,117) that have been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Period (30 June 2015: 16.5%).

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

For presentation purposes, deferred tax assets and liabilities as at 30 June 2016 have been offset in the interim condensed statement of financial position. The deferred tax liabilities arising from unrealized investment valuation gains amounted to HK5,466,806 and deferred tax assets arising from losses available to offsetting against future taxable profits amounted to HK\$5,600,491 (31 December 2015: deferred tax assets arising from unrealized investment valuation loss amounted to HK\$4,567,567 and losses available to offsetting against future taxable profits amounted to HK\$5,961,033).

## PRC

PRC withholding tax of HK\$1,552 (30 June 2015: Nil) was incurred on dividend income received by the Company during the period ended 30 June 2015.

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

The calculation of basic and diluted earnings per share is based on the Company's profit for the current period attributable to the ordinary equity holders of HK\$55,388,335 (30 June 2015: HK\$62,345,811) and the weighted average number of ordinary shares in issue during the current period of 914,412,513 (30 June 2015: 528,600,605 (restated) ordinary shares), as adjusted to reflect the rights issue of shares completed during 2016. No adjustment has been made to the basic earnings per share amount presented for the Period in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented. The Company had no dilutive ordinary shares in issue during the period ended 30 June 2015.

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

	<b>30 June 2016 (Unaudited) HK\$</b>	31 December 2015 (Audited) HK\$
Listed equity securities — Hong Kong	<b>534,557,615</b>	220,430,771
Investments in private equity funds — Cayman Islands	<b>56,648,704</b>	47,562,687
Investments in private equity — British Virgin Islands	<b>32,000,000</b>	–
Investments in private equities — Hong Kong	<b>33,000,000</b>	33,000,000
	<b><u>656,206,319</u></b>	<b><u>300,993,458</u></b>

The listed equity securities were classified as held for trading and their fair values are determined based on the quoted market bid prices available on the relevant stock exchanges at the end of the reporting period.

The above investments in private equities and equity funds were classified as held for trading and their values are determined based on valuation techniques for which inputs that have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Movement in net unrealized gain on financial assets held for trading of HK\$61,631,843 has been recognized in profit or loss in the interim condensed statement of profit or loss and other comprehensive income (30 June 2015: HK\$5,090,374).

## 12. COMMITMENTS

The Company had the total future lease payments under the tenancy agreement falling due at the end of the reporting period as follows:

	<b>30 June 2016 (Unaudited) HK\$</b>	31 December 2015 (Audited) HK\$
Within one year	<b>1,142,352</b>	1,142,352
In the second year	<b>517,194</b>	948,312
In more than two years	–	140,058
	<b><u>1,659,546</u></b>	<u>2,230,722</u>

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

## 13. ISSUED CAPITAL

	<b>30 June 2016 (Unaudited) HK\$</b>	31 December 2015 (Audited) HK\$
Issued and fully paid		
618,120,000 (2015: 515,100,000) ordinary shares as at 1 January	61,812,000	51,510,000
Right issue of shares ( <i>Note (a)</i> )	30,906,000	–
Placing of shares ( <i>Note (b)</i> )	18,543,600	10,302,000
	<u>111,261,600</u>	<u>61,812,000</u>
1,112,616,000 (31 December 2015: 618,120,000) ordinary shares as at 30 June 2016	<u>111,261,600</u>	<u>61,812,000</u>

*Notes:*

- (a) On 14 January 2016, a total of 309,060,000 ordinary shares of HK\$0.1 each were issued at a price of HK\$0.235 per share for a total cash consideration, before the related issue expenses, of HK\$72,629,100. The issued and fully paid capital of the Company was increased to HK\$92,718,000 and resulted in a share premium of HK\$41,723,100, before deducting the rights issues expenses of HK\$2,494,204.
- (b) On 23 June 2016, a total of 185,436,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$0.14 per share for a total cash consideration, before the related issue expense, of HK\$25,961,040. The issued and fully paid capital of the Company was increased to HK\$111,261,600 and resulted in a share premium of HK\$7,417,440, before deducting the share placement expense of HK\$778,832.

On 16 July 2015, a total of 103,020,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$0.385 per share (the “2015 Placing”) for a total cash consideration, before the related issue expense, of HK\$39,662,700. The issued and fully paid capital of the Company was increased to HK\$61,812,000 and resulted in a share premium of HK\$29,360,700, before deducting the share placement expense of HK\$1,192,935. The net proceeds of the 2015 Placing, after deduction of the costs of the Company, were subsequently applied by the Investment Manager in making investments according to the investment objectives, policies and restrictions of the Company and the requirements of the Articles of Association of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Board of China New Economy Fund Limited are pleased to present the Company's interim results for the Period.

The Company is a closed-ended investment company established on 1 February 2010. By investing in both private and public enterprises supported by the new economies of Greater China, the Company is devoted to achieving long-term capital appreciation for professional investors.

## **FINANCIAL HIGHLIGHTS**

During the Period, the Company maintained a long-term investment strategy in both public and private equity markets. The Company held thirty-three investments in Hong Kong-listed companies, three private equity funds and three private equities investments as of 30 June 2016. One of our major investments is in the construction sector focusing on the Hong Kong market. The Company reported net profit attributable to shareholders of HK\$55,388,335 during the Period, which consisted of the net gain in fair value of HK\$78,550,810 taken on the investment positions in the portfolio.

The net asset value of the Company increased during the Period despite the slowdown in the Chinese economy and the rising volatility of the global stock market. As at 30 June 2016, the Company reported an unaudited net asset value of approximately HK\$0.43 per share. The upswing in net asset value of the Company was due to net unrealized mark to market gain of HK\$61,631,843 and the net realized gain of HK\$16,918,967 taken on the investment positions in the portfolio. The Company will continue to monitor investments cautiously due to recent uncertain market conditions.

## **BUSINESS REVIEW AND PROSPECT**

During the Period, China has been faced with complicated external and domestic economic conditions. The national economy is showing moderate but stable and sound momentum of development. According to the data of the National Bureau of Statistics of China, the gross domestic product ("GDP") of China in the first half of 2016 increased by 34,063.7 billion RMB over the corresponding period, which represents an increase of 6.7% compared with the first half of 2015. The GDP of the second quarter of 2016 went up by 1.8% on a quarter-to-quarter basis.

During the Period, the benchmark of Shanghai Composite Index dropped 17.22%, while Hang Seng Index declined 5.11%. The Company has adopted a different investment approach and implementing a better strategy. By expanding our horizon, our investment team worked closely with variety of professional analysts for more timely reliable resources. This method allows the Company to detect investment opportunities from the emerging sectors efficiently and benefiting from substantial net asset appreciation. The Company will continue to develop its investment strategies with an aim to achieve stable return on investments for our shareholders.

In addition, the Chinese economic growth is expected to enter an L-shaped trajectory for the next few years, and China will maintain its accommodative monetary policy. During the Period, the People’s Bank of China (“PBOC”) has lowered once, the reserve requirement ratio (“RRR”) from 17.5% to 17% for all banks. The reduction of RRR is to add more liquidity to its market to help spur bank lending and combat slowing growth.

During the Period, the Company has invested an additional private equity, making a total of six private equities and equity fund investments in our diversified portfolio. The new private equity is specialized in conducting investments in pre-initial public offerings (“IPO”) equities. The Company believes it will bring a potential return in the long-run. Our Company will explore more investment opportunities toward private equities.

We are continuously optimistic towards the information technology (“IT”), healthcare, education, environmental and creative culture industries as they will continue to benefit from the transformation of Chinese economy.

The Company will continue to deploy an investment strategy focusing on Greater China and closely monitor the changes in the global market. With our professional and experienced investment and risk management team, we are confident to capture valuable investment opportunities to maximize profit to our shareholders.

Pursuant to the requirements stipulated in Rule 21.12 of the Rules Governing the Listing of Securities on the Stock Exchange (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 2016

#### Listed Equity Securities — Hong Kong

	Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee’s capital owned	Cost	Market value	Unrealized gain/(loss) recognized	Net assets attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
					HK\$’000	HK\$’000	(Note 1) HK\$’000	(Note 2)	HK\$’000	
(a)	LEAP Holdings Group Limited	The Cayman Islands	70,000,000 ordinary shares of HK\$0.01 each	2.85%	26,250	50,400	24,150	HK\$4.74 million	–	7.25
(b)	Luen Wong Group Holdings Limited	The Cayman Islands	8,120,000 ordinary shares of HK\$0.01 each	0.65%	2,111	44,660	42,549	HK\$0.52 million	–	6.42

	Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized	Net assets attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
					HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
(c)	First Credit Finance Group Limited	Bermuda	180,000,000 ordinary shares of HK\$0.02 each	4.96%	32,574	43,020	10,446	HK\$44.96 million	–	6.19
(d)	Town Health International Medical Group Limited	Bermuda	31,704,000 ordinary shares of HK\$0.01 each	0.41%	46,708	39,947	(6,761)	HK\$18.39 million	311	5.74
(e)	RCG Holdings Limited	Bermuda	69,600,000 ordinary shares of HK\$0.04 each	4.57%	22,294	37,584	15,290	HK\$30.36 million	–	5.40
(f)	Interactive Entertainment China Cultural Technology Investments Limited	Bermuda	289,800,000 ordinary shares of HK\$0.01 each	5.88%	40,297	33,327	(6,970)	HK\$73.05 million	–	4.79
(g)	Convoy Global Holdings Limited (Formerly known as Convoy Financial Holdings Limited)	The Cayman Islands	93,564,000 ordinary shares of HK\$0.1 each	0.63%	47,221	32,747	(14,474)	HK\$31.09 million	–	4.71
(h)	China Parenting Network Holdings Limited	The Cayman Islands	14,002,000 Ordinary shares of HK\$0.01 each	1.36%	19,463	32,205	12,742	RMB4.46 million	–	4.63

*Private Equity Fund — Cayman Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized (Note 1)	Net assets attributable to the Company (Note 2)	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
(i) Hydra Capital SPC	The Cayman Islands	3,750 shares of HK\$10,000 each	16.74%	37,500	41,368	3,868	HK\$41.37 million	–	5.95

*Private Equity — British Virgin Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized (Note 1)	Net assets attributable to the Company (Note 2)	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
(j) Gransing Financial Holdings Limited	British Virgin Islands	20 shares of US\$1 each	16.67%	31,619	32,000	381	HK\$12.45 million	–	4.60

**At 31 December 2015**

*Listed Equity Securities — Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized (Note 3)	Net assets 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	
Town Health International Medical Group Limited	Bermuda	31,704,000 ordinary shares of HK\$0.01 each	0.42%	46,621	50,409	3,789	HK\$19.23 million	83	14.82
China Parenting Network Holdings Limited	The Cayman Islands	14,002,000 ordinary shares of HK\$0.01 each	1.36%	19,463	33,325	13,862	RMB4.12 million	–	9.80



Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized	Net assets 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	
Convoy Financial Holdings Limited	The Cayman Islands	63,564,000 ordinary shares of HK\$0.1 each	0.43%	36,438	27,333	(9,105)	HK\$21.17 million	–	8.04
RCG Holdings Limited	Bermuda	69,600,000 ordinary shares of HK\$0.04 each	4.63%	22,294	18,444	(3,850)	HK\$30.76 million	–	5.42
AMCO United Holding Limited	Bermuda	31,430,000 ordinary shares of HK\$0.01 each	2.53%	17,042	15,558	(1,484)	HK\$6.17 million	–	4.57
Suncorp Technologies Limited	Bermuda	102,000,000 ordinary shares of HK\$0.0003 each	0.67%	24,990	12,546	(12,444)	HK\$4.18 million	–	3.69
China Wah Yan Healthcare Limited	Hong Kong	100,424,554 ordinary shares	3.84%	16,148	12,252	(3,896)	HK\$14.54 million	–	3.60

*Private Equity Funds — Cayman Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized	Net assets 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	
Hydra Capital SPC	The Cayman Islands	3,750	16.74%	37,500	32,221	(5,279)	HK\$32.22 million	10,365	9.47
SBI China M&A Opportunities Fund SPC	The Cayman Islands	1,612	13.49%	12,897	12,070	(827)	HK\$12.07 million	–	3.55

*Private Equity — Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized <i>(Note 3)</i>	Net assets attributable to the Company <i>(Note 2)</i>	Dividend received/receivable during the year	% of gross assets of the Company
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	
Sense Key Design Holdings Limited	Hong Kong	199	19.9%	25,000	25,000	–	HK\$1.28 million	–	7.35

*Notes:*

- (1) The unrealized gain/(loss) represented the changes in fair value of the respective investments during the Period.
- (2) The calculation of net assets attributable to the Company is based on the latest published interim/annual report of the respective investments as at the latest practicable date at the end of each reporting period.
- (3) The unrealized gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2015.

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

- (a) LEAP Holdings Group Limited (“LEAP Holdings GP”) is principally engaged in provision of foundation works and ancillary services and construction wastes handling. The audited profit attributable to shareholders of LEAP Holdings GP for the year ended 31 March 2016 was approximately HK\$29,225,000 and the audited net assets attributable to shareholders of LEAP Holdings GP as at 31 March 2016 was approximately HK\$166,461,000. The fair value of the investment in LEAP Holdings GP is based on quoted market bid prices.
- (b) Luen Wong Group Holdings Limited (“Luen Wong GP”) is principally engaged in provision of civil engineering works and investment holding. The unaudited profit attributable to shareholders of Luen Wong GP for the three months ended 30 June 2016 was approximately HK\$3,703,000 and the unaudited net assets attributable to shareholders of Luen Wong GP as at 30 June 2016 was approximately HK\$79,950,000. The fair value of the investment in Luen Wong GP is based on quoted market bid prices.
- (c) First Credit Finance Group Limited (“First Credit”) is principally engaged in money lending business which provides customers with a wide range of loan products and services to meet their financial needs. The unaudited profit attributable to shareholders of First Credit for the six months ended 30 June 2016 was approximately HK\$14,643,390 and the unaudited net assets attributable to shareholders of First Credit as at 30 June 2016 was approximately HK\$906,408,322. The fair value of the investment in First Credit is based on quoted market bid prices.

- (d) Town Health International Medical Group Limited (“Town Health”) is principally engaged in healthcare business investment; provision and management of medical, dental and other healthcare care related services; investments and trading in properties and securities. The unaudited profit attributable to shareholders of Town Health for the six months ended 30 June 2016 was approximately HK\$54,239,000 and the unaudited net assets attributable to shareholders of Town Health as at 30 June 2016 was approximately HK\$4,501,188,000. The fair value of the investment in Town Health is based on quoted market bid prices.
- (e) RCG Holdings Limited (“RCG Holdings”) is principally engaged in the provision of biometric and Radio Frequency Identification (“RFID”) products and solution services. The audited profit attributable to shareholders of RCG Holdings for the year ended 31 December 2015 was approximately HK\$156,498,000 and the audited net assets attributable to shareholders of RCG Holdings as at 31 December 2015 was approximately HK\$664,602,000. The fair value of the investment in RCG Holdings is based on quoted market bid prices.
- (f) Interactive Entertainment China Cultural Technology Investments Limited (“IE China”) is principally engaged in i) mobile internet cultural business and provision of IT services; ii) provision of hospitality and related services in Australia; iii) provision of medical diagnostic and health check services; iv) provision of integral marketing services; v) money lending business; and vi) assets investments business. The unaudited loss attributable to shareholders of IE China for the six months ended 30 June 2016 was approximately HK\$98,791,000 and the unaudited net assets attributable to shareholders of IE China as at 30 June 2016 was approximately HK\$1,241,673,000. The fair value of the investment in IE China is based on quoted market bid prices.
- (g) Convoy Global Holdings Limited (“Convoy”) is principally engaged in the independent financial advisory (“IFA”) business, money lending business, proprietary investment business, asset management business, corporate finance advisory services and securities dealing business and investment holdings. The unaudited profit attributable to shareholders of Convoy for the six months ended 30 June 2016 was approximately HK\$7,916,000 and the unaudited net assets attributable to shareholders of Convoy as at 30 June 2016 was approximately HK\$4,963,533,000. The fair value of the investment in Convoy is based on quoted market bid prices.
- (h) China Parenting Network Holdings Limited (“China Parenting”) is principally engaged in online platform focusing on the Children-Babies-Maternity (“CBM”) market in China to provide marketing and promotional service and e-commerce business. The unaudited profit attributable to shareholders of China Parenting for the six months ended 30 June 2016 was approximately RMB20,597,000 and the unaudited net assets attributable to shareholders of China Parenting as at 30 June 2016 was approximately RMB326,720,000. The fair value of the investment in China Parenting is based on quoted market bid prices.
- (i) Hydra Capital SPC (“Hydra Capital”) is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands established for the purpose of making investments on behalf of its portfolio holders. Hydra Capital has engaged a manager to make day-to-day decisions regarding the

management of its investments. The manager has appointed an investment manager to manage and invest the assets of the investment portfolio on a discretionary basis. The investment manager is a company incorporated in Hong Kong with limited liability principally engaged in the provision of investment advisory, funds dealing, introducing brokers and asset management service. The investment portfolio of Hydra Capital is currently focused on making investments in internet-related and mobile-applications-related industries. The fair value of the investment in Hydra Capital is stated as net asset value.

- (j) Gransing Financial Holdings Limited (“Gransing Holdings”) is principally engaged in provision of quality brokerage, corporate finance, asset management and financial adviser services to institutional and individual investors through its subsidiaries. The fair value of the investment in Gransing Holdings is stated as recent arm’s length market transactions.

The top three investments with realized gain and loss for the Period are summarised as below:

**Top three realized gain for the Period**

<b>Name of investment</b>	<b>Realized gain</b> <i>HK\$’000</i>
Amco United Holding Ltd.	9,328
Luen Wong Group Holdings Ltd.	9,305
Gameone Holdings Ltd.	1,904

**Top three realized loss for the Period**

<b>Name of investment</b>	<b>Realized loss</b> <i>HK\$’000</i>
Smartac Group China Holdings Ltd.	2,657
ICO Group Ltd.	1,860
Sky Light Holdings Ltd.	364

**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 2016, the gearing ratio, defined as total borrowings divided by shareholders’ equities, was 46% (31 December 2015: Nil). As at 30 June 2016, the Company has a margin payable to a securities broker of HK\$149,947,594 with interest rates ranged from 8% to 9% per annum and an outstanding 7.5% coupon unlisted and unsecured notes at amortized cost of HK\$68,571,611. Details of the issuance of notes can be referred to the announcement dated 11 March 2016 (31 December 2015: Nil).

**INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend during the Period (30 June 2015: Nil).

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

As at 30 June 2016, the Company had pledged Hong Kong listed securities of approximately HK\$388.5 million to secure the margin payables to the securities broker (31 December 2015: Nil).

There were no significant contingent liabilities as at 30 June 2016 (31 December 2015: 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 2016, the capital of the Company comprises of 1,112,616,000 ordinary shares.

## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme (the "Share Option Scheme") on 1 June 2015, pursuant to an ordinary resolution passed at the extraordinary general meeting held on 28 May 2015. The Company has adopted the Share Option Scheme to provide incentive or reward to eligible participants for their contribution or potential contribution to the Company. Details of the Share Option Scheme will be set out under the heading "Share Option Scheme" in the 2016 interim report.

## **RIGHTS ISSUE**

During the Period, the Company had raised an approximately HK\$70 million, net of expense, by way of the rights issue of 309,060,000 rights shares to the qualifying shareholders at a subscription price of HK\$0.235 (net price HK\$0.226) per rights share on the basis of one rights share for every two shares (closing price of the shares of the Company was HK\$0.258 as at the date of announcement). The Company had applied such net proceeds from the rights issue for investment in the publicly listed enterprises in information technology, creative culture and healthcare sectors. Details of the rights issue were set out in the announcements of the Company dated 23 November 2015 and 14 January 2016 and prospectus dated 16 December 2015.

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

During the Period, the Company had raised approximately HK\$25.1 million, net of expenses, by way of entering the placing agreement with the placing agent, to place 185,436,000 placing shares to six placees which are professional investors and independent third party with the Company. The placing shares are issued at a gross price of HK\$0.14 and net price of HK\$0.135 per placing share (closing price of the Company was HK\$0.161 as at the date of announcement) under the general mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2016. The Company intended to use the net proceeds from the placing of new shares for investment in information technology, healthcare, environmental, education and creative culture in line with its ordinary course of business. Details of the placing of new shares under general mandate can be referred to the announcement dated 13 June 2016.

## **CAPITAL EXPENDITURE AND COMMITMENT**

Save as disclosed in note 12 of interim results announcement, as at 30 June 2016, the Company made no capital expenditure or any other commitment (31 December 2015: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Period, the Company did not acquire or dispose of any subsidiaries or associated companies (31 December 2015: Nil).

## **USE OF PROCEEDS**

The Company has thirty-nine investments as of 30 June 2016, comprising of equity securities listed in Hong Kong, private equity funds and private equities. The largest one held by the Company is in the construction sector focusing on 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 2016, the Company had five full-time employees (31 December 2015: 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 and the policy is periodically reviewed. Apart from mandatory provident fund, salaries increment, share option 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\$1,302,153 (30 June 2015: HK\$990,973).

## **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**

### **(1) Change of auditor**

Ernst & Young had resigned as the auditor of the Company with effect from 4 August 2016. HLB Hodgson Impey Cheng Limited had been appointed as the auditor of the Company to fill the casual vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company.

Details of the change of auditor can be referred to the announcement dated 4 August 2016.

### **(2) Proposed share consolidation and change in board lot size**

The Company has proposed that every five existing shares of HK\$0.10 each in the issued and unissued share capital be consolidated into one consolidated share of HK\$0.50 each in the issued and unissued share capital of the Company (the “Share Consolidation”). The Company has also proposed to change the board lot size for trading from 100,000 existing shares to 20,000 consolidated shares upon the Share Consolidation becoming effective. The implementation of the Share Consolidation is upon approval by the shareholders at the extraordinary general meeting of the Company to be held on 22 September 2016.

Details of the proposed Share Consolidation and change in board lot size can be referred to the announcement dated 12 August 2016 and circular dated 29 August 2016.

## **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 separate.

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 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. Lam Chun Ho (being the chairman with professional qualifications in accountancy), Mr. Faris Ibrahim Taha Ayoub and Mr. Pun Tit Shan.

The primary audit related duties of the committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee shall hold not less than two meetings a year and meet with the external auditors twice without the presence of the Executive Directors.

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

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company for the Period containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinaneweconomyfund.com](http://www.chinaneweconomyfund.com)) in due course.

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

Hong Kong, 30 August 2016

*As at the date of this announcement, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors; Mr. LAM Chun Ho, Mr. Faris Ibrahim Taha AYOUB and Mr. PUN Tit Shan as independent non-executive Directors.*