

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2012

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 2012, together with the unaudited figures for the six months ended 30 June 2011.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended 30 June 2012 (Unaudited) HK\$	For the six months ended 30 June 2011 (Unaudited) HK\$
REVENUE	4	239,524	3,129
Net change in fair value of financial assets and liabilities at fair value through profit or loss	5	9,898,782	(17,432,982)
Other operating expenses		<u>(4,780,043)</u>	<u>(5,013,154)</u>
PROFIT/(LOSS) BEFORE TAX	6	5,358,263	(22,443,007)
Income tax expense	9	—	—
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u><u>5,358,263</u></u>	<u><u>(22,443,007)</u></u>
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
– Basic (HK cents)		<u>1.77</u>	<u>(7.62)</u>
– Diluted (HK cents)		<u>1.77</u>	<u>(7.62)</u>

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2012 (Unaudited) HK\$	31 December 2011 (Audited) HK\$
CURRENT ASSETS			
Prepayment and other receivables		1,037,702	582,448
Financial assets at fair value through profit or loss	<i>11</i>	138,287,990	26,850,106
Cash and cash equivalents		<u>105,556,602</u>	<u>211,661,841</u>
Total current assets		<u>244,882,294</u>	<u>239,094,395</u>
CURRENT LIABILITIES			
Other payables and accruals		758,203	322,929
Amount due to a related company		<u>386,863</u>	<u>392,501</u>
Total current liabilities		<u>1,145,066</u>	<u>715,430</u>
Net assets		<u><u>243,737,228</u></u>	<u><u>238,378,965</u></u>
EQUITY			
Issued capital		30,300,000	30,300,000
Reserves		<u>213,437,228</u>	<u>208,078,965</u>
Total equity		<u><u>243,737,228</u></u>	<u><u>238,378,965</u></u>
NET ASSET VALUE PER SHARE		<u><u>0.80</u></u>	<u><u>0.79</u></u>

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 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 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 IAS 34 Interim Financial Reporting (“IAS 34”) and the applicable disclosure requirements of Appendix 16 of the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention, except for the 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 (“HK\$”) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2011. 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 2011 except for the adoption of new and revised International Financial Reporting Standards (“IFRSs”) as of 1 January 2012, noted below:

IFRS 7 Disclosures-Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognized entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognized and their associated liabilities. If those assets are derecognized entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

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 adopted any of the new and revised IFRSs, that have been issued but are not yet effective, in these interim condensed financial statements. Among the new and revised IFRSs, the following are expected to be relevant to the Company's interim condensed financial statement upon becoming effective:

IAS 1 Amendments	<i>Financial Statements Presentation – Presentation of items of Other Comprehensive Income</i> ¹
IFRS 9	<i>Financial Instruments: Classification and Measurement</i> ³
IFRS 13	<i>Fair Value Measurement</i> ²

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

² Effective for annual periods beginning on or after 1 January 2013

³ 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 periods ended 30 June 2012 and 2011, all of the Company's investments are equity securities listed either on the Stock Exchange, New York Stock Exchange or NASDAQ, and listed debt securities in the Singapore Exchange Securities Trading Limited. For management purposes, the Company is organised into one main operating segment, which invests in equity and debt 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.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June 2012 (Unaudited) HK\$	For the six months ended 30 June 2011 (Unaudited) HK\$
Dividend income from listed equity securities	104,400	–
Interest income from listed debt securities	126,935	–
Bank interest income	8,189	3,129
	<hr/>	<hr/>
	239,524	3,129
	<hr/> <hr/>	<hr/> <hr/>

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 2012 (Unaudited) HK\$	For the six months ended 30 June 2011 (Unaudited) HK\$
Net realized gain on financial assets at fair value through profit or loss	485,350	892,063
Net unrealized gain/(loss) on financial assets at fair value through profit or loss	9,413,432	(19,054,656)
Net unrealized gain on financial liabilities at fair value through profit or loss	–	729,611
	<u>9,898,782</u>	<u>(17,432,982)</u>

6. PROFIT/(LOSS) BEFORE TAX

The Company's profit/(loss) for the period is arrived at after charging:

	For the six months ended 30 June 2012 (Unaudited) HK\$	For the six months ended 30 June 2011 (Unaudited) HK\$
Directors' remuneration:		
Fees	232,770	233,543
Other emoluments	–	–
	<u>232,770</u>	<u>233,543</u>
Investment management fee (<i>note 8</i>)	2,455,055	2,721,949
Foreign exchange loss, net	160,341	20,660
	<u>2,848,166</u>	<u>2,976,152</u>

7. INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the current reporting period (30 June 2011: 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\$438,000 (30 June 2011: HK\$213,113). As at 30 June 2012, an administration fee of HK\$73,000 (31 December 2011: 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 2011: Nil). As at 30 June 2012, no valuation fee (31 December 2011: 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\$90,000 (30 June 2011: HK\$54,448). As at 30 June 2012, a custodian fee of HK\$15,000 (31 December 2011: HK\$15,000) 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\$2,455,055 (30 June 2011: HK\$2,721,949). As at 30 June 2012, a management fee of HK\$386,863 (31 December 2011: HK\$392,501) 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 (30 June 2011: Nil). As at 30 June 2012, no performance fee (31 December 2011: 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 (30 June 2011: Nil).

For presentation purposes, deferred tax assets and liabilities as at 30 June 2012 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 investment revaluation gains amounted to HK\$831,266 (31 December 2011: Nil) and HK\$831,266 (31 December 2011: 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 2011: Nil).

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

The calculation of basic earning per share amount is based on the Company's profit for the current period attributable to the ordinary equity holders of HK\$5,358,263 (30 June 2011: loss of HK\$22,443,007) and the weighted average number of ordinary shares in issue during the current period of 303,000,000 (30 June 2011: 294,629,834 ordinary shares). No adjustment has been made to the basic earning per share amount presented for the period ended 30 June 2012 in respect of a dilution as the Company had no dilutive ordinary shares in issue during the period (30 June 2011: Nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2012 (Unaudited) HK\$	31 December 2011 (Audited) HK\$
Listed equity securities:		
– Hong Kong	85,482,750	12,979,050
– The United States	36,521,757	13,871,056
	<hr/> 122,004,507 <hr/>	<hr/> 26,850,106 <hr/>
Listed debt securities:		
– Singapore	16,283,483	–
	<hr/> 138,287,990 <hr/>	<hr/> 26,850,106 <hr/>

The fair value of listed equity securities and listed debt securities are determined based on the quoted bid prices available on the relevant stock exchanges at the end of the reporting period.

Net unrealized gain on financial assets held for trading of HK\$9,413,432 has been recognized in profit or loss in the interim condensed statement of comprehensive income (30 June 2011: net unrealized loss of HK\$19,054,656).

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the “Directors” or the “Board”) of China New Economy Fund Limited (the “Company”), I present to you the Company’s interim results for the six months ended 30 June 2012 (the “Period”).

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 (the “Listing”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 January 2011 (the “Listing Date”), the Company held eleven investments in listed companies on 30 June 2012. The largest sector held by the Company is information technology in Mainland China.

The net asset value of the Company increased during the six months ended 30 June 2012 amid the decline of the global and China markets in the first half of the year. As at 30 June 2012, the Company reported an unaudited net asset value of approximately HK\$0.80 per share. The upswing is due to unrealized mark to market valuation and realized gains taken on the investment positions in the portfolio.

Over the past six months, there has been a clear sign of economic slowdown in China, resulting in a moderation of inflation which was an issue in 2011. In addition, there have been indications of loosening monetary policy in China which includes reduction of interest rates and increased liquidity in the banking system.

The Company remains Greater China focused and will continue to approach the markets very conservatively. In May 2012, China’s State Council issued a “Decision on Accelerating the Fostering and Development of Emerging Industries” (the “Decision”), outlining clearly a series of policies in support of seven emerging industries which include energy-saving and environmental protection, next generation information technology, bio-technology, advanced equipment manufacturing, new energy, new materials and new-energy vehicles.

These seven strategic sector accounts for approximately 3 percent of GDP at the end of 2010, and the Chinese government aims to generate 8 percent of GDP in 2015 and 15 percent by 2020 from the seven strategic industries. The Company will capitalize on the forthcoming growth opportunities by taking a long term view to investment strategy both in the public and private equity markets.

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

At 30 June 2012

Listed equity securities – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognized during the Period	Net asset attributable to the Company	Dividend received/receivable during the Period	% of net assets of the Company
				HK\$'000	HK\$'000	HK\$'000	(Note 2)	HK\$'000	
EPRO Limited <i>(note a)</i>	The Cayman Islands	33,000,000 ordinary shares of HK\$0.01 each	0.62%	24,750	25,740	990	HK\$1.63 million	–	10.56
Lenovo Group Limited <i>(note b)</i>	Hong Kong	2,500,000 ordinary shares of HK\$0.025 each	0.02%	16,716	16,325	(391)	US\$0.50 million	–	6.70
HKT Trust and HKT Limited <i>(note c)</i>	Hong Kong	2,500,000 ordinary shares of HK\$0.0005 each	0.04%	13,106	15,175	2,045	HK\$12.53 million	50	6.23
China Mobile Limited <i>(note d)</i>	Hong Kong	150,000 ordinary shares of HK\$0.1 each	0.0007%	11,795	12,713	918	RMB4.54 million	–	5.22
Dongjiang Environment Company Limited <i>(note e)</i>	The People's Republic of China	306,900 H shares of RMB1.00 each	0.20%	7,886	9,974	2,455	RMB4.20 million	–	4.09
Beijing Enterprises Holdings Limited <i>(note f)</i>	Hong Kong	120,000 ordinary shares of HK\$0.1 each	0.01%	5,510	5,556	46	HK\$3.76 million	54	2.28

American Depositary Shares (“ADS”) – The United States

Name of investee	Place of incorporation	Number of ADS held	Proportion of investee’s capital owned	Cost	Market value	Unrealised gain/(loss) recognized during the Period	Net asset 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	
Renren Inc. (note g)	The Cayman Islands	500,000	0.13%	54,390	17,529	3,658	US\$1.51 million	–	7.19
NetEase, Inc. (note h)	The Cayman Islands	26,000	0.02%	11,672	11,859	187	RMB2.83 million	–	4.87
Baidu Inc. (note i)	The Cayman Islands	8,000	0.002%	7,422	7,134	(288)	RMB0.40 million	–	2.93

Listed debt securities – Singapore

Name of issuer	Place of incorporation	Quantity	Cost	Market value	Unrealised gain/(loss) recognized during the Period	Yield per annum	Maturity date	Interest received/accrued during the Period	% of net assets of the Company
				HK\$’000	HK\$’000	(Note 1) HK\$’000	(%)	HK\$’000	
China WindPower Group Limited (note j)	Bermuda	9,800,000	10,396	10,270	(126)	6.375	4 April 2014	100	4.21
Hero Asia Investment Limited (A wholly-owned subsidiary of China Longyuan Power Group Corporation Limited) (note k)	The People’s Republic of China	5,000,000	6,094	6,013	(81)	4.5	21 December 2013	27	2.47

At 31 December 2011

Listed equity securities – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognized during the year ended	Net asset attributable to the Company	Dividend received/receivable during the year ended	% of net assets of the Company
						31 December 2011		31 December 2011	
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
Dongjiang Environment Company Limited	The People's Republic of China	306,900 H shares of RMB1.00 each	0.24%	7,886	7,519	(367)	RMB2.27 million	–	3.15
HKT Trust and HKT Limited	Hong Kong	1,200,000 ordinary shares of HK\$0.0005 each	0.019%	5,436	5,460	24	HK\$5.84 million	–	2.29

ADS – The United States

Name of investee	Place of incorporation	Number of ADS held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognized during the year ended	Net asset attributable to the Company	Dividend received/receivable during the year ended	% of net assets of the Company
						31 December 2011		31 December 2011	
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2)	HK\$'000	
Renren Inc.	The Cayman Islands	500,000	0.13%	54,390	13,871	(40,519)	US\$1.57 million	–	5.82

Notes:

- (1) The unrealized gain/(loss) recognized during the Period/year ended 31 December 2011 represented the changes in fair value of the respective investments during the Period/year ended 31 December 2011.
- (2) The calculation of net assets attributable to the Company is based on the latest published quarterly/interim reports or annual report of the respective investments as at the latest practicable date of this report.

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

- (a) EPRO Limited (“EPRO”) is principally engaged in the provision of professional information technology contract services and maintenance services, and re-selling of hardware and software. The unaudited profit attributable to shareholders of EPRO for the nine months period ended 31 March 2012 was approximately HK\$99 million and the unaudited net assets attributable to shareholders of EPRO at 31 March 2012 was approximately HK\$264 million. The fair value of the investment in EPRO is based on quoted market bid prices.
- (b) Lenovo Group Limited (“Lenovo”) is principally engaged in the provision of advanced information technology products and services. The audited profit attributable to shareholders of Lenovo for the year ended 31 March 2012 was approximately US\$473 million and the audited net assets attributable to shareholders of Lenovo as at 31 March 2012 was approximately US\$2,361 million. The fair value of the investment in Lenovo is based on quoted market bid prices.
- (c) HKT Trust and HKT Limited (“HKT”) is principally engaged in the provision of integrated telecommunications service. The unaudited profit attributable to shareholders of HKT for the six months period ended 30 June 2012 was approximately HK\$778 million and the unaudited net assets attributable to shareholders of HKT as at 30 June 2012 was approximately HK\$31,329 million. The fair value of the investment in HKT is based on quoted market bid prices.
- (d) China Mobile Limited (“China Mobile”) is principally engaged in the provision of mobile telecommunication and related services. The audited profit attributable to shareholders of China Mobile for the year ended 31 December 2011 was approximately RMB125,870 million and the audited net assets attributable to shareholders of China Mobile at 31 December 2011 was approximately RMB649,064 million. The fair value of the investment in China Mobile is based on quoted market bid prices.
- (e) Dongjiang Environment Company Limited (“Dongjiang Environment”) is principally engaged in the environmental protection industry. The unaudited profit attributable to shareholders of Dongjiang Environment for the six months period ended 30 June 2012 was approximately RMB141 million and the unaudited net assets attributable to shareholders of Dongjiang Environment at 30 June 2012 was approximately RMB2,010 million. The fair value of the investment in Dongjiang Environment is based on quoted market bid prices.
- (f) Beijing Enterprises Holdings Limited (“Beijing Enterprises”) is a conglomerate and its principal businesses included (i) the distribution and sale of piped natural gas and the provision of related services in China; (ii) the production, distribution and sale of beer in China; (iii) the construction of sewage and water treatment plants and other infrastructural facilities and the provision of related services in China; and (iv) investment in transportation infrastructure in China. The audited profit attributable to shareholders of Beijing Enterprises for the year ended 31 December 2011 was approximately HK\$2,776 million and the audited net assets attributable to shareholders of Beijing Enterprise at 31 December 2011 was approximately HK\$37,610 million. The fair value of the investment in Beijing Enterprises is based on quoted market bid prices.

- (g) Renren Inc. is principally engaged in the provision of social networking internet platform in China. The unaudited loss attributable to shareholders of Renren Inc. for the six months period ended 30 June 2012 was approximately US\$39 million and the unaudited net assets attributable to shareholders of Renren Inc. at 30 June 2012 was approximately US\$1,161 million. The fair value of the investment in Renren Inc. is based on quoted market bid prices.
- (h) NetEase, Inc. is principally engaged in the provision of internet and online game services in China. The unaudited profit attributable to shareholders of NetEase, Inc. for the three months period ended 31 March 2012 was approximately RMB942 million and the unaudited net assets attributable to shareholders of NetEase, Inc. at 31 March 2012 was approximately RMB14,126 million. The fair value of the investment in NetEase, Inc. is based on quoted market bid prices.
- (i) Baidu, Inc. is principally engaged in the provision of Chinese language internet search service. The unaudited profit attributable to shareholders of Baidu, Inc. for the six months period ended 30 June 2012 was approximately RMB4,653 million and the unaudited net assets attributable to shareholders of Baidu, Inc. at 30 June 2012 was approximately RMB20,011 million. The fair value of the investment in Baidu, Inc. is based on quoted market bid prices.
- (j) China WindPower Group Limited (“China WindPower”) issued the CNY denominated guarantee bonds amounted to CNY750,000,000 and is listed on Singapore Exchange Securities Trading Limited (“SGX”) on 5 April 2011 (“China WindPower Bond”).

China WindPower is principally engaged in engineering, procurement and construction of power plants, manufacture of equipment, operation and maintenance of power plants and investment in power plants. The audited profit attributable to shareholders of China WindPower for the year ended 31 December 2011 was approximately HK\$372 million and the audited net assets attributable to shareholders of China WindPower at 31 December 2011 was approximately HK\$4,474 million. The fair value of the investment in China WindPower Bond is based on quoted bid prices.

- (k) Hero Asia Investment Limited is a wholly-owned subsidiary of China Longyuan Power Group Corporation Limited (“China Longyuan”), which has issued the CNY denominated bonds amounted to CNY690,000,000 and is listed on the SGX on 21 December 2011 (“China Longyuan Bond”).

China Longyuan is principally engaged in wind and coal power generation and sale, coal trading and other related business in China. The audited profit attributable to shareholders of China Longyuan for the year ended 31 December 2011 was approximately RMB2,638 million and the audited net assets attributable to shareholders of China Longyuan at 31 December 2011 was approximately RMB25,490 million. The fair value of the investment in China Longyuan Bond is based on quoted bid prices.

The Company reported a net profit attributable to shareholders of HK\$5,358,263 during the Period, which consisted of the unrealized gain of HK\$9,413,432 arising from the net mark to market gains taken on the investment positions in the portfolio as listed out above, and the realized gain of HK\$485,350 arising from the trading of two index futures contracts in Hong Kong that were exclusively for hedging purpose during the Period.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company has obtained stock borrowing facilities during the year ended 31 December 2011. As at 30 June 2012, the Company did not have any stock borrowing (31 December 2011: 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 2012, the gearing ratio, defined as total borrowings divided by shareholders' equities, was nil (31 December 2011: Nil).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (31 December 2011: Nil).

CAPITAL STRUCTURE

On 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, before the related issue expenses, of HK\$312,090,000. Since the Listing, there has been no change in the capital structure of the Company. The capital of the Company comprises only ordinary shares.

CHARGES ON COMPANY'S ASSET AND CONTINGENT LIABILITIES

There were no other charges on the Company's assets nor significant contingent liabilities as at 30 June 2012.

CAPITAL EXPENDITURE AND COMMITMENT

During the Period, the Company made no capital expenditures or any other commitments.

USE OF PROCEEDS

The Company has made 13 investments during the Period, which comprised listed equities, listed bonds and future contracts that were exclusively for hedging purpose. The largest one is in provision of professional information technology contract services and maintenance services 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 of Association, the Rules Governing the Listing of Securities on the Stock Exchange ("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 2012, 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, the Company will continue to seek excellent investment opportunities as we anticipate a soft landing in the Chinese economy. We expect the economic growth will gradually recover as policy efforts begin to boost domestic demand. We will also continue to monitor economic and related events outside of China, such as actions to be taken in the Eurozone to contain the crisis, for their effects on our portfolio.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE 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 and complied with all code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "CG Code") during the period from 1 April 2012 to 30 June 2012 as contained in Appendix 14 of the Listing Rules. The Board is of the view that throughout the Period, the Company was in compliance with the code provisions of the CG Code, save and except for code provision A.4.1 which states that the Non-executive Directors should be appointed for a specific term, subject to re-election.

None of the existing Non-executive Directors of the Company is appointed for a specific term. However, one third of the Non-executive Directors of the Company for the time being shall retire by rotation (provided that every 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 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 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 as set out in Appendix 10 to the Listing Rules (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 have 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), Professor Xu Yangsheng, and Mr. Doyle Ainsworth Dally.

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.

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 six months ended 30 June 2012 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 2012 to the shareholders.

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

Hong Kong, 16 August 2012

As at the date of this announcement, the executive Directors are Mr. Craig Blaser Lindsay (Chairman), 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.