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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 2014

##### 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 2014, together with the unaudited figures for the six months ended 30 June 2013.

##### INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	<i>Notes</i>	<b>For the six months ended 30 June 2014 (Unaudited) HK\$</b>	<b>For the six months ended 30 June 2013 (Unaudited) HK\$</b>
<b>REVENUE</b>	4	<b>1,883,469</b>	3,609,146
Net change in fair value of financial assets at fair value through profit or loss	5	<b>87,083,875</b>	5,403,828
Other operating expenses		<b>(6,193,007)</b>	(4,677,084)
<b>PROFIT BEFORE TAX</b>	6	<b>82,774,337</b>	4,335,890
Income tax expense	9	<b>(13,136,625)</b>	(521,401)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b><u>69,637,712</u></b>	<b><u>3,814,489</u></b>
<b>EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<i>10</i>		
– Basic (HK cents)		<b><u>22.98</u></b>	<b><u>1.26</u></b>
– Diluted (HK cents)		<b><u>22.98</u></b>	<b><u>1.26</u></b>

# INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<b>30 June 2014 (Unaudited) HK\$</b>	31 December 2013 (Audited) HK\$
	<i>Notes</i>	
<b>NON-CURRENT ASSETS</b>		
Deferred tax assets	<b>4,991,346</b>	2,312,865
<b>CURRENT ASSETS</b>		
Prepayment and other receivables	<b>548,123</b>	659,426
Financial assets at fair value through profit or loss	<i>11</i> <b>282,340,856</b>	56,797,281
Cash and cash equivalents	<b>68,465,291</b>	201,849,766
Total current assets	<b>351,354,270</b>	259,306,473
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	<b>10,546,257</b>	1,002,797
Amount due to a related company	<b>80,000</b>	350,000
Tax payable	<b>5,938,469</b>	5,938,469
Total current liabilities	<b>16,564,726</b>	7,291,266
<b>NET CURRENT ASSETS</b>	<b>334,789,544</b>	252,015,207
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>339,780,890</b>	254,328,072
<b>NON-CURRENT LIABILITY</b>		
Deferred tax liabilities	<b>15,815,106</b>	–
Net assets	<b>323,965,784</b>	254,328,072
<b>EQUITY</b>		
Issued capital	<b>30,300,000</b>	30,300,000
Reserves	<b>293,665,784</b>	224,028,072
Total equity	<b>323,965,784</b>	254,328,072
<b>NET ASSET VALUE PER SHARE</b>	<b>1.07</b>	0.84

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

## 1. CORPORATION INFORMATION

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

The Company’s registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at 3/F, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The principal investment objective of the Company is to achieve long-term capital appreciation through investing in both private and public enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of Mainland China, Hong Kong, Macau, and Taiwan.

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

### 2.1 BASIS OF PREPARATION

The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS34”) and the applicable disclosure requirements of Appendix 16 of the Listing 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 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 as at 31 December 2013.

### 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2013, except for the adoption of amendments to the standards effective as of 1 January 2014 that was assessed to have an impact to the annual financial statements of the Company or the interim condensed financial statements of the Company.

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

#### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Company.

#### *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The Company has not early applied any of the new and revised IFRS, that have been issued but are not yet effective, in these interim condensed financial statements. Among the new IFRSs, the following is expected to be relevant to the Company’s interim condensed financial statements upon becoming effective:

IFRS 9 *Financial Instruments*<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2015

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the interim condensed financial statements for the period ending 30 June 2015.

The Company is in the process of making an assessment of the impact of these changes.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on the categories of investments. During the period ended 30 June 2014, the Company has two reportable operating segments as follows:

Listed securities – Investments in equity and debt securities listed on relevant stock exchanges  
Unlisted securities – Investment in a private fund

During the period ended 30 June 2013, all of the Company’s investments are equity and debt securities listed relevant stock exchanges and the Company was organized into one main operating segment.

Further details of the Company’s investments are included in Note 11 to the interim condensed financial statements.

The following is an analysis of the Company’s results by operating segments:

	<b>Listed securities</b>	<b>Unlisted securities</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
For the six months ended 30 June 2014 (unaudited)			
Segment results	<u>88,938,232</u>	<u>–</u>	88,938,232
Bank interest income			29,112
Unallocated expenses			<u>(6,193,007)</u>
Profit before tax			<u>82,774,337</u>

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the six months ended 30 June 2013 (unaudited)			
Segment results	<u>8,957,064</u>	<u>–</u>	8,957,064
Bank interest income			55,910
Unallocated expenses			<u>(4,677,084)</u>
Profit before tax			<u>4,335,890</u>

For the six months ended 30 June 2014 and 2013, segment results represented the net gain on fair value of listed equity and debt securities 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 and interest income from bank deposits as well as investment manager's fees.

As management considers the Company's nature of business as investment trading, there was no information regarding major customers as determined by the Company and no segment revenue is presented.

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

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
At 30 June 2014 (unaudited)			
Assets:			
Financial assets at fair value through profit or loss	<u>244,840,856</u>	<u>37,500,000</u>	282,340,856
Unallocated assets			<u>74,004,760</u>
Total assets			<u>356,345,616</u>
Liabilities:			
Other payables and accruals – amount due to a broker	<u>9,980,703</u>	<u>–</u>	9,980,703
Unallocated liabilities			<u>22,399,129</u>
Total liabilities			<u>32,379,832</u>

The following is an analysis of the Company's assets by operating segments:

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
At 31 December 2013 (unaudited)			
Assets:			
Financial assets at fair value through profit or loss	<u>56,797,281</u>	<u>–</u>	56,797,281
Unallocated assets			<u>204,822,057</u>
Total assets			<u>261,619,338</u>
Liabilities:			
Unallocated liabilities			<u>7,291,266</u>
Total liabilities			<u>7,291,266</u>

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than prepayments and other receivables, and cash and bank balances.

#### 4. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June 2014 (Unaudited) <i>HK\$</i></b>	For the six months ended 30 June 2013 (Unaudited) <i>HK\$</i>
Dividend income from listed equity securities	<b>1,214,784</b>	2,576,058
Interest income from listed debt securities	<b>639,573</b>	977,178
Bank interest income	<b>29,112</b>	55,910
	<u><b>1,883,469</b></u>	<u>3,609,146</u>

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

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the six months ended 30 June 2014 (unaudited)			
Net realized loss on financial assets at fair value through profit or loss	(23,209,720)	–	(23,209,720)
Net unrealized gain on financial assets at fair value through profit or loss	<u>110,293,595</u>	–	<u>110,293,595</u>
Total realized and unrealized gain included in the profit or loss	<u><u>87,083,875</u></u>	<u><u>–</u></u>	<u><u>87,083,875</u></u>
	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
For the six months ended 30 June 2013 (unaudited)			
Net realized loss on financial assets at fair value through profit or loss	(5,606,466)	–	(5,606,466)
Net unrealized gain on financial assets at fair value through profit or loss	<u>11,010,294</u>	–	<u>11,010,294</u>
Total realized and unrealized gain included in the profit or loss	<u><u>5,403,828</u></u>	<u><u>–</u></u>	<u><u>5,403,828</u></u>

## 6. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June 2014 (Unaudited) HK\$</b>	For the six months ended 30 June 2013 (Unaudited) HK\$
Directors' remuneration:		
Fees	774,000	242,438
Other emoluments	—	—
	<hr/>	<hr/>
	<b>774,000</b>	242,438
	<hr/>	<hr/>
Staff cost (excluding director's remuneration)	675,390	—
Investment management fee (note 8)	480,000	2,100,000
Auditors' remuneration	149,250	143,250
Foreign exchange loss/(gain), net	75,925	(135,766)
Minimum operating lease payments in respect of properties	89,825	—
Consultancy fees	1,207,500	—
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## 7. INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the current reporting period (30 June 2013: Nil).

## 8. FEES

### Administration fee

HSBC Trustee (Cayman) Limited (the "Administrator") is entitled to receive an administration fee which is calculated at each valuation day at the following rates:

First HK\$800 million of net asset value	0.140% per annum
Next HK\$1,200 million of net asset value	0.125% per annum
On the remainder of net asset value	0.110% per annum

The administration fee is subject to a monthly minimum fee of HK\$73,000 and is payable monthly in arrears.

The administration fee for the current period is HK\$438,000 (30 June 2013: HK\$438,000). As at 30 June 2014, an administration fee of HK\$73,000 (31 December 2013: HK\$73,000) was payable to the Administrator.

### Valuation fee

The Administrator is also entitled to a fee of HK\$8,000 per additional valuation. This is payable on a monthly basis for a calculation of the Company's net asset value on an ad-hoc basis.

No valuation fee was charged for the current period (30 June 2013: Nil). As at 30 June 2014, no valuation fee (31 December 2013: Nil) was payable to the Administrator.



## **Custodian fee**

HSBC Institutional Trust Services (Asia) Limited (the “Custodian”) is entitled to receive a custodian fee which is calculated at each valuation day at the following rates:

First HK\$800 million of net asset value	0.040% per annum
Next HK\$1,200 million of net asset value	0.035% per annum
On the remainder of net asset value	0.030% per annum

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

The custodian fee for the current period is HK\$90,000 (30 June 2013: HK\$90,000). As at 30 June 2014, a custodian fee of HK\$15,000 (31 December 2013: HK\$15,000) was payable to the Custodian.

## **Management fee**

Effective from 1 January 2014, China Everbright Securities (HK) Limited (the “Investment Manager”) was entitled to a monthly management fee of HK\$80,000 (30 June 2013: management fee at 1.8% of the net asset value of the Company) and payable monthly in arrears.

The management fee for the current period is HK\$480,000 (30 June 2013: HK\$2,100,000). As at 30 June 2014, a management fee of HK\$80,000 (31 December 2013: HK\$350,000) 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 earning.

### **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. 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**

Hong Kong profits tax of HK\$13,136,625 (30 June 2013: HK\$521,401) representing net deferred tax liability that have been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the current period (30 June 2013: 16.5%).

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

For presentation purposes, deferred tax assets and liabilities as at 30 June 2014 have been offset in the interim condensed statement of financial position. The deferred tax assets arising from recognized tax losses and the deferred tax liabilities arising from unrealized investment valuation gains amounted to HK\$4,991,346 (31 December 2013: HK\$2,312,865) and HK\$15,815,106 (31 December 2013: Nil) respectively.

### **PRC**

No provision was made for taxation in the interim condensed financial statements as the Company did not generate any PRC sourced income during the current period (30 June 2013: Nil).

## 10. EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earning per share is based on the Company's profit for the current period attributable to the ordinary equity holders of HK\$69,637,712 (30 June 2013: HK\$3,814,489) and the weighted average number of ordinary shares in issue during the current period of 303,000,000 (30 June 2013: 303,000,000 ordinary shares). No adjustment has been made to the basic earning per share amount presented for the period ended 30 June 2014 in respect of a dilution as the Company had no dilutive ordinary shares in issue during the period (30 June 2013: Nil).

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

	<b>30 June 2014 (Unaudited) HK\$</b>	31 December 2013 (Audited) HK\$
Listed equity securities		
– Hong Kong	<b>231,160,256</b>	31,613,970
Listed debt securities		
– Singapore	<b>13,680,600</b>	25,183,311
Investment in a private fund		
– The Cayman Islands	<b>37,500,000</b>	–
	<b>282,340,856</b>	56,797,281

The above listed equity and debt securities were classified as held for trading and their fair values are determined based on the quoted bid prices available on the relevant stock exchanges at the end of the reporting period.

The above investment in a private fund is classified as held for trading and its value is determined based on recent transaction.

Movement in net unrealized gain on financial assets held for trading of HK\$110,293,595 has been recognized in profit or loss in the interim condensed statement of comprehensive income (30 June 2013: HK\$11,010,294).

## 12. COMMITMENTS

During the period, the Company entered into a two-year tenancy agreement for the lease of its office premises. At 30 June 2014, the total future lease payments under the tenancy agreement falling due as follows:

	<b>30 June 2014 (Unaudited) HK\$</b>	31 December 2013 (Audited) HK\$
Within one year	<b>207,120</b>	–
In the second year	<b>120,820</b>	–
	<b>327,940</b>	–

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The board of directors (the “Board” or the “Directors”) of China New Economy Fund Limited (the “Company”) are pleased to present the Company’s interim results for the six months ended 30 June 2014 (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 adopted a long-term investment strategy in both public and private equity markets. The Company held eight investments in listed companies and one investment in private equity as of 30 June 2014, in which the largest one is in the information technology sector focusing on the Hong Kong market. The Company reported net profit attributable to shareholders of HK\$69,637,712 during the Period, which consisted of the net unrealized gain of HK\$110,293,595 arising from the net mark to market gains taken on the investment positions in the portfolio.

The net asset value of the Company increased significantly during the Period despite the slowdown in the Chinese economy and the rising volatility of the global stock market. As at 30 June 2014, the Company reported an unaudited net asset value of approximately HK\$1.07 per share. The upswing was due to net unrealized mark to market valuation of HK\$110,293,595 and offset by the net realized loss of HK\$23,209,720 taken on the investment positions in the portfolio. The Company will continue to monitor investments cautiously and expect a surge in its valuation as market conditions improve.

### **BUSINESS REVIEW**

During the Period, the Chinese Government was dedicated to reforming its credit-backed growth model by tightening liquidity in the domestic market so as to achieve sustainable growth. Coupled with an uncertain global economy and weaker external demand, China experienced a progressive slowdown in economic growth. According to the data of the National Bureau of Statistics, in the first half of 2014, China’s gross domestic product recorded an increase of 7.4% over the corresponding period the year before, representing a decline of 0.2% compared with the first half of 2013.

The Hong Kong economy and stock market were inevitably affected. In the first half of 2014, the Hang Seng Index and Hang Seng China Enterprises Index were down by 0.5% and 4.4% respectively. Faced with the weak stock market, the Company deployed a timely and appropriate investment approach in response to the ever-changing market sentiment and government policy so that net assets under its management during the Period recorded a substantial increase. The most significant gain of our investment portfolio came from Finsoft Corporation (stock code: 8018), amounting to HK\$90,659,250. Our held-to-maturity listed debt securities also contributed significantly to the Company’s revenue with attractive yields to maturity. The Company will continue its comprehensive risk management strategy with an aim to achieve stable returns on investments for shareholders.

Details of the Company's financial assets at fair value through profit or loss are as follows:

**At 30 June 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/ (liability) attributable to the Company	Dividend received/ receivable during the Period	% of net assets of the Company
					HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
(a)	CIL Holdings Limited	Bermuda	80,000,000 ordinary shares of HK\$0.01 each	3.186%	8,800	8,720	(80)	HK\$1.20 million	–	2.69
(b)	Nanjing Sinolife United Company Limited	The People's Republic of China (the "PRC")	10,000,000 H shares of RMB0.10 each	1.193%	21,000	18,300	(2,700)	RMB2.19 million	–	5.65
(c)	AMCO United Holding Limited	Bermuda	95,000,000 ordinary shares of HK\$0.01 each	7.273%	22,705	25,650	2,945	HK\$(2.67) million	–	7.92
(d)	China Mobile Games and Cultural Investment Limited (Formerly known as Computech Holdings Limited)	The Cayman Islands	274,608,000 ordinary shares of HK\$0.10 each	14.412%	28,873	36,248	7,375	HK\$35.14 million	–	11.19
(e)	Oriental Unicorn Agricultural Group Limited	Bermuda	63,000,000 ordinary shares of HK\$0.01 each	4.843%	10,080	7,560	(2,520)	HK\$12.20 million	–	2.33
(f)	Finsoft Corporation	The Cayman Islands	91,575,000 ordinary shares of HK\$0.001 each	4.579%	33,883	124,542	90,659	HK\$2.30 million	–	38.44
(g)	Jia Meng Holdings Limited	The Cayman Islands	19,500,000 ordinary shares of HK\$0.025 each	4.875%	9,945	10,140	195	HK\$4.44 million	–	3.13

*Listed debt securities – Singapore*

Name of issuer	Place of incorporation	Quantity	Cost	Market value	Unrealized gain/(loss) recognized	Yield per annum	Maturity date	% of net assets of the Company	Interest received/ accrued during the Period
					(Note 1)	(%)			HK\$'000
(h) Chaowei Power Holdings Limited	The Cayman Islands	10,000,000	12,248	13,681	1,433	7.25	24 September 2017	4.22	446

*Private Fund – The Cayman Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized	Net asset/ (liability) attributable to the Company	Dividend received/ receivable during the Period	% of net assets of the Company
						(Note 1)			
(i) Hydra Capital SPC	The Cayman Islands	3,750 shares of HK\$10,000 each	16.816%	37,500	37,500	–	HK\$37.50 million	–	11.58

**At 31 December 2013**

*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/(liability) attributable to the Company	Dividend received/receivable during the Year	% of net assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
(i) Dongjiang Environmental Company Limited	The People's Republic of China (the "PRC")	389,450 H shares of RMB1.00 each	0.17%	7,159	9,970	(2,453)	RMB3.72 million	163	3.92
(ii) DX.com Holdings Limited (Formerly known as EPRO Limited)	The Cayman Islands	33,000,000 ordinary shares of HK\$0.01 each	0.65%	24,826	7,128	(17,698)	HK\$1.56 million	–	2.80
(iii) PCCW Limited	Hong Kong	1,824,000 ordinary shares of HK\$0.25 each	0.025%	6,476	6,293	91	HK\$2.15 million	833	2.47
(iv) China Mobile Limited	Hong Kong	73,000 ordinary shares of HK\$0.1 each	0.0004%	6,288	5,858	(730)	RMB2.75 million	418	2.30
(v) Wasion Group Holdings Limited	The Cayman Islands	500,000 ordinary shares of HK\$0.01 each	0.054%	2,425	2,365	(60)	RMB1.41 million	360	0.93

Listed debt securities – Singapore

Name of issuer	Place of incorporation	Quantity	Cost	Market value	Unrealized gain/(loss) recognized	Yield per annum	Maturity date	% of net assets of the Company	Interest received/accrued during the Year
			HK\$'000	HK\$'000	(Note 3) HK\$'000	(%)			HK\$'000
(vi) Chaowei Power Holdings Limited	The Cayman Islands	10,000,000	12,248	12,779	(37)	7.25	24 September 2017	5.02	919
(vii) China WindPower Group Limited	Bermuda	9,800,000	10,396	12,404	1,549	6.375	4 April 2014	4.88	792

Notes:

- (1) The unrealized gain/(loss) represented the changes in fair value of the respective investments during the Period.
- (2) The calculation of net assets/liabilities attributable to the Company is based on the latest published interim report or annual report of the respective investments as at the latest practicable date 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 2013.

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

- (a) CIL Holdings Limited (“CIL”) is principally engaged in the provision of comprehensive solutions and distribution of server storage, multi-media, and communication products. The unaudited loss attributable to shareholders of CIL for the six months ended 31 December 2013 was approximately HK\$30,198,000 and the unaudited net assets attributable to shareholders of CIL as at 31 December 2013 was approximately HK\$37,779,000. The fair value of the investment in CIL is based on quoted market bid prices.
- (b) Nanjing Sinolife United Company Limited (“Nanjing Sinolife”) is principally engaged in the sale of nutritional supplements and health food products in China. The audited profit attributable to shareholders of Nanjing Sinolife for the year ended 31 December 2013 was approximately RMB70,786,000 and the unaudited net assets attributable to shareholders of Nanjing Sinolife as at 31 December 2013 was approximately RMB183,882,000. The fair value of the investment in Nanjing Sinolife is based on quoted market bid prices.
- (c) AMCO United Holding Limited (“AMCO”) is principally engaged in the manufacture and sale of medical devices products and plastic moulding products. The audited loss attributable to shareholders of AMCO for the year ended 31 December 2013 was approximately HK\$74,613,000 and the audited net liability attributable to shareholders of AMCO as at 31 December 2013 was approximately HK\$36,673,000. The fair value of the investment in AMCO is based on quoted market bid prices.

- (d) China Mobile Games and Cultural Investment Limited (“CMG”) is principally engaged in investment in mobile games, provision of IT services, money lending business, medical diagnostic and health check services, and securities and property investments business. The unaudited loss attributable to shareholders of CMG for the Period was approximately HK\$10,763,000 and the unaudited net assets attributable to shareholders of CMG as at 30 June 2014 was approximately HK\$243,840,000. The fair value of the investment in CMG is based on quoted market bid prices.
- (e) Oriental Unicorn Agricultural Group Limited (“Oriental Unicorn”) is principally engaged in feedstock and related business, mainly involving in the manufacturing, development, distribution of feedstock products, animal husbandry, and related activities. The unaudited loss attributable to shareholders of Oriental Unicorn for the Period was approximately HK\$7,379,000 and the unaudited net assets attributable to shareholders of Oriental Unicorn as at 30 June 2014 was approximately HK\$251,889,000. The fair value of the investment in Oriental Unicorn is based on quoted market bid prices.
- (f) Finsoft Corporation (“Finsoft”) is principally engaged in the development, sale and provision of financial trading software solutions and provision of referral services. The unaudited profit attributable to shareholders of Finsoft for the Period was approximately HK\$1,303,296 and the unaudited net assets attributable to shareholders of Finsoft as at 30 June 2014 was approximately HK\$50,250,868. The fair value of the investment in Finsoft is based on quoted market bid prices.
- (g) Jia Meng Holdings Limited (“Jia Meng”) is principally engaged in the design, manufacture and sale of mattress and soft bed products. The audited profit attributable to shareholders of Jia Meng for the year ended 31 March 2014 was approximately HK\$4,516,000 and the audited net assets attributable to shareholders of Jia Meng as at 31 March 2014 was approximately HK\$91,026,000. The fair value of the investment in Jia Meng is based on quoted market bid prices.
- (h) Chaowei Power Holdings Limited (“Chaowei Power”) issued the USD settled convertible bonds amounted to RMB633,000,000 and is listed on Singapore Exchange Securities Trading Limited (“SGX”) on 25 September 2012 (“Chaowei Power Bond”).

Chaowei Power is principally engaged in manufacturing and sales of motive batteries and electronic plates. Chaowei Power Bond has a fixed rate interest of 7.25% per annum and the interests are payable semi-annually in arrears on 24 March and 24 September each year. The audited profit attributable to shareholders of Chaowei Power for the year of 2013 was approximately RMB310,238,000 and the unaudited net assets attributable to shareholders of Chaowei Power at 31 December 2013 was approximately RMB2,328,174,000. The fair value of the investment in Chaowei Power is based on the market bid prices.

- (i) 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 broker and asset management services. The investment portfolio of Hydra Capital is currently focused on making investments in internet-related and mobile-application-related industries. The fair value of the investment in Hydra Capital is stated as initial cost.



The top three investments with realized gain and loss for the Period are summarized as below:

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

<b>Name of investment</b>	<b>Realized gain</b> <i>HK\$'000</i>
Dongjiang Environmental Company Limited – H Shares	3,970
China Windpower Group Limited	1,834
PCCW Limited	315

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

<b>Name of investment</b>	<b>Realized loss</b> <i>HK\$'000</i>
DX.com Holdings Limited	18,326
Bonjour Holdings Limited	6,910
China Green (Holdings) Limited	3,119

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

The Company has obtained stock borrowing facilities in 2011. As at 30 June 2014, the Company did not have any stock borrowings (31 December 2013: 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 30 June 2014, the gearing ratio, defined as total borrowings divided by shareholders' equities, was Nil (31 December 2013: Nil). The Company did not have any borrowing as at 30 June 2014 (31 December 2013: Nil).

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend during the Period (30 June 2013: Nil).

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

There were no material charges on the Company's assets or significant contingent liabilities as at 30 June 2014 (31 December 2013: 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 HK\$312,090,000. Since the Listing Date, there has been no change in the capital structure of the Company. The capital of the Company comprises only ordinary shares.

## **CAPITAL EXPENDITURE AND COMMITMENT**

Save as disclosed in note 12 to the interim condensed financial statements, as at 30 June 2014, the Company made no capital expenditure or any other commitment (31 December 2013: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Period, the Company did not acquire or dispose of any subsidiaries or associated companies (31 December 2013: Nil).

## **USE OF PROCEEDS**

The Company has nine investments as of 30 June 2014, comprising of equity securities and debt securities listed in Hong Kong and Singapore respectively, and equity securities in a private equity fund. The largest one held by the Company is in the information technology 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 2014, the Company had four full-time employees (31 December 2013: Nil). 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 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\$675,390 (30 June 2013: Nil).

## **FOREIGN CURRENCY FLUCTUATION**

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

## **PROSPECTS**

The multitudinous reform measures initiated in the Third Plenary Session of the 18th Central Committee of the Communist Party of China aiming at facilitating a healthy and sustainable economic development in the long run may cool down the domestic economy from its reliance on the fixed asset investment especially in the property market. In addition, the geopolitical tensions in Ukraine and Middle East, and the uncertainty on the pace of U.S Federal Reserve to raise interest rate which will have a shocking effect on the Chinese and Hong Kong stock markets. However, the Company is confident that our experienced investment team along with strict internal control policies will minimize our risk exposure.

In addition, we believe the Chinese government will adopt flexible macroeconomics policies to maintain a reasonable economic growth rate. In the first half of 2014, Chinese economy has recorded a gross domestic product growth rate of 7.4%, slightly lower than the target of 7.5% in which the government set for 2014. Therefore, the Company expects that Chinese government will implement more specific policies to encourage domestic consumption and exports in the second half, together with the steady U.S economy recovery. The Company still remains cautiously optimistic about the outlook of the stock markets in China and Hong Kong.

We are especially positive on the information technology, creative culture, waste treatment and healthcare sectors as they will continue to benefit from the transformation of Chinese economy.

The Company will continue an investment strategy that focuses on Greater China and closely monitor the changes in the global market. The Company wants to capture valuable investment opportunities to maximize capital gain for the shareholders.

## **EVENTS AFTER THE REPORTING PERIOD**

### **(i) Change in Director**

Mr. Arthur James Kay Stubbs has resigned as an independent non-executive director of the Company with effect from 1 July 2014.

### **(ii) Rights issue**

The Company proposes to raise approximately HK\$42.4 million, before expenses, by way of the rights issue of 151,500,000 rights shares to the qualifying shareholders at a subscription price of HK\$0.28 per rights share on the basis of one rights share for every two shares. The Company plans to use the net proceeds from the rights issue for investment in line with its ordinary course of business. The rights issue will become unconditional from 17 September 2014. Details of the rights issue were set out in the announcement of the Company dated 12 August 2014.

Apart from the above, there were no other significant events since the end of the 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 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 code provision A.2.1 which stipulates the roles of Chairman and Chief Executive should be separate and A.4.1 which states that the Non-executive Directors should be appointed for a specific term, subject to re-election.

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. Throughout the Period, Mr. Craig Blaser Lindsay has been both the Chairman and Chief Executive Officer of the Company. He provides 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 allow 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. Currently, Mr. Siu Kam Chau and Mr. Doyle Ainsworth Dally, who are the Independent Non-executive Directors of the Company, have no specific term of appointment but they are subject to retirement by rotation at least once every three years. As such, even though the two Independent Non-executive Directors are not appointed for a specific term, their respective terms of office are the period up to their retirement by rotation pursuant to code provision A.4.2 of the CG Code. Company considers that sufficient measures have been taken to serve the purpose of this code provision.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code 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 currently comprises three Independent Non-executive Directors, namely Mr. Siu Kam Chau (being the chairman with professional qualifications in accountancy), Mr. Doyle Ainsworth Dally and Mr. Faris Ibrahim Taha Ayoub.

The primary audit related duties of the committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee shall hold not less than two meetings a year and meet with the external auditors twice without the presence of the Executive Directors.

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

## REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim financial information of the Company for the Period have been reviewed by the Company's auditors, Ernst & Young, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The auditors' independent review report will be included in the Company's interim report for the Period which will be dispatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**China New Economy Fund Limited**  
**Craig Blaser Lindsay**  
*Chairman, Chief Executive Officer  
and Executive Director*

Hong Kong, 27 August 2014

*As at the date of this announcement, the Directors of the Company are Mr. LINDSAY Craig Blaser, Mr. GU Xu and Mr. CHAN Cheong Yee as executive directors; Mr. SIU Kam Chau, Mr. DALLY Doyle Ainsworth and Mr. Faris Ibrahim Taha AYOUB as independent non-executive directors.*