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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)

CONTINUING CONNECTED TRANSACTION – RE-APPOINTMENT OF INVESTMENT MANAGER

The Board is pleased to announce that on 20 December 2019, the Company entered into the New Investment Management Agreement with the Investment Manager, pursuant to which the Investment Manager has agreed to continue to provide non-discretionary investment management services to the Company for a period of three years commencing from 1 January 2020 to 31 December 2022 under substantially the same terms as the Existing Investment Management Agreement.

The Investment Manager is regarded as a connected person of the Company under Rule 14A.08 of the Listing Rules. Accordingly, the provision of non-discretionary investment management services by the Investment Manager to the Company under the New Investment Management Agreement constitutes a continuing connected transaction of the Company.

The maximum aggregate fee payable by the Company to the Investment Manager under the New Investment Management Agreement will not exceed HK\$600,000 per annum. As the relevant percentage ratios for the transactions contemplated under the New Investment Management Agreement on an annual basis are less than 25%, and that each of the Annual Caps is less than HK\$10,000,000, the transactions contemplated under the New Investment Management Agreement are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules.

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THE NEW INVESTMENT MANAGEMENT AGREEMENT

Date 20 December 2019

Parties The Company and the Investment Manager

Duration and termination

Pursuant to the New Investment Management Agreement, the Investment Manager will be re-appointed by the Company as the investment manager of the Company to provide non-discretionary investment management services for a period of three years commencing from 1 January 2020 to 31 December 2022, unless terminated earlier by either party by giving not less than three months' prior notice in writing to the other party.

Services to be provided

The Investment Manager will continue to provide non-discretionary investment management services to the Company under the New Investment Management Agreement including:

- identifying, reviewing and evaluating investment and divestment opportunities for the Company and negotiating the terms of such investment and divestment for the Company in accordance with the investment policies of the Company and directions from the Investment Committee;
- providing investment recommendations to the Investment Committee and assisting the Investment Committee in structuring acquisitions and disposals;
- executing investment and divestment decisions of the Company in accordance with the instructions of the Investment Committee; and
- providing general administrative services.

Management fees, relating expenses and annual cap amount

The following table sets out the Annual Caps for the fees payable to the Investment Manager under the New Investment Management Agreement:

	Year ending 31 December		
	2020	2021	2022
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Annual Caps of management fees	600	600	600

REASONS FOR, AND BENEFITS OF THE ENTERING INTO OF THE NEW INVESTMENT MANAGEMENT AGREEMENT

The Investment Manager has provided investment management services to the Company since 1 January 2014 and the Board is of the view that it would be in the best interests of the Company and the Shareholders as a whole to continue with the existing relationship with the Investment Manager. The New Investment Management Agreement is in substantially the same terms as the Existing Investment Management Agreement and the annual management fee of the Investment Manager under the New Investment Management Agreement will reduce from HK\$960,000 to HK\$600,000 per annum in view of current economic condition. The Investment Manager also has extensive investment management experience in Hong Kong in relation to investment companies listed under Chapter 21 of the Listing Rules (it is currently the investment manager of five other listed investment companies excluding the Company, namely, China Innovation Investment Limited, China Investment and Finance Group Limited, and China Investment Development Limited, Unity Investments Holdings Limited, Earnest Investments Holdings Limited) and has strong business connections in the PRC. The Investment Manager has the competitive advantages to act as the investment manager of the Company and to make available investment opportunities and research on underlying investments in listed and unlisted equities in Hong Kong and the PRC as required by the Company's investment objective and is capable of providing professional investment services to the Company.

IMPLICATION UNDER THE LISTING RULES

The Investment Manager is a connected person of the Company under Rule 14A.08 of the Listing Rules. Accordingly, the provision of non-discretionary investment management services by the Investment Manager to the Company under the New Investment Management Agreement constitutes a continuing connected transaction of the Company.

The maximum aggregate fee payable by the Company to the Investment Manager under the New Investment Management Agreement will not exceed HK\$600,000 per annum. As the relevant percentage ratios for the transactions contemplated under the New Investment Management Agreement on an annual basis are less than 25%, and that each of the Annual Caps is less than HK\$10,000,000, the transactions contemplated under the New Investment Management Agreement are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules.

The Board (including the Independent Non-executive Directors but excluding Mr. Chan Cheong Yee who is an executive Director and one of the responsible officers of the Investment Manager and is deemed to be interested in the New Investment Management Agreement and has abstained from voting at the relevant board meeting approving the New Investment Management Agreement and the Annual Caps) considers that:

- (a) the terms and conditions of the New Investment Management Agreement are negotiated on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (b) the Annual Caps are fair and reasonable; and
- (c) the transactions contemplated under the New Investment Management Agreement are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND THE INVESTMENT MANAGER

The Company

The Company is an investment company listed under Chapter 21 of the Listing Rules. The investment objective of the Company is to achieve long-term capital appreciation through investing globally in both private and publicly listed 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.

The Investment Manager

As at the date of this announcement, the Investment Manager is wholly owned by Everbright Securities Company Limited, a company whose issued shares are listed on The Shanghai Stock Exchange with stock code SH601788 and the Hong Kong Stock Exchange with stock code 6178.HK.

The Investment Manager is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings set out below:

“Annual Cap(s)”	the proposed maximum aggregate amount of the fees payable to the Investment Manager per annum under the New Investment Management Agreement, being HK\$600,000, HK\$600,000 and HK\$600,000 for each of the three years ending 31 December 2020, 2021 and 2022 respectively
“Board”	the board of Directors
“Company”	China New Economy Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability on 1 February 2010
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Investment Management Agreement”	the investment management agreement entered into between the Company and the Investment Manager on 30 December 2016, pursuant to which the Company has appointed the Investment Manager as the investment manager of the Company to provide investment management services for a period commencing from 1 January 2017 to 31 December 2019
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company
“Investment Committee”	the investment committee of the Company
“Investment Manager”	China Everbright Securities (HK) Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Investment Management Agreement”	the investment management agreement entered into between the Company and the Investment Manager on 20 December 2019 in relation to the provision of non-discretionary investment management services by the Investment Manager to the Company for a period of three years commencing from 1 January 2020 to 31 December 2022
“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
China New Economy Fund Limited
Gu Xu

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 December 2019

As at the date of this announcement, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors, Mr. LEUNG Wai Lim, Mr. CHONG Ching Hoi and Mr. SUN Boquan as independent non-executive Directors.