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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 2016**

#### **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 2016 (the “Year”), together with the comparative figures for the year ended 31 December 2015, as follows:

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

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>31 December 2016 HK\$</b>	31 December 2015 HK\$
REVENUE	4	<u><b>2,470,078</b></u>	<u>10,945,842</u>
Net change in fair value of financial assets and liabilities at fair value through profit or loss	5	<b>87,644,293</b>	(194,087,185)
Other operating expenses		<u><b>(17,067,148)</b></u>	<u>(20,992,370)</u>
OPERATING PROFIT/(EXPENSE)		<b>73,047,223</b>	(204,133,713)
Finance costs	6	<u><b>(16,006,085)</b></u>	<u>–</u>
PROFIT/(LOSS) BEFORE TAX	6	<b>57,041,138</b>	(204,133,713)
Income tax (expense)/credit	8	<u><b>(9,167,538)</b></u>	<u>34,597,597</u>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u><b>47,873,600</b></u>	<u>(169,536,116)</u>
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
— Basic (restated for 2015)		<u><b>0.11</b></u>	<u>(1.48)</u>
— Diluted (restated for 2015)		<u><b>0.11</b></u>	<u>(1.48)</u>

## STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Deferred tax assets		<b>1,361,062</b>	10,528,600
Deposits		<b>522,206</b>	506,545
Total non-current assets		<b>1,883,268</b>	11,035,145
<b>CURRENT ASSETS</b>			
Prepayments and other receivables		<b>371,230</b>	400,928
Amount due from brokers		<b>13</b>	14,556,735
Financial assets at fair value through profit or loss	<i>10</i>	<b>700,199,558</b>	300,993,458
Cash and cash equivalents		<b>13,824,284</b>	13,083,050
Total current assets		<b>714,395,085</b>	329,034,171
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>1,913,826</b>	660,628
Amount due to brokers		<b>169,125,134</b>	14,645,627
Amount due to a related company		<b>80,000</b>	80,000
Loan payable		<b>8,000,000</b>	–
Total current liabilities		<b>179,118,960</b>	15,386,255
<b>NET CURRENT ASSETS</b>		<b>535,276,125</b>	313,647,916
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>537,159,393</b>	324,683,061
<b>NON-CURRENT LIABILITY</b>			
Borrowings		<b>69,285,628</b>	–
Net assets		<b>467,873,765</b>	324,683,061
<b>EQUITY</b>			
Issued capital	<i>11</i>	<b>111,261,600</b>	61,812,000
Reserves		<b>356,612,165</b>	262,871,061
Total equity		<b>467,873,765</b>	324,683,061
<b>NET ASSET VALUE PER SHARE</b>		<b>2.10</b>	0.53
<b>NET ASSET VALUE PER SHARE</b>			
(Restated 2015 for 5 to 1 shares consolidation in 2016)		<b>2.10</b>	2.63

## NOTES

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

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) 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 POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2016, except for the adoption of the new amendments to International Financial Reporting Standards (“IFRS”) that are first effective for the current year are 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 (2011)	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Joint Arrangements: Accounting for Acquisition of Interests
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 year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these 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 Unrealized Losses <sup>1</sup>
IFRS 9	Financial Instruments <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to IFRS 15	Clarifications to Revenue from Contracts with Customers <sup>2</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IFRS 10 and IAS 28 (2011)	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> No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Company is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Company expects to adopt IFRS 9 from 1 January 2018. During 2015, the Company performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Company expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees — leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2017, the Company plans to assess the potential effect of IFRS 16 on its financial statements.

### **3. OPERATING SEGMENT INFORMATION**

For management purposes, the Company is organized into business units based on the categories of investments. During the years ended 31 December 2016 and 2015, 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 5 and note 10.

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 year ended 31 December 2016			
Segment results	<u>108,073,840</u>	<u>(17,959,716)</u>	90,114,124
Bank interest income			247
Unallocated expenses			<u>(33,073,233)</u>
Profit before tax			<u>57,041,138</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the year ended 31 December 2015			
Segment results	<u>(188,573,357)</u>	<u>5,427,687</u>	(183,145,670)
Bank interest income			4,327
Unallocated expenses			<u>(20,992,370)</u>
Loss before tax			<u>(204,133,713)</u>

For the years ended 31 December 2016 and 2015, segment results represented the net gain or losses on fair values of listed equity securities, unlisted private equity funds and private equities classified as financial assets at fair value through profit or loss and the corresponding interest income as well as dividend income earned by each segment without the allocation of administrative expenses, finance costs, interest income from bank deposits and Investment Manager's fees.

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

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

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2016			
Assets:			
Financial assets at fair value through profit or loss	<u>600,251,989</u>	<u>99,947,569</u>	700,199,558
Unallocated assets			<u>16,078,795</u>
Total assets			<u>716,278,353</u>
Liabilities:			
Unallocated liabilities			<u>248,404,588</u>
Total liabilities			<u>248,404,588</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2015			
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>2016</b> <i>HK\$</i>	2015 <i>HK\$</i>
Dividend income from listed equity securities	<b>1,395,388</b>	576,515
Dividend income from private equity funds	–	10,365,000
Dividend income from private equity	<b>1,074,443</b>	–
Bank interest income	<b>247</b>	4,327
	<u><b>2,470,078</b></u>	<u>10,945,842</u>

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

	<b>Listed securities</b> <i>HK\$</i>	<b>Unlisted securities</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
For the year ended 31 December 2016			
Net realized loss on financial assets at fair value through profit or loss	<b>(2,811,973)</b>	–	<b>(2,811,973)</b>
Net unrealized gain on financial assets at fair value through profit or loss	<b>109,490,424</b>	<b>(19,034,158)</b>	<b>90,456,266</b>
Total net realized and unrealized gain included in profit or loss	<u><b>106,678,451</b></u>	<u><b>(19,034,158)</b></u>	<u><b>87,644,293</b></u>
	<b>Listed securities</b> <i>HK\$</i>	<b>Unlisted securities</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
For the year ended 31 December 2015			
Net realized gain on financial assets at fair value through profit or loss	6,584,145	–	6,584,145
Net unrealized loss on financial assets at fair value through profit or loss	<b>(195,711,930)</b>	<b>(4,959,400)</b>	<b>(200,671,330)</b>
Total net realized and unrealized loss included in profit or loss	<u><b>(189,127,785)</b></u>	<u><b>(4,959,400)</b></u>	<u><b>(194,087,185)</b></u>





### **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.

The custodian fee is subject to a monthly minimum fee of US\$2,500 and is payable monthly in arrears.

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 was subject to a monthly minimum fee of HK\$15,000 and was payable monthly in arrears.

The custodian fee for the Year is HK\$261,732 (2015: HK\$242,267). As at 31 December 2016, a custodian fee of HK\$20,222 (2015: HK\$23,625) was payable to the Custodian.

### **Management fee**

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

The management fee for the Year is HK\$960,000 (2015: HK\$960,000). As at 31 December 2016, a management fee of HK\$80,000 (2015: HK\$80,000) was payable to the Investment Manager.

## **8. TAXATION**

The major component of income tax charge/(credit) for the years ended 31 December 2016 and 2015 are:

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
Current tax:		
Hong Kong Profits tax	–	–
Deferred tax	<u>9,167,538</u>	<u>(34,597,597)</u>
Tax charge/(credit) for the year	<u><u>9,167,538</u></u>	<u><u>(34,597,597)</u></u>

## 9. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share amount (2015: loss) is based on the Company's profit of HK\$47,873,600 (2015: loss HK\$169,536,116) 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 425,219,270 (2015: 114,561,684 (restated) ordinary shares), as adjusted to reflect the impact of bonus issue completed on 20 January 2017.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2015 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented. The Company had no dilutive ordinary shares in issue during the year ended 31 December 2015.

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

	<b>2016</b> <i>HK\$</i>	2015 <i>HK\$</i>
Listed equity securities		
— Hong Kong	<b>600,251,989</b>	220,430,771
Investments in private equity funds		
— The Cayman Islands	<b>20,608,602</b>	47,562,687
Investments in private equity		
— British Virgin Islands	<b>52,538,976</b>	—
Investments in private equities		
— Hong Kong	<b>26,799,991</b>	33,000,000
	<b><u>700,199,558</u></b>	<u>300,993,458</u>

## 11. ISSUED CAPITAL

	<b>Number of shares</b>	<b>Nominal amount <i>HK\$</i></b>
Issued and fully paid		
Ordinary shares as at 31 December 2016	<b><u>222,523,200</u></b>	<b><u>111,261,600</u></b>
Ordinary shares as at 31 December 2015	<u>618,120,000</u>	<u>61,812,000</u>

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

	Number of shares in issue	Issued capital HK\$	Share premium account HK\$	Total HK\$
At 1 January 2015	515,100,000	51,510,000	298,348,293	349,858,293
Placing shares	<u>103,020,000</u>	<u>10,302,000</u>	<u>29,360,700</u>	<u>39,662,700</u>
	618,120,000	61,812,000	327,708,993	389,520,993
Share issue expenses	<u>–</u>	<u>–</u>	<u>(1,192,935)</u>	<u>(1,192,935)</u>
At 31 December 2015 and 1 January 2016	<b>618,120,000</b>	<b>61,812,000</b>	<b>326,516,058</b>	<b>388,328,058</b>
Rights issue	<b>309,060,000</b>	<b>30,906,000</b>	<b>41,723,100</b>	<b>72,629,100</b>
Placing shares	<b>185,436,000</b>	<b>18,543,600</b>	<b>7,417,440</b>	<b>25,961,040</b>
Share consolidation	<u>(890,092,800)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<b>222,523,200</b>	<b>111,261,600</b>	<b>375,656,598</b>	<b>486,918,198</b>
Share issue expenses	<u>–</u>	<u>–</u>	<u>(3,273,036)</u>	<u>(3,273,036)</u>
At 31 December 2016	<u><b>222,523,200</b></u>	<u><b>111,261,600</b></u>	<u><b>372,383,562</b></u>	<u><b>483,645,162</b></u>

## 12. COMMITMENTS

At 31 December 2016, the total future lease payments under the tenancy agreements falling due approximately as follows:

	2016 HK\$	2015 HK\$
Within one year	<b>948,000</b>	1,142,000
In the second year	<b>140,000</b>	948,000
In more than two years	<u>–</u>	<u>140,000</u>
	<u><b>1,088,000</b></u>	<u>2,230,000</u>

## 13. EVENTS AFTER REPORTING PERIOD

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

After the reporting period, the Company has raised an approximately HK\$159 million, net of expenses, by way of the rights issue of 333,784,800 rights shares and 222,523,198 bonus shares to the qualifying shareholders at a subscription price of HK\$0.5 (effective subscription price HK\$0.3) per rights share on the basis of three rights shares for every two existing shares with bonus issue on the basis of two bonus shares for every three rights shares taken up (Closing price of the shares of the Company was HK\$0.435 as at the date of announcement).

## **FINANCIAL HIGHLIGHTS**

During the Year, the Company maintained a long-term investment strategy in both public and private equity markets. The Company held thirty four equity securities listed in Hong Kong, three private equity funds and three private equities as of 31 December 2016, in which the largest one is in the construction sector focusing on Hong Kong market. The Company reported net profit attributable to shareholders of HK\$47,873,600 during the Year, which consisted of the net gain in fair value of HK\$87,644,293 taken on the investment positions in the portfolio.

The net asset value of the Company increased during the Year despite the slowdown in the China economy and rising volatility of global stock market. As of 31 December 2016, the Company reported a net asset value of approximately HK\$467.9 million. The increase was mainly due to unrealized mark to market gain of HK\$90,456,266 taken on the investment positions in the portfolio offset by realized loss of HK\$2,811,973 as well as equity fund raising exercise of approximately HK\$95.1 million. The Company will continue to monitor investments cautiously and expect a surge in its valuation as market conditions improve.

## **BUSINESS REVIEW AND PROSPECT**

During the Year, the PRC Government deepened its structural reform aiming to create a healthy social environment for a sustainable yet efficient economic growth. According to the National Bureau of Statistics, China's gross domestic product (GDP) recorded an increase of 6.7% in 2016, realizing the target of 6.5%–7% set by PRC Government in the beginning of 2016, however in line with the market expectation as the government has indicated that the PRC economy has entered into a new normal era featured with medium growth rates and economic structure optimization driven by capacity cuts and consumption upgrade.

The benchmark Shanghai Composite Index dropped 12.31% from a year earlier, while Hang Seng Index edged up 0.39% in 2016. During the year, the Company adopted a timely and appropriate investment approach in response to the volatile market sentiment and complicated government policies, and to detect investment opportunities emerging from the sectors benefiting from the economic transformation in PRC, to obtain a substantial net asset appreciation. The Company will continue to implement its comprehensive risk management strategy with an aim to achieve stable returns on investments for our shareholders.

During the Year, the Company has invested in one new private equity investment specialized in provision of quality brokerage, corporate finance, asset management and financial advisor services, which the Company believes that it will bring a sizeable long term return. In the near future, the Company will continue to look for further investment opportunity in private equity.

As global economy and politics are facing more risk, the Company expects that the US Federal Reserve will be more cautious to raise interest rate. In addition, the PRC Government has lowered its GDP growth target, focusing on quality over quantity as it overhauls its growth model. Therefore, the Company remains cautiously optimistic on the prospects of securities market in China and Hong Kong.

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

## INVESTMENT REVIEW

The Company held forty investments as of 31 December 2016, comprising thirty four equity securities listed in Hong Kong, three private equity funds in the Cayman Islands, two private equities in Hong Kong and one private equity in British Virgin Islands.

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 31 December 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 (Note 1)	Net asset attributable to the Company (Note 2)	Dividend	% of
								received/receivable during the Year	gross assets of the Company
				HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	
(a) Luen Wong Group Holdings Limited	The Cayman Islands	8,120,000 ordinary shares of HK\$0.01 each	0.65%	2,111	149,570	147,459	HK\$0.54 million	–	20.88
(b) China e-Wallet Payment Group Limited (Formerly known as RCG Holdings Limited)	Bermuda	69,600,000 ordinary shares of HK\$0.04 each	2.97%	22,294	45,240	22,946	HK\$17.83 million	–	6.32
(c) Town Health International Medical Group Limited	Bermuda	31,704,000 ordinary shares of HK\$0.01 each	0.41%	46,708	39,313	(7,395)	HK\$17.92 million	310,699	5.49
(d) China Parenting Network Holdings Limited	The Cayman Islands	14,002,000 ordinary shares of HK\$0.01 each	1.36%	19,463	36,405	16,942	RMB4.86 million	–	5.08
(e) LEAP Holdings Group Limited	The Cayman Islands	70,000,000 ordinary shares of HK\$0.01 each	2.66%	26,250	36,400	10,150	HK\$9.22 million	–	5.08
(f) Interactive Entertainment China Cultural Technology Investments Limited	Bermuda	289,800,000 ordinary shares of HK\$0.01 each	5.43%	40,297	30,719	(9,578)	HK\$53.94 million	–	4.29

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market Value	Unrealized gain/(loss) recognized	Net asset attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(g) Hong Kong Education (Int'l) Investments Limited	Bermuda	22,000,000 ordinary shares of HK\$0.05 each	4.02%	11,060	23,980	12,920	HK\$15.53 million	–	3.35
(h) Convoy Global Holdings Limited	The Cayman Islands	93,564,000 ordinary shares of HK\$0.10 each	0.63%	47,221	21,426	(25,795)	HK\$30.83 million	–	2.99
(i) AMCO United Holding Limited	Bermuda	36,240,000 ordinary shares of HK\$0.01 each	1.95%	14,748	21,019	6,271	HK\$5.91 million	–	2.93

*Private Equity — British Virgin Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market Value	Unrealized gain/(loss) recognized	Net asset attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(j) Gransing Financial Holdings Limited	British Virgin Islands	24 shares of US\$1 each	17.52%	38,419	52,539	14,120	HK\$21.05 million	–	7.33

## 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 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	
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
Convoy Global Holdings Limited (Formerly known as 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
China e-Wallet Payment Group Limited (Formerly known as 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 Holdings 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 — The 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 asset attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
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	Net asset attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
Sense Key Design Holdings Limited	Hong Kong	199	19.90%	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 Year.
- (2) The calculation of net assets attributable to the Company is based on the latest published interim/annual reports of the respective investments at the end of each reporting period.
- (3) The 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) Luen Wong Group Holdings Limited (“Luen Wong GP”) is principally engaged in the provision of civil engineering works and investment holding. The unaudited profit attributable to shareholders of Luen Wong GP for the six months ended 30 September 2016 was approximately HK\$7,346,000 and the unaudited net assets attributable to shareholders of Luen Wong GP as at 30 September 2016 was approximately HK\$83,593,000. The fair value of the investment in Luen Wong GP is based on quoted market bid prices.
- (b) China e-Wallet Payment Group Limited (“China e-Wallet”) is principally engaged in the provision of biometric and RFID products and solution services. The unaudited loss attributable to shareholders of China e-Wallet for the six months ended 30 June 2016 was approximately HK\$71,695,000 and the unaudited net assets attributable to shareholders of China e-Wallet as at 30 June 2016 was approximately HK\$600,226,000. The fair value of the investment in China e-Wallet is based on quoted market bid prices.
- (c) Town Health International Medical Group Limited (“Town Health”) is principally engaged in the healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities. The audited profit attributable to shareholders of Town Health for the year ended 31 December 2016 was approximately HK\$63,497,000 and the audited net assets attributable to shareholders of Town Health as at 31 December 2016 was approximately HK\$4,371,576,000. The fair value of the investment in Town Health is based on quoted market bid prices.
- (d) China Parenting Network Holdings Limited (“China Parenting”) is principally engaged in the online platform focusing on the children, babies and maternity market in China to provide marketing and promotional services; e-commerce business; and licensing of smart-hardware devices. The audited profit attributable to shareholders of China Parenting for the year ended 31 December 2016 was approximately RMB44,867,000 and the audited net assets attributable to shareholders of China Parenting as at 31 December 2016 was approximately RMB357,699,000. The fair value of the investment in China Parenting is based on quoted market bid prices.
- (e) LEAP Holdings Group Limited (“LEAP Holdings GP”) is principally engaged in the provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. The unaudited profit attributable to shareholders of LEAP Holdings GP for the six months ended 30 September 2016 was approximately HK\$9,935,000 and the unaudited net assets attributable to shareholders of LEAP Holdings GP as at 30 September 2016 was approximately HK\$346,636,000. The fair value of the investment in LEAP Holdings GP is based on quoted market bid prices.

- (f) Interactive Entertainment China Cultural Technology Investments Limited (“IE China”) is principally engaged in the mobile internet cultural business, provision of IT services and integral marketing services; medical diagnostic and health check services; hospitality and related services in Australia; money lending business; and assets investments business. The audited loss attributable to shareholders of IE China for the year ended 31 December 2016 was approximately HK\$344,617,000 and the audited net assets attributable to shareholders of IE China as at 31 December 2016 was approximately HK\$993,341,000. The fair value of the investment in IE China is based on quoted market bid prices.
- (g) Hong Kong Education (Int’l) Investments Limited (“HK Education”) is principally engaged in the provision of private educational services, investment in securities, property investments and money lending business. The unaudited loss attributable to shareholders of HK Education for the six months ended 31 December 2016 was approximately HK\$223,294,000 and the unaudited net assets attributable to shareholders of HK Education as at 31 December 2016 was approximately HK\$386,220,000. The fair value of the investment in HK Education is based on quoted market bid prices.
- (h) Convoy Global Holdings Limited (“Convoy”) is principally engaged in the independent financial advisory business, money lending business, proprietary investment business, asset management business and corporate finance advisory services. The audited loss attributable to shareholders of Convoy for the year ended 31 December 2016 was approximately HK\$95,522,000 and the audited net assets attributable to shareholders of Convoy as at 31 December 2016 was approximately HK\$4,893,229,000. The fair value of the investment in Convoy is based on quoted market bid prices.
- (i) AMCO United Holding Limited (“AMCO United”) is principally engaged in the manufacture and sale of medical devices products and plastic moulding products; provision of public relations services; and provision of human resources management services. The audited loss attributable to shareholders of AMCO United for the year ended 31 December 2016 was approximately HK\$18,409,000 and the audited net assets attributable to shareholders of AMCO United as at 31 December 2016 was approximately HK\$302,842,000. The fair value of the investment in AMCO United is based on quoted market bid prices.
- (j) Gransing Financial Holdings Limited (“Gransing Holdings”) is principally engage 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 Year are summarized as below:

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

<b>Name of investment</b>	<b>Realized gain</b> <i>HK\$'000</i>
First Credit Finance Group Limited	38,226
AMCO United Holding Limited	9,328
Luen Wong Group Holdings Limited	9,305

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

<b>Name of investment</b>	<b>Realized loss</b> <i>HK\$'000</i>
Gameone Holdings Limited	26,614
Tech Pro Technology Development Limited	22,776
New Ray Medicine International Holding Limited	5,225

### **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 2016, the gearing ratio, defined as total borrowings divided by shareholders' equities, was 52.7% (31 December 2015: Nil). As at 31 December 2016, the Company has margin payable to securities brokers of HK\$169,125,134 with interest rates ranged from 8 % to 10% per annum and two outstanding coupon unlisted and unsecured notes at amortized cost of HK\$69,285,628 and HK\$8,000,000 with interest rate ranged from 7.5% to 8% per annum (31 December 2015: Nil). Details of the issuance of notes can be referred to the announcement dated 11 March 2016 and 21 September 2016.

### **FINAL DIVIDEND**

The Directors do not recommend the payment of any final dividend for the Year (2015: Nil).

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

As at 31 December 2016, the Company had pledged Hong Kong listed securities of approximately HK\$495.9 million to secure the margin payables to the securities broker (31 December 2015: Nil).

There were no significant contingent liabilities as at 31 December 2016 (31 December 2015: 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 2016, the capital of the Company comprises of 222,523,200 ordinary shares of HK\$0.5 each.

### **RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES**

During the Year, the Company had raised an approximately HK\$70 million, net of expenses 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 Year, the Company had raised approximately HK\$25.1 million, net of expenses, by way of entering a 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 Shares 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 had applied the net proceeds from the placing of new shares for investment in consumer food, financial services and healthcare 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.

### **INCREASE IN AUTHORISED SHARE CAPITAL**

During the Year, the Company had increased the authorised share capital from HK\$200,000,000 divided into 400,000,000 Shares to HK\$1,000,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,600,000,000 unissued Shares. Details of the increase in authorized share capital can be referred to the circular dated 21 November 2016 and announcement dated 14 December 2016.

## **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.

## **CAPITAL EXPENDITURE AND COMMITMENT**

Save as disclosed in note 12 to the financial statements, as at 31 December 2016, the Company made no capital expenditure or any other commitments (2015: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

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

## **USE OF PROCEEDS**

The Company has forty investments as of 31 December 2016, comprising equities securities listed in Hong Kong, private equity funds and private equities. The largest one held by the Company is in the construction sector focusing in the Hong Kong market.

The rest of the net proceeds gained will be applied by the Board and 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 2016, the Company had three 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. 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\$2,266,198 (2015: HK\$3,657,444).

## **FOREIGN CURRENCY FLUCTUATION**

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied most for 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 2016, the Company was in compliance with the code provisions as set out in the CG Code, save and except for the deviation from code provisions A.2.1.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2016.

## **AUDIT COMMITTEE**

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings to review interim and annual financial results and reports for the year 2016 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of risk management and internal control systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors once without the presence of the executive Directors.



## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Company's results for the year ended 31 December 2016 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 Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

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

Hong Kong, 30 March 2017

*As at the date of this announcement, the Directors of the Company are 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.*