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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 RESULTS FOR THE PERIOD FROM 1 FEBRUARY 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010

AUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of China New Economy Fund Limited (the “Company”) is pleased to announce the audited results of the Company for the period from 1 February 2010 (date of incorporation) to 31 December 2010 as follows:

STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 December 2010

	<i>Notes</i>	Period from 1 February 2010 (date of incorporation) to 31 December 2010 <i>HK\$</i>
INCOME	5	—
EXPENSES		
Auditors’ remuneration		(60,000)
Legal and professional fees		(466,877)
Other operating expenses		(28,500)
		<hr/>
		(555,377)
		<hr/>
LOSS BEFORE TAX		(555,377)
Income tax expense	9	—
		<hr/>
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<hr/> (555,377) <hr/>

**Period from
1 February 2010
(date of
incorporation) to
31 December 2010**
HK\$

Notes

LOSS PER SHARE ATTRIBUTABLE TO
ORDINARY EQUITY HOLDER

Basic:

For loss for the period

(555,377)

Diluted:

For loss for the period

N/A

STATEMENT OF FINANCIAL POSITION

31 December 2010

31 December 2010

Notes

HK\$

CURRENT ASSETS

Prepaid listing expenses

11

24,057,317

CURRENT LIABILITIES

Amount due to a related company

13

5,240,377

Other payables and accruals

12

19,372,317

Total current liabilities

24,612,694

Net liabilities

(555,377)

EQUITY

Issued capital

14

—#

Accumulated loss

(555,377)

Total equity

(555,377)

NET ASSET VALUE PER SHARE

15

(555,377)

Less than HK\$1

STATEMENT OF CHANGES IN EQUITY

Period ended 31 December 2010

	<i>Note</i>	Share capital <i>HK\$</i>	Accumulated loss <i>HK\$</i>	Total <i>HK\$</i>
At 1 February 2010 (date of incorporation)				
Issue of shares	14	—#	—	—
Total comprehensive income for the period		—	(555,377)	(555,377)
At 31 December 2010		—	(555,377)	(555,377)

Less than HK\$1

STATEMENT OF CASH FLOWS

Period ended 31 December 2010

	Period from 1 February 2010 (date of incorporation) to 31 December 2010 <i>HK\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(555,377)
Increase in prepaid listing expenses	(24,057,317)
Increase in amount due to a related company	5,240,377
Increase in other payables and accruals	19,372,317
Net cash flows generated by operating activities	—
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	—#
Net cash flows provided by financing activities	—
NET CHANGE IN CASH AND CASH EQUIVALENTS	—
Cash and cash equivalents at beginning of period	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	—

Less than HK\$1

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars except when otherwise indicated.

The Company incurred a loss of HK\$555,377 for the period from 1 February 2010 (date of incorporation) to 31 December 2010 and had net liabilities of HK\$555,377 as at 31 December 2010. In view of the fact that the shares of the Company were listed by way of private placing (the “Placing”) on 6 January 2011, the directors are of the opinion that it is appropriate to prepare these financial statements for the period ended 31 December 2010 on a going concern basis.

The Company has adopted for the first time all the applicable and effective IFRSs.

2. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ⁴
IFRS 9	<i>Financial Instruments</i> ⁶
IAS 12 Amendments	Amendments to IAS 12 <i>Income Taxes: Deferred Tax - Recovery of Underlying Assets</i> ⁵
IAS 24 (Revised)	<i>Related Party Disclosures</i> ³
IAS 32 Amendment	Amendment to IAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
IFRIC 14 Amendments	Amendments to IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

- ¹ Effective for annual periods beginning on or after 1 February 2010
- ² Effective for annual periods beginning on or after 1 July 2010
- ³ Effective for annual periods beginning on or after 1 January 2011
- ⁴ Effective for annual periods beginning on or after 1 July 2011
- ⁵ Effective for annual periods beginning on or after 1 January 2012
- ⁶ Effective for annual periods beginning on or after 1 January 2013

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. The directors of the Company consider that these new and revised IFRSs are unlikely to have significant impact on the financial position or results of operations of the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

4. OPERATING SEGMENT INFORMATION

The Company has not commenced operation during the period and no segment analysis by investment type and geographical location is provided.

For management purposes, the Company is organised into one main operating segment, which invests mainly in equity investments. 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 financial statements of the Company as a whole.

5. INCOME

The Company has not commenced operation and did not generate any income during the period.

6. DIRECTORS' REMUNERATION

No directors received any fees or emoluments in respect of their services rendered to the Company during the period.

7. PERSONNEL

The Company did not employ any personnel during the period.

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. No administration fee was charged for the period.

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. As at 31 December 2010, no valuation fees had been incurred.

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. No custodian fee was charged for the period.

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. No management fee was charged for the period.

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 period.

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 period.

A reconciliation of the tax credit applicable to loss before tax using the statutory rate to the tax at the effective tax rate is as follows:

	2010 <i>HK\$</i>
Loss before tax	(555,377)
Tax at the statutory tax rate of 16.5%	(91,637)
Expenses not deductible for tax	91,637
Tax charge at effective rate of 0%	—

PRC

No provision was made for taxation in the financial statements as the Company did not generate any PRC sourced income during the period.

10. LOSS PER SHARE

The calculation of basic loss per share amount is based on the Company's loss for the period attributable to the ordinary equity holder of HK\$555,377 and the weighted average number of ordinary shares in issue during the period of one. A diluted loss per share amount for the period ended 31 December 2010 has not been presented as there were no potential ordinary shares in existence for the period.

11. PREPAID LISTING EXPENSES

The prepaid listing expenses represent the transaction costs incurred by the Company in the period in connection with the placing of 303,000,000 shares on the Stock Exchange on 6 January 2011 as detailed in note 14. The prepaid listing expenses are incremental costs directly attributable to the Placing transaction and will be deducted from equity upon Placing.

12. OTHER PAYABLES AND ACCRUALS

Other payables and accruals represent all the start-up costs and expenses of, and incidental to, the Placing including but not limited to the Company's establishment costs, the issue, listing, marketing and placing of the shares, the placing commission, the preparation of the Placing document and the material contracts entered into by the Company with the relevant services providers (the "Start-up Costs"). The payables are non-interest-bearing and have an average term of less than three months. They were all subsequently settled by the Company out of the proceeds from the Placing.

13. AMOUNT DUE TO A RELATED COMPANY

The balance represents the accumulated Start-up Costs that had been settled by CITIC Securities International Fund Management Limited ("CSIFM") on behalf of the Company in the period from 1 February 2010 (date of incorporation) to 31 December 2010. CSIFM is the parent company of the Investment Manager of the Company. The Start-up Costs settled by CSIFM were reimbursed directly from the proceeds of the Placing upon completion of the Placing in January 2011.

14. ISSUED CAPITAL

	2010
	<i>HK\$</i>
Authorised:	
776,000,000 shares of HK\$0.1 each	77,600,000
Issued and fully paid:	
1 share of HK\$0.1 each	—

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 Jun Yan, 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 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 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 will be 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, will hold any shares in the Company.

15. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net liabilities of the Company as at 31 December 2010 of HK\$555,377 and on one ordinary share being in issue as at 31 December 2010.

16. RELATED PARTIES TRANSACTIONS

In addition to the related party transactions detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the period:

Investment manager – CITIC Securities International Investment Management (HK) Limited

The Investment Manager is responsible to manage, supervise and direct the investment, disposition and re-investment of the assets of the Company, on a discretionary basis, but subject to the investment objective and restrictions of the Company. The Investment Manager is entitled to receive management and performance fees for its respective services in terms of the agreement dated 10 December 2010. Details of the fees to which the Investment Manager is entitled are provided in note 8 mentioned above.

Two directors of the Company served on the Board of Directors of the Investment Manager at the end of the period and during the period.

17. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2011, a total of 303,000,000 ordinary shares of the Company at a subscription price of HK\$1.03 each, representing 100% of the issued share capital of the Company, were listed by way of a private placing on the Main Board of the Stock Exchange pursuant to Chapter 21 of the listing rules governing the listing of securities on the Main Board of the Stock Exchange.

CHAIRMAN STATEMENT

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 annual report and audited financial statements for the period from 1 February 2010 (date of incorporation) to 31 December 2010 (the “Period”).

China New Economy Fund 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.

In 2010, the Greater China equity markets saw an encouraging recovery, supported by a resilient economy and strong domestic consumption sector in China. The Hang Seng Index and Hang Seng China Enterprise Index changed +5.32% and -0.79% respectively in 2010, while key export markets like China and Singapore have adopted measures to prevent their economies from overheating and stroking inflationary pressures. On the international front, equity market sentiment remains upbeat around the world with the Dow Jones Industrial closing up 11.02% as of the end of December 2010, thanks to expectations of moderate economic growth over the next few quarters from the US Federal Reserve Chairman.

Despite signs of optimism towards a broad-based economic recovery, the deepening sovereign debt crisis in Europe and US markets triggered by the financial tsunami in 2008 are hindrance to the global equity market in the near to mid-term.

Against these opportunistic yet challenging market conditions, the Company will leverage on its expertise in the financial market to look for quality investment projects in Greater China. By offering investors a tailor-made alternative investment vehicle primarily focusing on China’s new economy sectors, the Company aims at realizing gains through capital appreciation.

Business Overview

Subsequent to the end of the financial period, the listing of the Company was approved by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 January 2011, and the Company was successfully listed on the Main Board of the Stock Exchange on 6 January 2011, raising a net proceeds of approximately HK\$286.6 million by placing a total of 303 million shares at a price of HK\$1.03 each. The Company is the first company listed in 2011 and the first listing under Chapter 21 of the Listing Rules of the Stock Exchange (“Listing Rules”) since 2004. The successful listing of the Company has helped capitalize the vast investment opportunities in the Greater China market.

Seasoned Investment and Research Team

To strengthen its foothold in the China market, the Company has appointed CITIC Securities International Investment Management (HK) Limited (“CSIIM” or “Investment Manager”) as the Investment Manager. Leveraging on CSIIM’s China equities investment expertise, its research capabilities and access to its extensive business network in China, the Company will be able to identify attractive investment opportunities. The team appraises and monitors risk at every step of the investment process with over 85 years’ combined experience by the core investment team in Greater China.

Thanks to the dedicated team of highly regarded investment and research professionals who committed their capital, knowledge and talent, the Company is able to identify new investments with strong upside, and build value for the long term.

Sound Strategy

The Company aims to develop its strategy for closed-ended fund investing in Greater China focusing on opportunities in the new economy industries i.e. new energy and services. The investment model is created to offer professional investors better diversification of risk over the long run and easy access to public and private equities opportunities, while retaining the favourable liquidity nature of traditional equity investments.

The key sectors that we will focus on, but not limited to, are low carbon energy industry, software, and internet related industries as we see a strong potential for high growth in these areas as China’s economy continues to develop rapidly. We see investment opportunities in new technology and new servicing industries which are poised to benefit from China’s transformation from an “investment-led” to a “consumption-driven” economy, where four major themes have been identified: industry consolidation and upgrade; efficiency improvement; environmental protection and people’s well-being enhancement. We will focus on these new initiatives and opportunities exploit and continue to advance our strategy.

While the Company has consistently been exploring a number of potential investment projects, it adheres to a strategy of focusing on investing in companies which had a niche market position, with strong management teams and good corporate governance. We believe that our investment strategy will pay off and enable us to generate consistently high and non-volatile returns for our shareholders.

PROSPECTS

The Company sees itself as one of the handful of publicly listed Greater China alternative investment vehicles. In line with our unique market position and corporate strategy, the Company will continue to seek opportunistic investments in the public and private equities markets on China-focused companies that fit our investment criteria. These investments will generate more consistent and less volatile returns and also have the potential to offer positive returns even in times of falling markets.

In addition, the Company will take advantage of the opportunity presented by the booming China market:

1. In 2010, China became the world's second largest economy, overtaking Japan. It has overtaken Germany as the largest exporter in 2009. It is the world's biggest holder of foreign reserves. The Chinese government is committed to achieving balanced regional development, urbanization, development of service industries, as well as shifting industrial structure toward technology-and capital-intensive industries via a sustainable development strategy for the 12th 5-year plan (2011-2015). The Company is fully confident of the burgeoning China market, and believes these factors will not undermine long-term economic growth in China even though ups and downs of the stock markets will be inevitable. We will be cautious in selecting quality projects out of a pool of lucrative projects which meet the appetite of domestic and overseas professional investors.
2. China achieved a 10.1% GDP growth in 2010. The gradual restructuring of the economy has contributed to a more than tenfold increase in GDP since 1978. Along with the economic growth, the RMB is rising in value rapidly. The soaring currency value will generate more development opportunities, fine-tune the structure of domestic production resources and encourage demand for land and labor. Ultimately, people will become richer and it will augment the status of the country worldwide.
3. In light of the RMB's appreciation, the Company believes that the Chinese government will continue to adopt policies supporting domestic consumption and lessen the dependence on the export sector. As the middle class continues to grow, middle to high-end consumer goods will be more and more in demand. Together with rising brand consciousness in the community, local brands have greater potential to develop than ever before.

The Company believes these factors will be beneficial to the long-term sustainable economic development of the country. It is favorably positioned to pick up unique and quality projects in the Greater China market and embrace the enormous business opportunities ahead.

While most of the developed world grasps economic resurrection, we are fortunate that the Greater China region has been one of the leading emerging economies propelling global growth. In the near future, the Company will be actively seeking investment projects in Greater China, raising its net asset value as well as generating consistent investment returns in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the Period, the Company had not commenced any operation or investment activity but mainly focused on the preparation of the listing of its shares on the Stock Exchange and formulation of its investment objective and policies.

The Company was successfully listed (the "Listing") on the Main Board of the Stock Exchange on 6 January 2011 (the "Listing Date"), raising a net proceeds of approximately HK\$286.6 million by placing a total of 303 million shares at a price of HK\$1.03 each.

During the Period, the Company did not carry on any investing activities and no revenue generating transactions occurred. The Company reported a net loss attributable to shareholders of HK\$555,377 during the Period, which was attributable to the auditors' remuneration, legal and professional fees and other operating expenses incurred in preparation of the Listing and the 2010 financial statements.

During the Period, the Company did not acquire or dispose of any subsidiaries or associated companies.

The Directors do not recommend the payment of an annual dividend for the Period.

Liquidity, financial resources and gearing

As at 31 December 2010, the Company had start-up costs payable of HK\$24.6 million (including the amount due to CSIFM (Please refer to note 13 of the Notes to Financial Statements) of HK\$5.2 million) and no long-term borrowing. Such start-up costs payable were subsequently settled by the Company out of the listing proceeds raised in January 2011.

Capital structure

As at 31 December 2010, one fully paid-up share amounting to HK\$0.1 has been issued by the Company and was held by Mr. Wang Jun Yan, an executive director of the Company. 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

As of 31 December 2010, there were no charges on the Company's assets or significant contingent liabilities.

Capital expenditure and commitment

During the Period, the Company made no capital expenditures nor any other commitments.

Use of proceeds

The net proceeds raised from the Listing of HK\$286.6 million 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 will be placed on bank deposit or invested in money market instruments or money market funds.

Employees

As at 31 December 2010, the Company had no employees but three executive Directors and three independent non-executive Directors. During the Period, no Directors received any fees or emoluments in respect of their services rendered to the Company. 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 dollar to carry out its business transactions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Since the Listing Date and up to the date of this announcement, the Company had not purchased, sold or redeemed any of its shares.

Pursuant to the placing agreement dated 28 December 2010, the Company conducted a placing through placing agents for up to 776,000,000 placing shares at HK\$1.03 per placing share on best effort basis. The placing agents eventually placed 303,000,000 placing shares and the Company raised a net proceeds of HK\$286.6 million through such placing. All the placing shares were subsequently listed on the main board of the Stock Exchange on the Listing Date.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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 of the Company's shares on the Main Board of the Stock Exchange and up to the date of this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was not yet listed on the Stock Exchange during the Period under review and therefore the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules was not applicable to the Company for the Period. Since the Listing Date and up to the date of this announcement, 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.

AUDIT AND REMUNERATION COMMITTEE

The Directors have established the Audit and Remuneration Committee in accordance with Rule 3.21 of the Listing Rules and code provisions B.1.1 of the CG Code. The Audit and Remuneration Committee consists of the three independent non-executive Directors – 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 primary remuneration related duties of the committee include (but without limitation): (i) making recommendations to the Directors on the Company's policy and structure of all remuneration of the Directors and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

The Audit and Remuneration Committee has reviewed the audited financial results of the Company for the Period.

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

Hong Kong, 28 March 2011

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