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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 2015

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 2015 (the “Year”), together with the comparative figures for the year ended 31 December 2014, as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

		31 December 2015	31 December 2014
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
REVENUE	4	<u>10,945,842</u>	<u>2,009,770</u>
Net change in fair value of financial assets and liabilities at fair value through profit or loss	5	(194,087,185)	173,538,301
Other operating expenses		<u>(20,992,370)</u>	<u>(12,838,386)</u>
(LOSS)/PROFIT BEFORE TAX	6	(204,133,713)	162,709,685
Income tax credit/(expenses)	8	<u>34,597,597</u>	<u>(26,371,862)</u>
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u>(169,536,116)</u>	<u>136,337,823</u>
(LOSS)/EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
— Basic (restated for 2014)		<u>(0.30)</u>	<u>0.36</u>
— Diluted (restated for 2014)		<u>(0.30)</u>	<u>0.36</u>

STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	2015 HK\$	2014 HK\$
NON-CURRENT ASSETS			
Deferred tax assets		10,528,600	–
Deposits		506,545	–
Total non-current assets		11,035,145	–
CURRENT ASSETS			
Prepayments and other receivables		400,928	15,539,241
Amount due from brokers		14,556,735	131
Financial assets at fair value through profit or loss	<i>10</i>	300,993,458	443,068,858
Prepaid income tax		–	6,361,121
Cash and cash equivalents		13,083,050	12,199,764
Total current assets		329,034,171	477,169,115
CURRENT LIABILITIES			
Other payables		660,628	528,706
Amount due to a broker		14,645,627	–
Amount due to a related company		80,000	80,000
Total current liabilities		15,386,255	608,706
NET CURRENT ASSETS		313,647,916	476,560,409
TOTAL ASSETS LESS CURRENT LIABILITIES		324,683,061	476,560,409
NON-CURRENT LIABILITY			
Deferred tax liabilities		–	24,068,997
Net assets		324,683,061	452,491,412
EQUITY			
Issued capital	<i>11</i>	61,812,000	51,510,000
Reserves		262,871,061	400,981,412
Total equity		324,683,061	452,491,412
NET ASSET VALUE PER SHARE		0.53	0.88

NOTES

1. CORPORATION INFORMATION

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

The Company's registered office address is P.O. Box 309, Uglund 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 investing globally in both private and public enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of Mainland China, Hong Kong, Macau and Taiwan.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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 the financial assets at fair value through profit or loss which have been measured at fair values. These financial statements are presented in Hong Kong dollars ("HK\$") except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

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

- (a) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:
- *IFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Company.
 - *IAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Company received key management personnel services from China Everbright Securities (HK) Limited and the details of the transaction have been disclosed in note 7.

- (b) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendment that is effective for the current year are as follows:
- *IFRS 13 Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Company.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The applicable standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9	<i>Financial Instruments</i> ²
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to IAS 1	<i>Disclosure Initiative</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

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

In September 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.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on the categories of investment. During the years ended 31 December 2015 and 2014, the Company has two reportable operating segments as follows:

Listed securities — Investments in equity securities listed on relevant stock exchanges

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:

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the year ended 31 December 2015			
Segment results	<u>(188,573,357)</u>	<u>5,427,687</u>	<u>(183,145,670)</u>
Bank interest income			4,327
Unallocated expenses			<u>(20,992,370)</u>
Loss before tax			<u>(204,133,713)</u>
	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the year ended 31 December 2014			
Segment results	<u>175,416,026</u>	<u>22,087</u>	175,438,113
Bank interest income			109,958
Unallocated expenses			<u>(12,838,386)</u>
Profit before tax			<u>162,709,685</u>

For the years ended 31 December 2015 and 2014, segment results represented the net gains or loss on fair values of listed equity securities and 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, 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:

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
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>
	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
As at 31 December 2014			
Assets:			
Financial assets at fair value through profit or loss	<u>405,546,771</u>	<u>37,522,087</u>	443,068,858
Unallocated assets			<u>34,100,257</u>
Total assets			<u>477,169,115</u>
Liabilities:			
Unallocated liabilities			<u>24,677,703</u>
Total liabilities			<u>24,677,703</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, prepaid income tax and cash and cash equivalent.

4. REVENUE

An analysis of revenue is as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Dividend income from listed equity securities	576,515	1,214,784
Dividend income from private equity funds	10,365,000	–
Interest income from listed debt securities	–	685,028
Bank interest income	4,327	109,958
	<u>10,945,842</u>	<u>2,009,770</u>

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

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <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	<u>(195,711,930)</u>	<u>(4,959,400)</u>	<u>(200,671,330)</u>
Total realized and unrealized loss included in profit or loss	<u>(189,127,785)</u>	<u>(4,959,400)</u>	<u>(194,087,185)</u>
	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2014			
Net realized loss on financial assets at fair value through profit or loss	(12,437,353)	–	(12,437,353)
Net unrealized gain on financial assets at fair value through profit or loss	<u>185,953,567</u>	<u>22,087</u>	<u>185,975,654</u>
Total realized and unrealized gain included in profit or loss	<u>173,516,214</u>	<u>22,087</u>	<u>173,538,301</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Investment management fee (<i>note 7</i>)	960,000	960,000
Foreign exchange (gain)/loss, net	(38,891)	359,401
Auditors' remuneration	502,750	342,250
Staff cost (excluding directors' remuneration)	1,980,532	1,371,946
Minimum operating lease payments in respect of properties	1,075,632	295,723
Consultancy fee	1,516,000	1,892,000
Legal and professional fees	1,893,786	1,254,916
Equity-settled share-based compensation	3,258,000	–

7. FEES

Administration fee

The Company had terminated the administration agreement with HSBC Trustee (Cayman) Limited 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.

The administration fee is subject to a monthly minimum fee of USD7,500 plus 7% disbursement charge and is payable monthly in arrears.

The administration fee for the Year was HK\$956,046 (2014: HK\$876,000). As at 31 December 2015, an administration fee of HK\$62,209 (2014: HK\$146,000) was payable to the Administrator.

Custodian fee

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

Under the new custodian agreement, 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 USD2,500 and is payable monthly in arrears.

The custodian fee for the Year was HK\$242,267 (2014: HK\$184,332). As at 31 December 2015, a custodian fee of HK\$23,625 (2014: HK\$32,399) was payable to the Custodian.

Management fee

Effective from 1 January 2015 and throughout the Year, the Investment Manager is entitled to a management fee accruing monthly at the annual amount of HK\$960,000 and payable in arrears from 1 January 2015 to 31 December 2016.

The management fee for the Year was HK\$960,000 (2014: HK\$960,000). As at 31 December 2015, a management fee of HK\$80,000 (2014: HK\$80,000) was payable to the Investment Manager.

8. TAXATION

The major component of income tax (credit)/charge for the years ended 31 December 2015 and 2014 are:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current tax:		
Hong Kong profits tax	–	–
Less: Adjustment over provision for 2013/14	–	(10,000)
	–	(10,000)
Deferred tax	<u>(34,597,597)</u>	<u>26,381,862</u>
Tax (credit)/charge for the year	<u><u>(34,597,597)</u></u>	<u><u>26,371,862</u></u>

A reconciliation of the tax (credit)/expense applicable to (loss)/profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
(Loss)/Profit before tax	<u><u>(204,133,713)</u></u>	<u><u>162,709,685</u></u>
Tax at the statutory tax rate of 16.5%	(33,682,062)	26,847,098
Income not subject to tax	(1,812,094)	(715,206)
Expenses not deductible for tax	733,998	502,998
Overprovision for 2013/14	–	(10,000)
Tax losses not recognised	–	(253,028)
Temporary difference not recognise	<u>162,561</u>	–
Tax (credit)/charge at the effective rate of 16.5%	<u><u>(34,597,597)</u></u>	<u><u>26,371,862</u></u>

Cayman Islands

Under the current Cayman Islands law, there is 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

No provision for Hong Kong profits tax had been made as the Company did not generate any assessable profits in Hong Kong during the year ended 31 December 2015 (2014: Nil).

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

The calculation of the basic and diluted loss per share amount (2014: earnings) is based on the Company's loss of HK\$169,536,116 (2014: profit of HK\$136,337,823) 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 572,808,420 (2014: 380,959,044 (restated) ordinary shares), as adjusted to reflect placement shares issued during the Year and the impact of rights issue completed on 18 January 2016.

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 potentially dilutive ordinary shares in issue during the year ended 31 December 2014.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Listed equity securities		
— Hong Kong	<u>220,430,771</u>	<u>405,546,771</u>
Investments in private equity funds		
— The Cayman Islands	<u>47,562,687</u>	<u>37,522,087</u>
Investments in private equities		
— Hong Kong	<u>33,000,000</u>	—
	<u>300,993,458</u>	<u>443,068,858</u>

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

The Company invested in private equity funds which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Company uses its net asset value to determine its fair value as the Company determined that this is the fair price at which shareholders subscribe and redeem from the fund.

The Company invested in private equities which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Company uses its prices of recent arm's length market transactions to determine its fair value.

Net unrealized loss on financial assets at fair value through profit or loss of HK\$200,671,330 (2014: net unrealized gain of HK\$185,975,654) has been recognised in profit or loss.

The Company does not own or control more than 20% of the voting rights in any one of these listed and unlisted investments. In the opinion of the Directors, the Company is not able to exercise any significant influence on the financial and operating policies on these investee companies, and all of these listed and unlisted investments are not regarded as associates of the Company and were accounted for as financial assets through profit or loss for the year ended 31 December 2015.

11. ISSUED CAPITAL

	Number of shares	Nominal amount <i>HK\$</i>
Issued and fully paid		
Ordinary shares as at 31 December 2014	<u>515,100,000</u>	<u>51,510,000</u>
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 <i>HK\$</i>	Share premium account <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2014	303,000,000	30,300,000	257,732,776	288,032,776
Rights issue	151,500,000	15,150,000	27,270,000	42,420,000
Placing shares	<u>60,600,000</u>	<u>6,060,000</u>	<u>15,150,000</u>	<u>21,210,000</u>
	515,100,000	51,510,000	300,152,776	351,662,776
Share issue expenses	<u>—</u>	<u>—</u>	<u>(1,804,483)</u>	<u>(1,804,483)</u>
At 31 December 2014 and 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	<u>618,120,000</u>	<u>61,812,000</u>	<u>326,516,058</u>	<u>388,328,058</u>

12. COMMITMENTS

During the Year, the Company entered into two three-year tenancy agreements for the lease of its office premises. At 31 December 2015, the total future lease payments under the tenancy agreements falling due as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Within one year	1,142,352	582,120
In the second year	948,312	582,120
In more than two year	140,058	388,080
	<u>2,230,722</u>	<u>1,552,320</u>

13. EVENTS AFTER THE REPORTING PERIOD

Rights issue

After the reporting period, the Company has raised approximately HK\$70.0 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).

As a result of the rights issue, the issued and fully paid up capital of the Company was increased to HK\$92,718,000 and resulted in a share premium of HK\$41,723,100. Details of the rights issue were disclosed in the Company's announcements dated 23 November 2015 and 14 January 2016 and prospectus dated 16 December 2015.

Placing of Notes

On 11 March 2016, the Company, as the issuer, entered into the placing agreement with Convoy Asset Management Limited (the "Placing Agent") pursuant to which the Placing Agent has agreed to arrange independent professional, institutional or private investors to subscribe for the two-year 7.5% coupon unlisted and unsecured notes with an aggregate principal amount of up to HK\$100,000,000. Details of the placing of the notes can be referred to the announcement of the Company dated 11 March 2016.

FINANCIAL HIGHLIGHTS

During the Year, the Company maintained a long-term investment strategy in both public and private equity markets. The Company held twenty seven investments in listed companies in Hong Kong, three private equity funds in the Cayman Islands and two private equities in Hong Kong as of 31 December 2015, in which the largest one is in the healthcare sector focusing on Hong Kong and Mainland China markets. The Company reported net loss attributable to shareholders of HK\$169,536,116 during the Year, which consisted of the net loss in fair value of HK\$194,087,185 taken on the investment positions in the portfolio.

The net asset value of the Company decreased during the Year. The decrease was in line with recent stock market volatility and the foreseeable slowdown in the China economy. As of 31 December 2015, the Company reported a net asset value of approximately HK\$0.53 per share. The decrease was due to unrealized mark to market loss of HK\$200,671,330 taken on the investment positions in the portfolio offset by realized gain of HK\$6,584,145. The Company will continue to monitor investments cautiously and will expect a mild increase in its valuation as market conditions improve.

BUSINESS REVIEW AND PROSPECT

During the Year, China had been faced with complicated external and domestic economic conditions, and its government has been applying “supply-side structural reform” strategy to adapt to the current situation and create many new ways for economic development. According to the National Bureau of Statistics, China’s gross domestic product (GDP) recorded an increase of 6.9% in 2015, at its slowest pace since 1990.

The benchmark Shanghai Composite Index increased 9.41% from a year earlier, while Hang Seng Index dropped 7.16% in 2015. 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 China, 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 two new private equity funds and two private equities in different industries, which the Company believes these shall diversify the risk of investments and bring sizeable long term return. In the near future, the Company will continue to look for further investment opportunities in private equity funds and private equities.

Although Global and Chinese growths slowed down in 2015, we still believe there are certain investment opportunities in 2016, as China’s manufacturing and consumption have been upgrading. 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 thirty two investments as of 31 December 2015, comprising twenty seven equity securities listed in Hong Kong, three private equity funds in the Cayman Islands and two private equities in Hong Kong.

Pursuant to the requirements stipulated in Rule 21.12 of the Listing Rules, the Company discloses its ten largest investments, which include 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 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	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	
(a) 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	15.53
(b) 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	—	10.26
(c) 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	—	8.42
(d) 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	—	5.68
(e) 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	—	4.79
(f) 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	—	3.86
(g) China Wah Yan Healthcare Limited	Hong Kong	100,424,554 ordinary shares	3.84%	16,148	12,252	(3,896)	HK\$14.54 million	—	3.77

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 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	
(h) Hydra Capital SPC	The Cayman Islands	3,750	16.74%	37,500	32,221	(5,279)	HK\$32.22 million	10,365	9.92
(i) SBI China M&A Opportunities Fund SPC	The Cayman Islands	1,612	13.49%	12,897	12,070	(827)	HK\$12.07 million	—	3.72

Private Equities — Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain 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 1)	HK\$'000 (Note 2)	HK\$'000	
(j) Sense Key Design Holdings Limited	Hong Kong	199	19.9%	25,000	25,000	—	HK\$1.28 million	—	7.70

At 31 December 2014

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 asset attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000 (Note 3)	HK\$'000 (Note 2)	HK\$'000	
Finsoft Corporation	The Cayman Islands	173,650,000 ordinary shares of HK\$0.0005 each	4.34%	32,125	209,248	177,123	HK\$2.62 million	—	43.85
China Mobile Games and Cultural Investment Limited	The Cayman Islands	300,006,000 ordinary shares of HK\$0.01 each	12.02%	33,682	57,601	23,919	HK\$29.31 million	—	12.07
Town Health International Medical Group Limited	Bermuda	22,236,000 ordinary shares of HK\$0.01 each	0.44%	28,191	27,128	(1,063)	HK\$5.26 million	—	5.69
BBI Life Sciences Corporation	The Cayman Islands	11,079,000 ordinary shares of HK\$0.01 each	2.11%	19,584	18,502	(1,082)	RMB10.43 million	—	3.88
Jun Yang Solor Power Investments Limited	Bermuda	100,500,000 ordinary shares of HK\$0.01 each	2.26%	18,741	18,090	(651)	HK\$26.34 million	—	3.79
Nanjing Sinolife United Company Limited	The People's Republic of China	10,000,000 H shares of RMB0.1 each	1.19%	21,075	15,900	(5,175)	RMB7.47 million	—	3.33
DX.com Holdings Limited	The Cayman Islands	100,000,000 ordinary shares of HK\$0.01 each	1.78%	17,252	13,100	(4,152)	HK\$3.08 million	—	2.75
Hong Kong Education (Int'l) Investments Limited	The Cayman Islands	60,000,000 ordinary shares of HK\$0.1 each	3.68%	7,339	7,020	(319)	HK\$10.68 million	—	1.47
New Ray Medicine International Holding Limited	Bermuda	14,288,000 ordinary shares of HK\$0.01 each	1.49%	8,030	7,001	(1,029)	HK\$4.52 million	—	1.47

Private Equity Fund — The Cayman Islands

Name of investee	Place of incorporation	Particular of shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain 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		HK\$'000	
Hydra Capital SPC	The Cayman Islands	3,750	16.74%	37,500	37,522	22	HK\$37.52 million	—	7.86

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 2014.

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

- (a) Town Health International Medical Group Limited (“Town Health”) is principally engaged in investment in healthcare business including medical institutions operation and pharmaceutical distribution in Hong Kong and China. The audited profit attributable to shareholders of Town Health for the year ended 31 December 2015 was approximately HK\$254,803,000 and the audited net assets attributable to shareholders of Town Health as at 31 December 2015 was approximately HK\$4,530,792,000. The fair value of the investment in Town Health is based on quoted market bid prices.
- (b) China Parenting Network Holdings Limited (“China Parenting”) is principally engaged in online platform focusing on the Children-Babies-Maternity (CBM) market in China and is mainly engaged in provision of marketing and promotional services and e-commerce business. The audited profit attributable to shareholders of China Parenting for the year ended 31 December 2015 was approximately RMB34,525,000 and the audited net assets attributable to shareholders of China Parenting as at 31 December 2015 was approximately RMB302,379,000. The fair value of the investment in China Parenting is based on quoted market bid prices.

- (c) Convoy Financial Holdings Limited (“Convoy”) is principally engaged in the independent financial advisory (IFA) business, money lending business, proprietary investment business, asset management business and corporate finance business. The audited loss attributable to shareholders of Convoy for the year ended 31 December 2015 was approximately HK\$467,258,000 and the audited net assets attributable to shareholders of Convoy as at 31 December 2015 was approximately HK\$4,974,893,000. The fair value of the investment in Convoy is based on quoted market bid prices.
- (d) RCG Holdings Limited (“RCG Holdings”) is principally engaged in business of biometric and Radio Frequency Identification (RFID) products, solutions services, internet and mobile applications and related services and commodities trading. 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.
- (e) AMCO United Holding Limited (“AMCO United”) is principally engaged in (i) manufacture and sale of medical devices products, (ii) manufacture and sale of plastic moulding products, (iii) provision of public relations services and (iv) provision of human resources management services. The audited loss attributable to shareholders of AMCO United for the year ended 31 December 2015 was approximately HK\$18,606,000 and the audited net assets attributable to shareholders of AMCO United as at 31 December 2015 was approximately HK\$243,770,000. The fair value of the investment in AMCO United is based on quoted market bid prices.
- (f) Suncorp Technologies Limited (“Suncorp”) is principally engaged in (i) continued to focus on the sales and marketing of residential telephone products under its licence for the Motorola brand and (ii) processing and trading of used computer-related components business. The audited profit attributable to shareholders of Suncorp for the year ended 31 December 2015 was approximately HK\$50,919,000 and the audited net assets attributable to shareholders of Suncorp as at 31 December 2015 was approximately HK\$623,644,000. The fair value of the investment in Suncorp is based on quoted market bid prices.
- (g) China Wan Yan Healthcare Limited (“China Wan Yan”) is principally engaged in (i) healthcare and well-being business and (ii) asset management business. The audited loss attributable to shareholders of China Wan Yan for the year ended 31 December 2015 was approximately HK\$436,503,000 and the audited net assets attributable to shareholders of China Wan Yan as at 31 December 2015 was approximately HK\$378,190,000. The fair value of the investment in China Wan Yan is based on quoted market bid prices.

- (h) 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.
- (i) SBI China M&A Opportunities Fund SPC (“SBI China M&A”) is a spin-off from SBI China Capital M&A Fund LP (“SBI China Capital Fund”) where it is a segregated portfolio company registered with limited partnership under the laws of the Cayman Islands for the purpose of conducting investment in financial securities. The fund principally engaged in pre-IPO investments and is under the management of SBI China Capital, which owns extensive work experience in the research, IPO sponsorship and underwriting and financial advisers. The fair value of the investment in SBI China M&A is stated as net asset value.
- (j) Sense Key Design Holdings Limited (“Sense Key”) is principally engaged in provision of custom interior design services for residential and commercial projects in a broad range of styles and sensibilities. The fair value of the investment in Sense Key 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

Name of investment	Realized gain <i>HK\$’000</i>
Finsoft Financial Investment Holdings Limited	50,175
China Parenting Network Holdings Limited	22,665
Nanjing Sinolife United Company Limited — H Shares	14,133

Top three realized loss for the Year

Name of investment	Realized loss <i>HK\$’000</i>
Get Holdings Limited	31,127
Jun Yang Financial Holdings Limited	17,982
China Harmony New Energy Auto Holding Limited	14,580

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company has obtained stock borrowing facilities since 2011. As at 31 December 2015, the Company did not have any stock borrowings (31 December 2014: Nil).

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 2015, the gearing ratio, defined as total borrowings divided by shareholders' equities, was nil (31 December 2014: Nil). The Company did not have any borrowing as at 31 December 2015 (31 December 2014: Nil).

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the Year (2014: Nil).

CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

There were no other charges on the Company's assets or significant contingent liabilities as of 31 December 2015 (31 December 2014: 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 2015, the capital of the Company comprises of 618,120,000 ordinary shares.

RIGHTS ISSUE

After the reporting period, the Company has raised an approximately HK\$70.0 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 intends to apply such net proceeds from the rights issue for investment in the publicly listed and private enterprises in information technology, education, creative culture, environmental 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 has raised approximately HK\$38.3 million, net of expenses, by way of entering into a placing agreement with the placing agent on 16 July 2015, to place 103,020,000 placing shares to Laberie Holdings Limited which is a wholly owned subsidiary of SEEC Media Group Limited, a company whose issued shares are listed on the Stock Exchange of Hong Kong Limited (stock code: 205). The placing shares are issued at a gross price of HK\$0.385 and net price of HK\$0.372 per placing share (closing price of the shares of the Company was HK\$0.385 as at the date of announcement) under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2015. The Company intended to use the net proceeds from the placing of new shares for investment in information technology, healthcare, environmental 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 Company's announcement dated 16 July 2015.

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 2015, the Company made no capital expenditure or any other commitments (2014: Nil).

MATERIAL ACQUISITION AND DISPOSAL

During the Year, the Company did not acquire or dispose of any subsidiaries or associated companies (2014: Nil).

USE OF PROCEEDS

The Company has thirty two investments as of 31 December 2015, comprising equities securities listed in Hong Kong, private equity funds and private equities. The largest one held by the Company is in the healthcare sector focusing in the Hong Kong and Mainland China market.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Company had five full-time employees (31 December 2014: four full-time employees). All of the Company's employees were based in Hong Kong.

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

The total remuneration cost incurred by the Company for the Year was approximately HK\$3,715,402 (2014: HK\$1,371,946). The increase in the staff cost was mainly attributable to the provision of share-based compensation for the Year as compared to 2014.

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 of the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that throughout the year ended 31 December 2015, 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 and A.4.1.

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. Craig Blaser Lindsay (the ex-Chairman and Chief Executive Officer) and Mr. Gu Xu (who was appointed as the successor of Mr. Craig Blaser Lindsay on 28 May 2015), had been the Chairman and Chief Executive Officer of the Company. Each of them 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.

Code provision A.4.1 requires that non-executive Directors should be appointed for a specific term and subject to re-election. The ex-Director, Mr. Doyle Ainsworth Dally, who was an independent non-executive Director of the Company, had no specific term of appointment but was subject to retirement by rotation at least once every three years and was retired as Director of the Company at the 2015 annual general meeting held on 28 May 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code of 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 2015.

AUDIT COMMITTEE

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, 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 two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2015 and significant issues on the financial reporting and compliance procedures, internal control and risk management 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 twice 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 2015 have been agreed by the Company’s auditors, Ernst & Young, to the amounts set out in the Company’s financial statements for the Year. The work performed by Ernst & Young 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 Ernst & Young 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 2016

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. HUANG Liangkuai as independent non-executive Directors.