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## **CHINA NEW ECONOMY FUND LIMITED**

### **中國新經濟投資有限公司**

*(an exempted company incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 80)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **UNAUDITED INTERIM RESULTS**

The board of directors (the “Board” or the “Directors”) of China New Economy Fund Limited (the “Company”) is pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2022 (the “Period”), together with the unaudited figures for the six months ended 30 June 2021.

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

*For the six months ended 30 June 2022*

	<i>Notes</i>	<b>For the six months ended 30 June 2022 (Unaudited) HK\$</b>	<b>For the six months ended 30 June 2021 (Unaudited) HK\$</b>
<b>REVENUE</b>	4	<b>1,542,376</b>	1,241,451
Net change in fair value of financial assets at fair value through profit or loss	5	<b>(3,389,428)</b>	17,316,315
Other operating expenses		<b>(8,866,080)</b>	(5,833,421)
<b>OPERATING (LOSS)/PROFIT</b>		<b>(10,713,132)</b>	12,724,345
Finance costs	6(a)	<b>(22,021)</b>	(54,103)
<b>(LOSS)/PROFIT BEFORE TAX</b>	6(b)	<b>(10,735,153)</b>	12,670,242
Income tax expense	9	<b>–</b>	–

		<b>For the six months ended 30 June 2022 (Unaudited) HK\$</b>	For the six months ended 30 June 2021 (Unaudited) HK\$
	<i>Notes</i>		
<b>(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b><u>(10,735,153)</u></b>	<b><u>12,670,242</u></b>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>10</b>		
Basic		<b><u>(0.01)</u></b>	<b><u>0.02</u></b>
Diluted		<b><u>(0.01)</u></b>	<b><u>0.02</u></b>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	<b>30 June 2022 (Unaudited) HK\$</b>	31 December 2021 (Audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Right-of-use asset		<b>704,181</b>	890,036
Deposits		<b>126,740</b>	126,740
Total non-current assets		<b>830,921</b>	1,016,776
<b>CURRENT ASSETS</b>			
Prepayments and other receivables		<b>3,758,520</b>	2,939,686
Amounts due from brokers		<b>169,373</b>	240,723
Financial assets at fair value through profit or loss	11	<b>135,433,661</b>	109,354,628
Cash and cash equivalents		<b>42,239,304</b>	2,277,187
Total current assets		<b>181,600,858</b>	114,812,224
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		<b>1,278,647</b>	1,168,447
Amount due to a broker		<b>154,049</b>	–
Lease liability		<b>396,912</b>	387,578
Total current liabilities		<b>1,829,608</b>	1,556,025
<b>NET CURRENT ASSETS</b>		<b>179,771,250</b>	113,256,199
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>180,602,171</b>	114,272,975
<b>NON-CURRENT LIABILITIES</b>			
Lease liability		<b>336,122</b>	536,982
Total non-current liabilities		<b>336,122</b>	536,982
<b>NET ASSETS</b>		<b>180,266,049</b>	113,735,993
<b>EQUITY</b>			
Issued capital	12	<b>51,852,893</b>	34,568,595
Reserves		<b>128,413,156</b>	79,167,398
Total equity		<b>180,266,049</b>	113,735,993
<b>NET ASSET VALUE PER SHARE</b>		<b>0.14</b>	0.13

# NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2022

## 1. CORPORATION INFORMATION

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

The Company's registered office is at P.O. Box 3009, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at 22/F., CS Tower, 50 Wing Lok Street, Sheung Wan, Hong Kong.

The principal investment objective of the Company is to achieve long-term capital appreciation through investing globally in both private and public enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of Mainland China, Hong Kong, Macau, and Taiwan. During the Period, the Company's investment activities are managed by Evergrande Securities (Hong Kong) Limited (the "Investment Manager").

## 2.1 BASIS OF PREPARATION

The unaudited interim condensed financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss which have been measured at fair values. The interim condensed financial statements are presented in Hong Kong dollars ("HK\$") except when otherwise indicated.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2021.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values.

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 June 2022 are the same as those presented in the Company's annual financial statements for the year ended 31 December 2021.

In the current interim period, the Company has applied the following amendments to IFRSs issued by the Board Standards Accounting International, for the first time, which are mandatorily effective for the Company's annual period beginning on 1 January 2022 for the preparation of the Company's condensed financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Company's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed financial statements.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on the categories of investments. During the periods ended 30 June 2022 and 2021, the Company has two reportable operating segments as follows:

- Listed securities – Investments in equity securities listed on relevant stock exchange
- Unlisted securities – Investments in limited partnership fund, private equity securities, unlisted bond and promissory notes

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

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

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Unallocated HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2022 (unaudited)				
Segment revenue	<u>–</u>	<u>1,488,521</u>	<u>53,855</u>	<u>1,542,376</u>
Segment results	<u>(3,624,185)</u>	<u>234,757</u>	<u>1,188,521</u>	<u>(2,200,907)</u>
Bank interest income				1,855
Government grants				52,000
Unallocated expenses				<u>(8,588,101)</u>
Loss before tax				<u>(10,735,153)</u>
For the six months ended 30 June 2021 (unaudited)				
Segment revenue	<u>26,400</u>	<u>1,214,602</u>	<u>449</u>	<u>1,241,451</u>
Segment results	<u>16,229,609</u>	<u>1,110,466</u>	<u>714,603</u>	18,054,678
Bank interest income				449
Unallocated expenses				<u>(5,384,885)</u>
Profit before tax				<u>12,670,242</u>

For the six months ended 30 June 2022 and 2021, the operating segments derived revenue from dividend income, interest income and income from profit guarantee earned from the investments held by the segments. Segment results represented the net gains or losses on changes in fair values of listed equity securities, limited partnership fund, private equity securities, promissory notes and unlisted bond classified as financial assets at fair value through profit or loss and the corresponding interest income, dividend income as well as income from profit guarantee earned by each segment without the allocation of administrative expenses, finance costs, interest income from bank deposits and Investment Manager's fees.

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 30 June 2022 (unaudited)			
Segment assets:			
Financial assets at fair value through profit or loss	<u>36,841,626</u>	<u>98,592,035</u>	135,433,661
Unallocated assets			<u>46,998,118</u>
Total assets			<u>182,431,779</u>
Liabilities:			
Unallocated liabilities			<u>2,165,730</u>
Total liabilities			<u>2,165,730</u>
	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
As at 31 December 2021 (audited)			
Segment assets:			
Financial assets at fair value through profit or loss	<u>31,872,545</u>	<u>77,482,083</u>	109,354,628
Unallocated assets			<u>6,474,372</u>
Total assets			<u>115,829,000</u>
Liabilities:			
Unallocated liabilities			<u>2,093,007</u>
Total liabilities			<u>2,093,007</u>

For the purpose of monitoring segment performance and allocating resources between segments, all financial assets at fair value through profit or loss are allocated to reportable segments. All other assets of the Company, including right-of-use asset, deposits, prepayments and other receivables, amount due from brokers and cash and cash equivalents, and all liabilities are not allocated to the operating segments.

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June 2022 (Unaudited) HK\$</b>	For the six months ended 30 June 2021 (Unaudited) HK\$
Dividend income from listed equity securities	–	26,400
Interest income from promissory notes	<b>528,110</b>	558,438
Interest income from unlisted bond	<b>660,411</b>	156,164
Bank interest income	<b>1,855</b>	449
Income from profit guarantee ( <i>Note (i)</i> )	<b>300,000</b>	500,000
Government grants ( <i>Note (ii)</i> )	<b>52,000</b>	–
	<u><b>1,542,376</b></u>	<u>1,241,451</u>

*Notes:*

- (i) Income from profit guarantee relates to amounts received and receivable in respect of a private equity investment in Hong Kong under the profit guarantee terms set out in the relevant agreement.
- (ii) Government grants from Hong Kong Special Administrative Region Government Employment Support Scheme have been received for retaining employees who may otherwise be made redundant. The related salary expenditure for which government grant intended to compensate has been fully undertaken and recognised as revenue. There are no unfulfilled conditions or contingencies relating to these grants.

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

	<b>Listed securities HK\$</b>	<b>Unlisted securities HK\$</b>	<b>Total HK\$</b>
For the six months ended 30 June 2022 (unaudited)			
Net realised loss on financial assets at fair value through profit or loss	<b>(17,869,619)</b>	–	<b>(17,869,619)</b>
Net unrealised gain on financial assets at fair value through profit or loss	<u><b>14,245,434</b></u>	<u><b>234,757</b></u>	<u><b>14,480,191</b></u>
Total of net realised and unrealised (loss)/gain included in profit or loss	<u><b>(3,624,185)</b></u>	<u><b>234,757</b></u>	<u><b>(3,389,428)</b></u>

	Listed securities HK\$	Unlisted securities HK\$	Total HK\$
For the six months ended 30 June 2021 (unaudited)			
Net realised loss on financial assets at fair value through profit or loss	(22,226,312)	–	(22,226,312)
Net unrealised gain on financial assets at fair value through profit or loss	38,432,161	1,110,466	39,542,627
Total of net realised and unrealised gain included in profit or loss	16,205,849	1,110,466	17,316,315

## 6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June 2022 (Unaudited)	For the six months ended 30 June 2021 (Unaudited)
(a) Finance costs		
Interest on other borrowings	1,868	48,135
Interest on lease liability	20,153	5,968
	22,021	54,103
(b) Other operating expenses		
Directors' remuneration		
– Fees	881,020	678,000
– Other emoluments	–	–
	881,020	678,000
Staff cost (excluding directors' remuneration and share-based payment)	2,080,766	1,671,511
Investment management fee (Note 8)	300,000	300,000
Foreign exchange loss, net	300,517	163,723
Auditors' remuneration	275,000	250,000
Lease payments not included in the measurement of lease liability	37,800	22,204
Consultancy fees	600,000	100,000
Legal and professional fees	2,163,484	1,048,092
Depreciation of right-of-use asset	185,854	144,016

## **7. INTERIM DIVIDEND**

The Board has resolved not to pay any interim dividend in respect of the current reporting period (30 June 2021: Nil).

## **8. FEES**

### **Administration fee**

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

The administration fee is subject to a monthly minimum fee of USD4,000 plus 7% disbursement charge (30 June 2021: USD4,000 plus 7% disbursement charge) and is payable monthly in arrears.

The administration fee for the Period is HK\$201,018 (30 June 2021: HK\$199,353). As at 30 June 2022, an administration fee of HK\$67,168 (31 December 2021: HK\$66,742) was payable to the Administrator.

### **Custodian fee**

Bank of Communications Trustee Limited (the “Custodian”) is entitled to a custodian fee which is calculated based on the net asset value of the Company at valuation day equal to the rate of 0.04% per annum. The custodian fee is subject to a monthly minimum fee of HK\$12,500 (30 June 2021: HK\$12,500) and is payable monthly in arrears.

The custodian fee for the Period is HK\$75,108 (30 June 2021: HK\$75,240). As at 30 June 2022, a custodian fee of HK\$25,000 (31 December 2021: HK\$25,000) was payable to the Custodian.

### **Management fee**

The Investment Manager is entitled to a monthly management fee of HK\$50,000 (30 June 2021: HK\$50,000) and payable monthly in advance.

The management fee for the Period is HK\$300,000 (30 June 2021: HK\$300,000). As at 30 June 2022, a management fee of HK\$50,000 (31 December 2021: HK\$50,000) was payable to the Investment Manager.

## **9. TAXATION**

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

### **Cayman Islands**

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

## Hong Kong

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

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company did not generate any assessable profit for the Period.

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

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

The calculation of basic and diluted earnings per share amount is based on the Company’s loss of HK\$10,735,153 (30 June 2021: profit of HK\$12,670,242) for the Period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the Period of 1,179,882,042 (30 June 2021: 677,059,459 (restated) ordinary shares), as adjusted to reflect the impact of right issue completed on 25 February 2022.

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

	<b>30 June 2022 (Unaudited) HK\$</b>	31 December 2021 (Audited) HK\$
Listed equity securities – Hong Kong	<b>33,618,213</b>	27,141,692
Listed equity security – Australia	–	3,370,853
Suspended listed equity security – Australia	<b>3,223,413</b>	–
Suspended listed equity security – Hong Kong	–	1,360,000
Investments in private equities – British Virgin Islands	<b>18,682,000</b>	18,682,000
Investments in private equities – Hong Kong	<b>55,598,624</b>	20,430,000
Investments in limited partnership fund – Hong Kong	<b>13,811,411</b>	–
Investment in promissory notes	–	23,381,302
Investment in unlisted bond	<b>10,500,000</b>	14,988,781
	<b><u>135,433,661</u></b>	<b><u>109,354,628</u></b>

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

The fair values of the private equity securities are determined based on valuation techniques for which inputs that have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Net unrealised gain on financial assets at fair value through profit or loss of HK\$14,480,191 has been recognised in profit or loss in the interim statement of profit or loss and other comprehensive income (30 June 2021: net gain HK\$39,542,627).

## 12. ISSUED CAPITAL

	Number of shares	Nominal amount HK\$
Issued and fully paid		
Ordinary shares of nominal amount HK\$0.04 each at 30 June 2022	<b>1,296,322,330</b>	<b>51,852,893</b>
Ordinary shares of nominal amount HK\$0.04 each at 31 December 2021	864,214,887	34,568,595

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 2021	600,149,228	24,005,969	157,910,938	181,916,907
Placing in May 2021 ( <i>Note (a)</i> )	120,029,845	4,801,194	16,694,238	21,495,432
Placing in November 2021 ( <i>Note (b)</i> )	144,035,814	5,761,432	17,453,655	23,215,087
At 31 December 2021 and 1 January 2022	<b>864,214,887</b>	<b>34,568,595</b>	<b>192,058,831</b>	<b>226,627,426</b>
Rights issue ( <i>Note (c)</i> )	<b>432,107,443</b>	<b>17,284,298</b>	<b>60,495,042</b>	<b>77,779,340</b>
At 30 June 2022	<b>1,296,322,330</b>	<b>51,852,893</b>	<b>252,553,873</b>	<b>304,406,766</b>

*Notes:*

- (a) On 21 May 2021, a total of 120,029,845 ordinary shares of HK\$0.04 each were placed at a price of HK\$0.18 per share (the "Placing in May 2021") for a total cash consideration, before the related issue expense, of approximately HK\$21.6 million. The issued and fully paid capital of the Company was increased to approximately HK\$28.81 million and resulted in a share premium of approximately HK\$16.69 million, after deducting the share placement expense of HK\$109,940. The net proceeds of the Placing in May 2021, after deduction of the costs of the Company, were subsequently applied for the investments of the Company in line with its ordinary course of business and pursuant to the investment objectives of the Company and for the general working capital of the Company to meet the running expenses of the Company such as rental and staff costs.
- (b) On 2 November 2021, a total of 144,035,814 ordinary shares of HK\$0.04 each were placed at a price of HK\$0.162 per share (the "Placing in November 2021") for a total cash consideration, before the related issue expense, of approximately HK\$23.33 million. The issued and fully paid capital of the Company was increased to approximately HK\$34.57 million and resulted in a share premium of approximately HK\$17.45 million, after deducting the share placement expense of HK\$118,715. The net proceeds of the Placing in November 2021, after deduction of the costs of the Company, were subsequently applied for the investments of the Company in line with its ordinary course of business and pursuant to the investment objectives of the Company and for the general working capital of the Company to meet the running expenses of the Company such as rental and staff costs.
- (c) On 25 February 2022, the Company raised approximately HK\$74 million, net of expenses by way of the rights issue of 432,107,443 rights shares on the basis of one rights share for every two shares at the subscription price of HK\$0.18 per rights share.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Board of the Company is pleased to present the Company's interim results for the Period.

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

## **FINANCIAL HIGHLIGHTS**

During the Period, the Company maintained a medium to long-term investment strategy in both public and private equity markets. The Company held five investments in Hong Kong-listed companies, one investment in Australia-listed company, seven private equity securities investments, one limited partnership fund and one unlisted bond as of 30 June 2022. One of our major investments is in the financial printing services sector focusing on the Hong Kong market. The Company reported net loss attributable to shareholders of HK\$10,735,153 during the Period, which consisted of the net loss in fair value of HK\$3,389,428 taken on the investment positions in the portfolio.

The investment performance of the Company during the Period is affected by the slowdown in the Chinese economy and the rising volatility of the global stock market due to the global pandemic. As at 30 June 2022, the Company reported an unaudited net asset value of approximately HK\$0.14 per share. The net loss is mainly attributable to both net unrealised gain HK\$14,480,191 offsetted by net realised loss HK\$17,869,619 on financial assets at fair value through profit or loss as a result of stock market volatility. The Company will continue to monitor investments cautiously due to recent uncertain market conditions.

## **BUSINESS REVIEW AND PROSPECT**

During the Period, lots of countries treat the first half of 2022 (the "2022-1H") as "Post" coronavirus disease (the "COVID-19") period and turning the focus on economy recovery, but some countries keep strict epidemic prevention policy. The uneven growth of the global economy leads some countries, such as U.S. undergoing high inflation which may cause global economy dampened.

China's national economy is growing gradually in the 2022-1H. According to the data of the National Bureau of Statistics of China, the gross domestic product ("GDP") of China in the 2022-1H increased to RMB 56,264.2 billion over the corresponding period, which represents an increase of 2.5% compared with the first half of 2021. The GDP of the second quarter of 2022 went up by 0.4% on a year-to-year basis.

Hang Seng Index dropped 6.9% in the 2022-1H. Hang Seng Chinese Enterprises Index dropped 6.9% at the same time. On the other hand, the United States Federal Reserve Board (the “U.S. Federal Reserve”) restarted the interest rate hike cycle since May of 2022. U.S. Federal Reserve raised interest rates for 50 and 75 percentage point in May and June of 2022 separately. Since U.S. inflation rises to 40-Year high, the inflation growth rate is much higher than the market’s expectation. We expect that the U.S. Federal Reserve does not have much choice but to hike interest rates. The U.S. interest rates may raise from 3% to 3.5% by the end of 2022, there are about 150 percentage point for interest rate hike.

Even though the outbreak of variant of COVID-19 spreaded all over the world, the seriousness of the illness is decreasing which provide rooms to different countries for returning their daily life to normal. However, COVID-19 left lots of uncertainties to the market, especially China employs strictest entry requirements and centralised quarantine policy, these impacts will slow down the GDP growth in China and the entire world straightly. The recovery of business in the second half of 2022 would be hugely challenging and recovery may take a long time when it starts.

The focus of the Company is to invest in listed securities in short to medium terms and will continue to seek opportunities to invest in listed companies with high potential. During the Period, we newly invested in Hanvey Group Holdings Limited which is principally engaged in the design and development, manufacturing and distribution of watch products. The Company will continue to look for further investment opportunities or even unlisted investments to benefit our investors and shareholders.

The other focus of the Company is to invest in private equity securities and other unlisted investments in long term. During the Period, the Company has newly invested in Gransing Finance Limited which is engaged in the provision of money lending. The Company believes private equity and fixed income investments shall diversify the risk of investments and will potentially bring greater return in long terms with the upcoming reform alongside with listed investments in portfolio.

The Company will continue to deploy an investment strategy focusing on Greater China and other global major 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

Pursuant to the requirements stipulated in Rule 21.12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company discloses its ten largest investments and all individual investments with value exceeding 5% of the Company’s gross assets with brief description of the investee companies as follows:

### At 30 June 2022

#### Listed Equity Securities – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee’s capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net asset attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$’000	HK\$’000	(Note 1) HK\$’000	(Note 2)	HK\$’000	
(a) Kingland Group Holdings Limited	The Cayman Islands	63,890,000 ordinary shares of HK\$0.01 each	7.92%	15,936	14,120	(1,816)	HK\$0.96 million	–	7.74
(b) State Innovation Holdings Limited (Formerly known as Beaver Group (Holding) Company Limited)	The Cayman Islands	26,358,750 ordinary shares of HK\$0.50 each	19.53%	18,321	13,970	(4,351)	HK\$9.87 million	–	7.66
(c) Hanvey Group Holdings Limited	The Cayman Islands	7,010,000 ordinary shares of HK\$0.1 each	4.67%	3,646	3,470	(176)	HK\$2.17 million	–	1.90

#### Listed Equity Security – Australia

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee’s capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net liability attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$’000	HK\$’000	(Note 1) HK\$’000	(Note 2)	HK\$’000	
(d) Crater Gold Mining Limited	Australia	35,000,000 ordinary shares	2.82%	2,669	3,223	554	AUS(0.43) million	–	1.77

### ***Private Equity Security – British Virgin Islands***

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net asset attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 3) HK\$'000	HK\$'000	
(e) Gransing Financial Group Limited	British Virgin Islands	64 shares of USD1 each	18.08%	46,377	18,300	(28,077)	HK\$17.45 million	–	10.03

### ***Private Equity Securities – Hong Kong***

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net asset attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 3) HK\$'000	HK\$'000	
(f) iPro Financial Press Limited	Hong Kong	17,493 shares	19.97%	34,999	33,781	(1,218)	HK\$18.28 million	–	18.52
(g) Gransing Finance Limited	Hong Kong	2,779,570 shares	19.90%	16,876	16,876	0	HK\$10.81 million	–	9.25
(h) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	4,868	(14,132)	HK\$13.30 million	–	2.67

### ***Limited Partnership Fund – Hong Kong***

Name of investee	Place of incorporation	Proportion of investee's capital owned	Cost	Market Value	Unrealised gain/(loss) recognised	Net asset attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
			HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 3) HK\$'000	HK\$'000	
(i) Gransing 1 LPF	Hong Kong	100%	12,000	13,811	1,811	HK\$13.81 million	–	7.57

### ***Unlisted Bond – The Cayman Islands***

Name of issuer	Place of incorporation	Cost <i>HK\$'000</i>	Market Value <i>HK\$'000</i>	Unrealised gain/(loss) recognised <i>(Note 1)</i> <i>HK\$'000</i>	Yield per annum %	Maturity date	Interest received/accrued during the Period <i>HK\$'000</i>	% of gross assets of the Company
(j) Oriental Payment Group Holdings Limited	The Cayman Islands	10,500	10,500	–	10	31 July 2022	660	5.76

### **As 31 December 2021**

### ***Listed Equity Securities – Hong Kong***

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Unrealised gain/(loss) recognised <i>(Note 4)</i> <i>HK\$'000</i>	Net asset attributable to the Company <i>(Note 2)</i>	Dividend received/receivable during the year <i>HK\$'000</i>	% of gross assets of the Company
Kingland Group Holdings Limited	The Cayman Islands	43,240,000 ordinary shares of HK\$0.01 each	5.36%	10,910	9,729	(1,181)	HK\$2.07 million	–	8.40
InvesTech Holdings Limited	The Cayman Islands	2,129,700 ordinary shares of US\$0.01 each	2.53%	5,177	3,812	(1,365)	RMB8.80 million	–	3.29
State Innovation Holdings Limited (Formerly known as Beaver Group (Holding) Company Limited)	The Cayman Islands	26,617,500 ordinary shares of HK\$0.1 each	9.86%	5,668	3,460	(2,208)	HK\$7.75 million	–	2.99

### ***Listed Equity Security – Australia***

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net liability attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 4) HK\$'000	(Note 2)	HK\$'000	
Crater Gold Mining Limited	Australia	35,000,000 ordinary shares	2.85%	2,669	3,371	702	AUD(0.44) million	–	2.91

### ***Private Equity Security – British Virgin Islands***

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net asset attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 4) HK\$'000	(Note 3)	HK\$'000	
Gransing Financial Group Limited	British Virgin Islands	64 shares of USD1 each	18.08%	46,377	18,300	(28,077)	HK\$26.77 million	–	15.80

### ***Private Equity Securities – Hong Kong***

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net asset attributable to the Company	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	(Note 4) HK\$'000	(Note 3)	HK\$'000	
iPro Financial Press Limited	Hong Kong	7,137 shares	19.90%	15,000	15,489	489	HK\$2.41 million	–	13.37
Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	4,868	(14,132)	HK\$13.30 million	–	4.20

### ***Unlisted Bond – The Cayman Islands***

Name of issuer	Place of incorporation	Cost	Market value	Unrealised gain/(loss) recognised (Note 4)	Yield per annum	Maturity date	Interest received/accrued	% of gross assets of the Company
							during the year	
		HK\$'000	HK\$'000	HK\$'000	%		HK\$'000	
Oriental Payment Group Holdings Limited	The Cayman Islands	15,000	14,989	(11)	10	24 May 2022	908	12.94

### ***Promissory Notes – Hong Kong***

Name of issuer	Place of incorporation	Cost	Market value	Unrealised gain/(loss) recognised (Note 4)	Yield per annum	Maturity date	Interest received/accrued	% of gross assets of the Company
							during the year	
		HK\$'000	HK\$'000	HK\$'000	%		HK\$'000	
Gransing Finance Limited	Hong Kong	11,500	11,499	(1)	8	8 February 2022	365	9.93
iPro Financial Press Limited	Hong Kong	9,000	8,877	(123)	8	21 June 2022	20	7.66

#### ***Notes:***

- (1) The unrealised gain/(loss) recognised represented the changes in fair value of the respective investments during the Period.
- (2) The calculation of net assets/(liability) attributable to the Company is based on the latest published interim/annual report of the respective investments as at the latest practicable date at the end of each reporting period.
- (3) The calculation of net assets/(liability) attributable to the Company is based on the latest financial information/statements of the respective investments as at the latest practicable date at the end of each reporting period.
- (4) The unrealised gain/(loss) recognised represented the changes in fair value of the respective investments during the year ended 31 December 2021.

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

- (a) Kingland Group Holdings Limited (“Kingland”) is an investment holding company mainly provides concrete demolition service in Hong Kong and Macau. The unaudited loss attributable to shareholders of Kingland for the six months ended 30 June 2022 was approximately HKD5,169,000 and the unaudited net assets attributable to shareholders of Kingland as at 30 June 2022 was approximately HKD12,126,000. Kingland will continuously strengthen cost control measure, resources management and endeavor to explore potential opportunity in the market in order to enhance Kingland’s profitability. The fair value of the investment in Kingland is based on quoted market bid prices.
- (b) State Innovation Holdings Limited (“State Innovation”) is a foundation contractor primarily engaged in subcontracted bored piling works as well as other foundation works. The audited loss attributable to shareholders of State Innovation for the financial year ended 30 March 2022 was approximately HKD38,045,000 and the audited net assets attributable to shareholders of State Innovation as at 30 March 2022 was approximately HKD50,526,000. Looking ahead, State Innovation will continue to strive to improve its operational efficiency and the profitability of its business. State Innovation will also proactively seek potential business opportunities that will broaden the sources of income and increase the return of shareholders. The fair value of the investment in State Innovation is based on quoted market bid prices.
- (c) Hanvey Group Holdings Limited (“Hanvey”) is principally engaged in the design and development, manufacturing and distribution of watch products. The unaudited gain attributable to shareholders of Hanvey for the six months ended 30 June 2022 was approximately HK\$3,871,000 and the unaudited net assets attributable to shareholders of Hanvey as at 30 June 2022 was approximately HK\$46,460,000. Hanvey will continue to focus on the core business and to strengthen their product design and development capability in order to maximise the long term returns of the shareholders of Hanvey. The fair value of the investment in Hanvey is based on quoted market bid prices.
- (d) Crater Gold Mining Limited (“Crater Gold Mining”) is principally engaged in producing gold and developing gold and base metal projects in Papua New Guinea and Australia. The unaudited loss attributable to shareholders of Crater Gold Mining for the six months ended 31 December 2021 was approximately AU\$1,432,967 and the unaudited net liabilities attributable to shareholders of Crater Gold Mining as at 31 December 2021 was approximately AU\$15,315,440. The trading of shares of Crater Gold Mining has been suspended since 9 July 2021. Crater Gold Mining is continuing to increase shareholder wealth through acquisition and development of world class mineral resources. The fair value of the investment in Crater Gold Mining is based on quoted market bid prices on the last trading day.

- (e) Gransing Financial Group Limited (“Gransing Financial”) is principally engaged in provision of quality brokerage, corporate finance, asset management, money lending and financial adviser services to institutional and individual investors in Hong Kong and Mainland China through its subsidiaries. With the enhancement of artificial intelligence (“A.I.”) technology, Gransing Financial launched several new services included the online account opening services for new customers in Hong Kong and China. Moreover, by the help of advanced intelligent technology, Gransing Financial’s A.I. analyst would serve their clients with stock monitoring, investment strategies and stock scoring services. All the above would improve Gransing Financial’s operation efficiency and earn more new potential clients. The fair value of the investment in Gransing Financial is based on valuation by independent valuer.
- (f) iPro Financial Press Limited (“iPro”) is principally engaged in financial printing services, production of announcements such as IPO prospectus and financial reports, and provision of venues for financial related forums. The fair value of the investment in iPro is based on valuation by directors of the Company.
- (g) Gransing Finance Limited (“Gransing Finance”) is engaged in the provision of money lending. The fair value of the investment in Gransing Finance is based on valuation by directors of the Company.
- (h) Help U Credit Finance Limited (“Help U”) is principally engaged in money lending business in Hong Kong. Help U is a licensed money lender and provides secured and unsecured loans to both individuals and corporations. The fair value of the investment in Help U is based on valuation by independent valuer.
- (i) Gransing 1 LPF (“Gransing 1”), is a limited partnership fund. Gransing 1 seeks to achieve maximum capital appreciation over the life of the Limited Partnership Fund through equity investments, specifically, investments in IPOs on securities to be listed on the Stock Exchange and in private placements by companies listed on the Stock Exchange. The fair value of the investment in Gransing 1 is based on net asset value.
- (j) Oriental Payment Group Holdings Limited (“Oriental Payment”) is an investment holding company mainly engaged in merchant acquiring business. Oriental Payment issued a bond to the Company which bond size is HK\$10.5 million, with coupon of 10% per year and will mature in July 2022. The fair value of the investment in the bond is based on valuation by directors of the Company.

## Top realised gain for the Period

Name of investment	Realised gain <i>HK\$'000</i>
WLS Holdings Limited	11

## Top three realised loss for the Period

Name of investment	Realised loss <i>HK\$'000</i>
Lerado Financial Group Company Limited	5,115
Finsoft Financial Investment Holdings Limited	3,149
New Ray Medicine International Holding Limited	2,818

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company has maintained a sufficient cash position which will allow it to capture opportunities with promising returns in both listed and private equities.

As at 30 June 2022, the gearing ratio, defined as total borrowings divided by shareholders' equities, was nil (31 December 2021: Nil). As at 30 June 2022, the Company has no margin payables to brokers (31 December 2021: Nil).

## INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend during the Period (30 June 2021: Nil).

## CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

As at 30 June 2022, the Company had no pledged Hong Kong listed securities to secure the margin payables to the brokers (31 December 2021: Nil).

There were no significant contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

## CAPITAL STRUCTURE

On 6 January 2011 (the "Listing Date"), the Company completed a share placement and a total of 303,000,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$1.03 per share for a total cash consideration, excluding the related issue expenses, for approximately HK\$312.1 million. Subsequent to the listing, the Company had acquired additional capital by completion of rights issue and placing of new shares under general mandate. As at 30 June 2022, the capital of the Company comprises of 1,296,322,330 ordinary shares of HK\$0.04 each.

## **RIGHTS ISSUE**

### **Rights issue on the basis of one rights share for every two shares**

During the Period, the Company had raised an approximately HK\$74 million, net of expenses, by way of the rights issue of 432,107,443 rights shares to the qualifying shareholders at a subscription price of HK\$0.18 per rights share on the basis of one rights share for every two shares (closing price of the shares of the Company was HK\$0.25 as at the date of announcement of the rights issue). The Company was intended to apply approximately HK\$62.9 million, and HK\$11.1 million, representing approximately 85% and 15% of the net proceeds, towards investment in funds and other investments, and general working capital of the Company. Details of the rights issue were set out in the announcements of the Company dated 7 January 2022, 12 January 2022, 15 February 2022 and 24 February 2022 and prospectus dated 25 January 2022.

As at 30 June 2022, the Company has applied HK\$34.6 million towards investment including limited partnership fund Gransing 1 LPF and other listed company equities as intended. However, the opportunity fund with investment focus on distress assets and shares in suspended listed companies with assets or projects in Hong Kong, the PRC or Taiwan has fail to be established since they are unable to find suitable investment manager. The Company will look for other suitable investments to utilise the proceeds accordingly as intended. On the other hand, the Company has applied HK\$7.3 million towards general working capital of the Company.

The unutilised amount of HK\$32.1 million (investment: HK\$28.3 million; general working capital: HK\$3.8 million) is expected to utilise accordingly as intended in the next 6 months.

## **CAPITAL EXPENDITURE AND COMMITMENT**

As at 30 June 2022, the Company made no capital expenditure or any other commitments (31 December 2021: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Period, the Company did not acquire or dispose of any subsidiaries or associated companies (31 December 2021: Nil).

## **USE OF PROCEEDS**

The Company has fifteen investments as of 30 June 2022, comprising of equity securities listed in Hong Kong and Australia, private equity securities, limited partnership fund and unlisted bond. The largest one held by the Company is in the financial printing services sector focusing in the Hong Kong market.

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Company had nine full-time employees (31 December 2021: seven). All of the Company's employees were based in Hong Kong.

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

The total remuneration cost incurred by the Company for the Period was approximately HK\$2,080,766 (30 June 2021: HK\$1,671,511).

## **FOREIGN CURRENCY FLUCTUATION**

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

## **EVENTS AFTER REPORTING PERIOD**

There is no significant event after the reporting period.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied most of the principles set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that throughout the Period, the Company was in compliance with the code provisions as set out in the CG Code, save and except for the deviation from code provision C.2.1.

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Prior to 10 January 2022, Mr. Gu Xu was both the Chairman and Chief Executive Officer of the Company. He provided leadership to the Board and was responsible for the Company's business development and daily management generally. To further enhance the corporate governance of the Company and comply with code provision C.2.1 of the CG Code, with effect from 10 January 2022, Mr. Huang Bin has been appointed as a non-executive Director and the Chairman of the Company, while Mr. Gu Xu has ceased to be the Chairman on the same date but remains as the Chief Executive Officer. With effect from 8 February 2022, Mr. Choi Chit Sze Jackson has been appointed as a non-executive Director of the Company and as Co-Chairman of the Board alongside Mr. Huang Bin.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **AUDIT COMMITTEE**

The Audit Committee of the Company (the "Audit Committee") currently comprises four independent non-executive Directors, namely Mr. Chong Ching Hoi (being the chairman with professional qualifications in accountancy), Mr. Leung Wai Lim, Mr. Sun Boquan and Mr. Tong Yun Lung.

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

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

## **PUBLICATION OF INTERIM REPORT**

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

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

Hong Kong, 30 August 2022

*As at the date of this announcement, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors; Mr. HUANG Bin (Co-Chairman), Mr. CHOI Chit Sze Jackson (Co-Chairman), Mr. WANG Dingben, Mr. CHOW Yeung Tuen Richard, Mr. CHOI Koon Ming and Ms. XIAO Ruimei as non-executive Directors; and Mr. LEUNG Wai Lim, Mr. SUN Boquan, Mr. CHONG Ching Hoi and Mr. TONG Yun Lung as independent non-executive Directors.*