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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 2011

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 2011, together with the unaudited comparative figures for the period from 1 February 2010 (date of incorporation) to 30 June 2010.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June 2011 (Unaudited) HK\$	Period from 1 February 2010 (date of incorporation) to 30 June 2010 (Unaudited) HK\$
	<i>Notes</i>		
REVENUE	4	3,129	—
Net change in fair value of financial assets and liabilities at fair value through profit or loss	5	(17,432,982)	—
Other operating expenses		(5,010,025)	—
LOSS BEFORE TAX	6	(22,443,007)	—
Income tax expense	9	—	—
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(22,443,007)	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
– Basic (HK cents)		(7.62)	—
– Diluted (HK cents)		(7.62)	—

CONDENSED STATEMENT OF FINANCIAL POSITION

		30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
	<i>Notes</i>		
CURRENT ASSETS			
Financial assets at fair value through profit or loss	<i>11</i>	55,210,185	–
Prepayment and other receivables		155,022	–
Prepaid listing expenses		–	24,057,317
Pledged bank deposits		3,000,000	–
Cash at banks		209,538,838	–
		<hr/>	<hr/>
Total current assets		267,904,045	24,057,317
		<hr/>	<hr/>
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	<i>12</i>	2,243,421	–
Other payables and accruals		626,232	19,372,317
Amount due to a related company		–	5,240,377
		<hr/>	<hr/>
Total current liabilities		2,869,653	24,612,694
		<hr/>	<hr/>
Net assets/(liabilities)		265,034,392	(555,377)
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Issued capital	<i>13</i>	30,300,000	– [#]
Reserves		234,734,392	(555,377)
		<hr/>	<hr/>
Total equity		265,034,392	(555,377)
		<hr/> <hr/>	<hr/> <hr/>
NET ASSET VALUE PER SHARE		0.87	(555,377)
		<hr/> <hr/>	<hr/> <hr/>

[#] Less than HK\$1

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-end investment company.

The Company’s registered office is at PO 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 17th Floor, Chuang’s Tower, 30-32 Connaught Road Central, Central, Hong Kong.

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

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

The shares of the Company were listed by way of private placing (the “Placing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 January 2011.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong. They have been prepared under the historical cost convention, except for financial assets and liabilities 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.

2.2 CHANGES IN ACCOUNTING POLICIES

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 2010 annual financial statements. 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 period ended 31 December 2010, except for the adoption of new and revised International Financial Reporting Standards (“IFRSs”) as of 1 January 2011, noted below:

IAS 24 (Revised)	<i>Related Party Disclosures</i>
IAS 32 (Amendment)	<i>Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
IFRIC 14 (Amendments)	<i>Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs 2010	<i>Amendments to a number of IFRSs issued in May 2010</i>

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial statements of the Company.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these interim condensed financial statements.

IAS 1 (Revised)	<i>Presentation of Financial Statements</i> ³
IAS 9 (2011)	<i>Employee Benefits</i> ⁴
IFRS 7 (Amendment)	Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> – <i>Transfers of Financial Assets</i> ¹
IAS 12 (Amendment)	Amendment to IAS 12 <i>Income Taxes-Deferred Tax: Recovery of Underlying Assets</i> ²
IFRS 9	<i>Financial Instruments</i> ⁵
IFRS 10	<i>Consolidated Financial Statements</i> ⁴
IFRS 11	<i>Joint Arrangements</i> ⁴
IFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
IFRS 13	<i>Fair Value Measurement</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Tentatively effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Other than IFRS 9 and IFRS 13, management considers that these new and revised IFRSs are unlikely to have a significant impact on the Company's results of operations and financial positions.

3. OPERATING SEGMENT INFORMATION

During the six-month period ended 30 June 2011, all of the Company's investments are listed equity securities listed either in the Hong Kong Stock Exchange or the New York Stock Exchange. For management purposes, the Company is organised into one main operating segment, which invests mainly in equity securities. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the interim condensed financial statements as a whole.

The Company had not commenced operation during the period from 1 February 2010 (date of incorporation) to 30 June 2010 and no segment analysis by investment type and geographical location was provided.

4. REVENUE

	For the six months ended 30 June 2011 (Unaudited) HK\$	Period from 1 February 2010 (date of incorporation) to 30 June 2010 (Unaudited) HK\$
Bank interest income	<u>3,129</u>	<u>–</u>

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

	For the six months ended 30 June 2011 (Unaudited) HK\$	Period from 1 February 2010 (date of incorporation) to 30 June 2010 (Unaudited) HK\$
Net realised gain on financial assets at fair value through profit or loss	892,063	–
Net unrealised loss on financial assets at fair value through profit or loss	(19,054,656)	–
Net unrealised gain on financial liabilities at fair value through profit or loss	729,611	–
	<u>(17,432,982)</u>	<u>–</u>

6. LOSS FOR THE PERIOD

The Company's loss for the period is arrived at after charging:

	For the six months ended 30 June 2011 (Unaudited) HK\$	Period from 1 February 2010 (date of incorporation) to 30 June 2010 (Unaudited) HK\$
Directors' remuneration:		
Fees	233,543	–
Other emoluments	–	–
	<u>233,543</u>	<u>–</u>
Investment management fee (<i>note 8</i>)	2,721,949	–
Foreign exchange loss, net	20,660	–
	<u>2,976,152</u>	<u>–</u>

7. INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the current period (2010: 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	0.14% per annum
Next HK\$1,200 million of net asset value	0.125% per annum
On the remainder of net asset value	0.11% per annum

The administration fee is subject to a monthly minimum fee of HK\$73,000 (reduced by 50% in the first six months after listing) and is payable monthly in arrears.

The administration fee for the current period is HK\$213,113 (2010: Nil). As at 30 June 2011, an administration fee of HK\$36,500 (31 December 2010: Nil) 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 (2010: Nil). As at 30 June 2011, no valuation fee (31 December 2010: 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	0.04% per annum
Next HK\$1,200 million of net asset value	0.035% per annum
On the remainder of net asset value	0.03% per annum

The custodian fee is subject to a monthly minimum fee of HK\$15,000 (reduced by 50% in the first six months after listing) and is payable monthly in arrears.

The custodian fee for the current period is HK\$54,448 (2010: Nil). As at 30 June 2011, a custodian fee of HK\$8,729 (31 December 2010: Nil) was payable to the Custodian.

Management fee

The Investment Manager is entitled to a management fee accruing monthly at the annual rate of 2% of the net asset value of the Company on each valuation day and payable monthly in arrears.

The management fee for the current period is HK\$2,721,949 (2010: Nil). As at 30 June 2011, a management fee of HK\$436,390 (31 December 2010: Nil) was payable to the Investment Manager.

Performance fee

The Investment Manager is entitled to receive a performance fee at the rate of 20% per annum of the net increase in the net asset value per share on the immediately preceding valuation date, above the previous highest net asset value per share on any preceding valuation date in respect of which a performance fee was last paid (or where no performance fee has been paid, the aggregate placing price of the shares subscribed at the listing date) multiplied by the number of shares in issue at the time of calculating the performance fee. The performance fee is payable semi-annually in arrears.

No performance fee was charged for the current period (2010: Nil). As at 30 June 2011, no performance fee (31 December 2010: Nil) was payable to the Investment Manager.

9. TAXATION

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

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the current period (2010: Nil).

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 (2010: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share amount is based on the Company's loss for the current period attributable to the ordinary equity holders of HK\$22,443,007 (2010: Nil) and the weighted average number of ordinary shares in issue during the current period of 294,629,834 (2010: 1 ordinary share).

The Company had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2011 and 2010.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
<i>Financial assets held-for-trading, at fair value:</i>		
Listed equity securities - Hong Kong	20,965,425	–
Registrable securities - The United States	34,244,760	–
	<u>55,210,185</u>	<u>–</u>

The fair value of 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 registrable securities represent the ordinary shares of a company (the “Entity”) acquired by the Company (the “Shares”) prior to an initial public offering of the Entity on a relevant stock exchange (the “IPO”) pursuant to a subscription agreement dated 15 April 2011. The IPO was completed in May 2011. The Shares are subject to a lock-up period ending 180 days after the date of the final prospectus relating to the IPO (the “Lock-up Period”). The Shares may be sold in secondary market transactions over the relevant exchange upon the expiration of the Lock-up Period, subject to certain conditions set forth in section Rule 144 of the Securities Act. The Shares are valued at closing bid price of the Entity’s tradable shares at the reporting date and no discounts have been applied for the Lock-up Period.

Net unrealised loss on financial assets held for trading of HK\$19,054,656 has been recognised in profit or loss in the interim condensed statement of comprehensive income (2010: Nil).

12. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
<i>Financial liabilities held-for-trading, at fair value:</i>		
Short position in listed equity securities - The United States	2,243,421	–

Short sales made by the Company involve certain risks and special considerations. Possible losses from short sales differ from losses that could be incurred from a purchase of security, because losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested. The Company’s overall market positions are monitored on a daily basis by the Investment Manager.

The fair value of listed equity securities sold short are determined based on the quoted market offer prices available on the relevant stock exchanges at the end of the reporting period.

Net unrealised gain on financial liabilities held for trading of HK\$729,611 has been recognised in profit or loss in the interim condensed statement of comprehensive income (2010: Nil).

13. ISSUED CAPITAL

	30 June 2011 (Unaudited) HK\$	31 December 2010 (Audited) HK\$
Authorised:		
776,000,000 shares of HK\$0.1 each	77,600,000	77,600,000
Issued and fully paid:		
303,000,000 shares (2010: 1 share) of HK\$0.1 each	30,300,000	–

The Company was incorporated on 1 February 2010 with an initial authorised share capital of HK\$388,000 divided into 3,880,000 ordinary shares of HK\$0.1 each. Pursuant to an ordinary resolution passed on 26 July 2010, the authorised share capital of the Company was increased from HK\$388,000 to HK\$77,600,000 by the creation of 772,120,000 ordinary shares of HK\$0.1 each, ranking *pari passu* in all respects with the existing share capital of the Company.

On incorporation, one ordinary share of HK\$0.1 each was issued at par for cash to Mr. Wang Junyan, an executive director of the Company (the “Subscriber Share”). As at 31 December 2010, such issued share of the Company amounting to HK\$0.1 is rounded to the nearest dollar and therefore present as nil in the interim condensed financial statements.

On 6 January 2011, a total of 303,000,000 ordinary shares of HK\$0.1 each (the “Placing Shares”) were placed at a price of HK\$1.03 per share for a total cash consideration, before the related issue expenses, of HK\$312,090,000. The issued and fully paid capital of the Company increased to HK\$30,300,000 and resulted in a share premium of HK\$281,790,000, before deducting the share placement expenses of HK\$24,057,224. The Subscriber Share was transferred to the lead placing agent of the Placing and then forms part of the Placing Shares for subscription under the Placing. The Subscriber Share has no special rights that distinguish it from any other of the Placing Shares. The Placing Shares are not redeemable at the discretion of the shareholders. The net proceeds of the Placing, after deduction of the start-up costs of the Company, were subsequently applied by the Investment Manager in making investments according to the investment objectives, policies and restrictions of the Company and the requirements of the Articles, the Listing Rules and the Investment Management Agreement. Any proceeds not deployed have been placed on bank deposits or invested in money market instruments or money market funds.

Dealings in the shares of the Company on the Stock Exchange commenced on 6 January 2011. After listing, no director of the Company or the Investment Manager, or the Investment Manager itself, held any shares in the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors ('Directors') of China New Economy Fund Limited (the "Company"), I take pleasure in presenting to you the Company's interim results for the six months ended 30 June 2011.

The Company is a closed-ended investment company established on 1 February 2010. By investing globally 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.

INVESTMENT REVIEW

Following the successful listing of the Company on the Main Board of the Stock Exchange on 6 January 2011, the Company held four investments in listed companies on 30 June 2011. The largest one is in a social networking internet platform focusing on the mainland China market.

Amid the decline of the global and China markets in the first half of the year, the Company reported an unaudited net asset value of approximately HK\$0.87 per share as of 30 June 2011. The net asset value of the Company decreased during the six months ended 30 June 2011 due to unrealised mark to market losses taken on the investment positions in the portfolio. The Company will continue to monitor the investments carefully and expect improvement in its valuations as market conditions improve.

Chinese companies that have listed in the United States markets have had a difficult time in the first half of this year due to concerns of possible corporate governance issues with some of these companies. This negative market sentiment has affected the valuations of well managed Chinese companies as well.

The Company remains Greater China focused and will continue to approach the markets very conservatively, taking a long term view to investment strategy. In the coming months, we will continue to monitor closely the inflation and interest rates in Greater China and their impact on economic activities at both the corporate and consumer levels.

During the six months ended 30 June 2011, the Company did not acquire or dispose of any subsidiaries or associated companies.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company has obtained stock borrowing facilities for the six months ended 30 June 2011. As at 30 June 2011, the market value of the Company's utilised stock borrowing was HK\$2,243,421 (31 December 2010: Nil) and was secured by bank deposits of HK\$3,000,000 (31 December 2010: Nil).

The Company has maintained a sufficient cash position which will allow it to capture opportunities with good upside when the opportunities present themselves in both listed and private equities.

As at 30 June 2011, the gearing ratio, defined as total borrowings divided by shareholders' equities, was 0.85% (31 December 2010: Nil).

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (31 December 2010: Nil).

CAPITAL STRUCTURE

On 6 January 2011, the Company completed a share placement and a total of 303,000,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$1.03 per share for a total cash consideration, before the related issue expenses, of HK\$312,090,000.

CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

Except for the Company's utilised stock borrowing of HK\$2,243,421 was secured by a Company's bank deposits of HK\$3,000,000, there were no other charges on the Company's assets nor significant contingent liabilities as at 30 June 2011.

CAPITAL EXPENDITURE AND COMMITMENT

During the six months ended 30 June 2011, the Company made no capital expenditures or any other commitments.

USE OF PROCEEDS

The Company has made four investments in listed companies during the six months ended 30 June 2011. The largest one is in a social networking internet platform focusing on the mainland China market.

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

EMPLOYEES

As at 30 June 2011, the Company had no employees but have three executive Directors and three independent non-executive Directors. The Company does not have a share option scheme.

FOREIGN CURRENCY FLUCTUATION

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

PROSPECTS

Looking into the second half of the year, we continue to look for good investment opportunities as we anticipate to see potentially positive factors emerge in Greater China. We expect to continue to see more structural changes in the Chinese economy and markets over the coming months as well. We will also continue to monitor economic and related events outside of China for their effects on our portfolio.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Listing Rules throughout the period from the date of the Company's listing on the Main Board of the Stock Exchange on 6 January 2011 (the "Listing Date") and up to 30 June 2011, save and except for code provision A.4.1 of the CG Code which states that the non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing independent non-executive Directors is appointed for a specific term. However, one third of the independent non-executive Directors for the time being shall retire by rotation (provided that every independent non-executive Director shall be subject to retirement at least once every three years) and be eligible for re-election at the annual general meeting of the Company. As such, even though each independent non-executive Director is not appointed for a specific term, his term of office is the period up to his retirement by rotation which is in accordance with code provision A.4.2 of the CG Code.

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 have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date and up to 30 June 2011.

AUDIT AND REMUNERATION COMMITTEE

The Audit and Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Siu Kam Chau, Professor Xu Yangsheng and Mr. Doyle Ainsworth Dally. The Audit and Remuneration Committee has reviewed the Company's financial controls, internal control and risk management systems and the financial and accounting policies and practices. The unaudited interim financial information of the Company for the six months ended 30 June 2011 have been reviewed by the Audit and Remuneration Committee of the Company.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim financial information of the Company for the six months ended 30 June 2011 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 2011 to the shareholders.

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

Hong Kong, 22 August 2011

As at the date of this announcement, the executive Directors are Mr. Craig Blaser Lindsay, Mr. Wang Junyan and Mr. Gu Xu; and the independent non-executive Directors are Mr. Siu Kam Chau, Professor Xu Yangsheng and Mr. Doyle Ainsworth Dally.