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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 – CHANGE OF INVESTMENT MANAGER

Reference is made to the announcement of China New Economy Fund Limited (the “**Company**”) dated 20 December 2019 (the “**Announcement**”) in relation to, among others, the Investment Management Agreement (the “**Existing Investment Management Agreements**”) with respect to the re-appointment of China Everbright Securities (HK) Limited (“**China Everbright**”) as investment manager of the Company. Definitions and terms used in this announcement, unless the context requires otherwise, shall bear the same meanings as defined in the Announcement.

On 23 October 2020, the Company received a notice for termination of the Existing Investment Management Agreements from China Everbright, which said that China Everbright had decided to discontinue investment management services to all investment companies listed under Chapter 21 of the Listing Rules (“**Chapter 21 Investment Companies**”). The Existing Investment Management Agreements will be formally terminated on 30 November 2020.

The board of Directors (the “**Board**”) announces that the Company entered into a new investment management agreement (the “**New Investment Management Agreement**”) with Evergrande Securities (Hong Kong) Limited (“**ESHK**”) on 30 November 2020, pursuant to which ESHK has agreed to act as the investment manager of the Company and to provide non-discretionary investment management services to the Company for a period of three years commencing from 1 January 2021 to 31 December 2023.

PRINCIPAL TERMS OF THE NEW INVESTMENT MANAGEMENT AGREEMENT

Pursuant to the New Investment Management Agreement, ESHK will be appointed as the investment manager of the Company for a term of three years commencing from 1 January 2021 to 31 December 2023, unless terminated at any time by either the Company or ESHK by serving not less than three months’ prior notice in writing on the other party. The appointment of ESHK as the new investment manager of the Company will be governed by the terms and conditions of the New Investment Management Agreement.

Pursuant to the New Investment Management Agreement, the Company shall pay to ESHK a fixed investment management fee of HK\$50,000 per month with effect from the effective date of the New Investment Management Agreement.

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		
	2021	2022	2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Annual Caps of management fees	600	600	600

Pursuant to the New Investment Management Agreement, ESHK shall, among others:

- (1) identify, review and evaluate investment and disinvestments opportunities for the Company and negotiate the best terms of such investment and disinvestment for the Company;
- (2) advise the Board on the merits of investment opportunities or information relevant to the making of judgments about the merits of investment opportunities and to render investment advice to the Board based upon such information as may reasonably be available to it and, in particular, assist the Board in structuring acquisitions and disposals;
- (3) provide the Board with such information as may reasonably be available to it on opportunities to acquire or to dispose of investments of which ESHK becomes aware and which in the opinion of ESHK are or may be suitable for the Company;
- (4) monitor and keep under review the performance and status of the assets (including but not limited to cash and securities) of the Company from time to time, based on information as may reasonably be available to it, and to provide the Board with any assistance in relation to the Company's investment as it may require;
- (5) assess whether it is reasonable to make provision for future expenses and/or any possible diminution in value of investment out of the net amount derived from interest, dividends and other income received by the Company after meeting expenses, and consider the amount of cash required for future investment of the Company;
- (6) provide the Board, the auditors of the Company, the company secretary of the Company or such other person as authorised by the Board, from time to time with such information as may be in the possession or control of ESHK as may reasonably be required for the keeping of such accounts, books, records and statements as may be required by applicable law and regulations (including without limitation the Listing Rules) for the proper conduct of the affairs of the Company; and

- (7) act in accordance with all reasonable instructions given and authorities delegated to it from time to time by the Board and to keep the Board fully informed as to the discharge of its powers and duties hereunder.

Notwithstanding the foregoing, from time to time the Board may give ESHK directions in writing relating to the conduct of the business of the Company to be carried out by it on behalf of the Company and ESHK shall exercise its powers and duties thereunder subject to and in accordance with such directions.

The Board shall retain overall control over the investment policies of the Company and may at its sole discretion resolve and decide on whether to approve any of the proposals submitted by ESHK.

REASONS FOR ENTERING INTO THE NEW INVESTMENT MANAGEMENT AGREEMENT

On 23 October 2020, the Company received a notice for termination of the Existing Investment Management Agreements from China Everbright, in which the Existing Investment Management Agreements will be formally terminated on 30 November 2020. Accordingly, the Company appoints ESHK as its new investment manager to provide investment management services commencing from 1 January 2021.

Under the New Investment Management Agreement, the aggregate amount of the annual management fees and related expenses to be paid shall be the same as to the annual management fees paid under the Existing Investment Management Agreement. Furthermore, ESHK also has extensive investment management experience in Hong Kong in relation to investment companies listed under Chapter 21 of the Listing Rules. The Company believes that ESHK will be able to contribute towards the Company's new business development and direction, and to provide professional investment services to the Company. The Directors also consider that the investment experience of ESHK goes in line with the investment strategies of the Company and are of the view that its expertise will be beneficial to the Company and its shareholders as a whole.

The Directors of the Company consider that ESHK can provide professional investment services and fulfil its role as the investment manager of the Company. Furthermore, the key persons in charge have not changed, and they have been key members of the management team of the existing investment manager China Everbright. The investment manager has not changed substantially, so ESHK would be appointed as the Company's investment manager.

LISTING RULES IMPLICATION

ESHK 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 ESHK 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 ESHK 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 ESHK and is deemed to be interested in the New Investment Management Agreement and has abstained from voting on the relevant board resolution 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 ON 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.

INFORMATION OF THE NEW INVESTMENT MANAGER – ESHK

ESHK, previously known as Grand Investment (Securities) Limited, was incorporated in Hong Kong in 1989. ESHK was acquired and became a wholly-owned subsidiary of China Evergrande Group (“**Evergrande**”) in 2018. Evergrande is a company listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) with the stock code of 3333. Currently, its total assets reached RMB2.3 trillion and its annual sales volume exceeded RMB800 billion. It has 140,000 employees and rank 152nd on the Fortune Global 500 list.

ESHK is a wholly-owned subsidiary of Evergrande in Hong Kong. ESHK is licensed to carry out Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management) of regulated activities under the Securities and Futures Ordinance (“**SFO**”) with CE No. AFE504. ESHK is the exchange participant and

options trading exchange participant of the Stock Exchange and a direct clearing participant of the Stock Exchange Options Clearing House Limited and Hong Kong Securities Clearing Company Limited.

ESHK is able to provide investment management services to Chapter 21 Investment Companies. The newly appointed responsible officer of ESHK, Mr. Chan Cheong Yee (“**Mr. Chan**”), has a long history of being an executive Director and investment manager of Chapter 21 Investment Companies, namely China New Economy Fund Limited (stock code: 80), China Innovation Investment Limited (stock code: 1217), China Investment and Finance Group Limited (stock code: 1226), China Investment Development Limited (stock code: 204) and Capital VC Limited (stock code: 2324), each of which invests principally in the Greater China and Asia Pacific regions. Mr. Chan is an executive Director of the Company. As of the date of this letter, Mr. Chan does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 November 2020

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