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CHINA NEW ECONOMY FUND LIMITED

中國新經濟投資有限公司

(Incorporated in the Cayman Islands as an exempted company with limited liability)

(Stock Code: 80)

CONTINUING CONNECTED TRANSACTIONS – CHANGE OF INVESTMENT MANAGER

On 18 December 2013, the Company has issued a written notice of early termination to CSIIM to terminate the Existing Investment Management Agreement with effect from 31 December 2013, which CSIIM has accepted.

On 18 December 2013, the Company has entered into the New Investment Management Agreement with the New Investment Manager, pursuant to which the New Investment Manager has agreed to provide non-discretionary investment management services to the Company for a period of three years from 1 January 2014 to 31 December 2016.

The New Investment Manager is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules when the New Investment Management Agreement becomes effective. Accordingly, the provision of non-discretionary investment management services by the New Investment Manager to the Company under the New Investment Management Agreement constitutes continuing connected transactions of the Company.

The maximum aggregate fee payable by the Company to the New Investment Manager under the New Investment Management Agreement will not exceed HK\$960,000 per annum. As the relevant percentage ratios for the transactions contemplated under the New Investment Management Agreement on an annual basis are less than 25%, and that each of the Annual Caps is less than HK\$10,000,000, the transactions contemplated under the New Investment Management Agreement are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

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THE NEW INVESTMENT MANAGEMENT AGREEMENT

Date 18 December 2013

Parties The Company and the New Investment Manager

Duration and termination

Pursuant to the New Investment Management Agreement, the New Investment Manager will be appointed by the Company as the investment manager of the Company to provide non-discretionary investment management services for a period of three years commencing from 1 January 2014 to 31 December 2016, unless terminated earlier by either party by giving not less than three months' prior notice in writing to the other party.

Services to be provided

The New Investment Manager will provide non-discretionary investment management services to the Company under the New Investment Management Agreement including:

- identifying, reviewing and evaluating investment and divestment opportunities for the Company and negotiating the terms of such investment and divestment for the Company in accordance with the investment policies of the Company and directions from the Investment Committee of the Company;
- providing investment recommendations to the Investment Committee and assisting the Investment Committee in structuring acquisitions and disposals;
- executing investment and divestment decisions of the Company in accordance with the instructions of the Investment Committee;
- providing general administrative services.

Management fees, relating expenses and annual cap amount

The following table sets out the Annual Caps for the fees payable to the New Investment Manager under the New Investment Management Agreement:

| | Year ending 31 December | | |
|--------------------------------|-------------------------|--------------------|--------------------|
| | 2014 (HK\$'000) | 2015 (HK\$'000) | 2016 (HK\$'000) |
| Annual Caps of management fees | 960 | 960 | 960 |

REASONS FOR, AND BENEFITS OF THE ENTERING INTO OF THE NEW INVESTMENT MANAGEMENT AGREEMENT

In order to enhance cost and operational efficiency, the Company has decided to engage the New Investment Manager to provide non-discretionary investment management services and terminate the Existing Investment Management Agreement with CSIIM. Under the New Investment Management Agreement, the annual management fee of the New Investment Manager is HK\$960,000, which represents a discount of approximately 22.9% to the annual management fee under the Existing Investment Management Agreement. There will be no performance fee payable to the New Investment Manager under the New Investment Management Agreement. The New Investment Manager also has extensive investment management experience in Hong Kong in relation to investment companies listed under Chapter 21 of the Listing Rules (it is currently the investment manager of three listed investment companies, namely, China Innovation Investment Limited, China Investment and Finance Group Limited, and China Investment Development Limited) and has strong business connections in the PRC. The New Investment Manager has the competitive advantage to act as the investment manager of the Company and to make available investment opportunities and research on underlying investments in listed and unlisted equities in Hong Kong and the PRC as required by the Company's investment objective and is capable of providing professional investment services to the Company. The Directors consider that the appointment of the New Investment Manager will be beneficial to the Company and its Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

The New Investment Manager is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules when the New Investment Management Agreement becomes effective. Accordingly, the provision of non-discretionary investment management services by the New Investment Manager to the Company under the New Investment Management Agreement constitutes continuing connected transactions of the Company.

The maximum aggregate fee payable by the Company to the New Investment Manager under the New Investment Management Agreement will not exceed HK\$960,000 per annum. As the relevant percentage ratios for the transactions contemplated under the New Investment Management Agreement on an annual basis are less than 25%, and that each of the Annual Caps is less than HK\$10,000,000, the transactions contemplated under the New Investment Management Agreement are subject to reporting and

announcement requirements but exempt from independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of the New Investment Management Agreement are negotiated on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (b) the Annual Caps are fair and reasonable; and
- (c) the transactions contemplated under the New Investment Management Agreement are in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

As at the date of this announcement, the New Investment Manager is jointly owned by China Everbright Limited, a company listed in the Stock Exchange with stock code number 165, which holds 49% interest in the New Investment Manager, and Everbright Securities Company Limited, a company listed in The Shanghai Stock Exchange with stock code number SH601788, which holds 51% interest in the New Investment Manager.

Mr. Chan Cheong Yee ("**Mr. CY Chan**"), an Executive Director of the Company, is a sales director and one of the responsible officers of the New Investment Manager. Save in relation to Mr. CY Chan, none of the Directors has any material interest in the entering into of the New Investment Management Agreement and the transactions contemplated thereunder, and the Annual Caps. By reason of his relationship with the New Investment Manager, Mr. CY Chan has abstained from voting in the board meeting of the Company considering and approving the entering into of the New Investment Management Agreement, the transactions contemplated thereunder, and the Annual Caps.

INFORMATION OF THE COMPANY AND THE NEW INVESTMENT MANAGER

The Company

The Company is an investment company listed under Chapter 21 of the Listing Rules. The investment objective of the Company is to achieve long-term capital appreciation through investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong, Macau and Taiwan.

The New Investment Manager

The New Investment Manager is a licensed corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

The background and experience of the directors/relevant senior executives of the New Investment Manager are as follows:

Mr. Chan Kam Hop

Mr. Chan Kam Hop (“**Mr. Chan**”) is the managing director and one of the responsible officers of the New Investment Manager. Mr. Chan is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO accredited to the New Investment Manager. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited, and Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities accredited to China Everbright Securities Asset Management Limited. Mr. Chan has been advising on corporate finance and involved in asset management in the financial field for over twenty years, and has held managerial positions for over ten years.

Mr. Cheung Pang To

Mr. Cheung Pang To (“**Mr. Cheung**”) is the co-managing director and one of the responsible officers of the New Investment Manager. Mr. Cheung is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO accredited to the New Investment Manager. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited. Mr. Cheung has over twenty years of experience in the finance and investment industry. For the past sixteen years, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last nine years.

Mr. So Hin Pong

Mr. So Hin Pong (“**Mr. So**”) is a director and one of the responsible officers of the New Investment Manager. Mr. So is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO accredited to the New Investment Manager. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited, and Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities accredited to China Everbright Securities Asset Management Limited. Mr. So has over twenty years of experience in the finance and investment industry. For the past sixteen years, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last nine years.

Mr. Chan Cheong Yee

Mr. Chan Cheong Yee (“**Mr. CY Chan**”) is a sales director and one of the responsible officers of the New Investment Manager. Mr. CY Chan is currently licensed to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO accredited to the New Investment Manager. He is also licensed to carry out Type 2 (dealing in futures contracts) and Type 3 (leveraged foreign exchange trading) regulated activities accredited to China Everbright Forex & Futures (HK) Limited. Mr. CY Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing investment companies listed under Chapter 21 of the Listing Rules.

Mr. CY Chan is also currently an Executive Director of the Company. As at the date of this announcement, Mr. CY Chan does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other matter relating to Mr. CY Chan that needs to be brought to the attention of the Shareholders of the Company and there is no other information that needs to be disclosed pursuant to the requirement of Rule 13.51(2)(h) to (v) of the Listing Rules.

Investment decision making process

At the Company level, in connection with the appointment of the New Investment Manager, an Investment Committee consisting of three Executive Directors of the Company, namely, Mr. CY Chan, Mr. Craig Lindsay and Mr. Xu Gu, has been formed to consider and approve the investment recommendations provided by the New Investment Manager based on research and analysis performed by the New Investment Manager, which may also include physical site visit if necessary. The New Investment Manager will present the investment recommendations to the Investment Committee on a regular basis and the Investment Committee will hold meetings on a as-needed basis whenever the New Investment Manager provides the Investment Committee with investment recommendations. All the investments including the related holding period and target price will need to be considered and approved by the Investment Committee. The Investment Committee will consider matters such as, but not be limited to, the related price/earning ratio, price-to-book ratio, liquidity, catalysts, EBITA, profit forecast, cashflow forecast and growth forecast. Once an investment recommendation has been approved by the Investment Committee, the Company will proceed with the investments and execute the trades.

A Risk Committee consisting of two Executive Directors and two Independent Non-executive Directors of the Company, namely, Mr. CY Chan, Mr. Craig Lindsay, Mr. Doyle Dally and Mr. James Stubbs, has been formed to monitor the operational and portfolio risks to the Company and the investment decisions made by the Investment Committee. The Risk Committee will monitor the Investment Committee, including reviewing whether the investment objective and policies and investment restrictions are being followed by the Investment Committee. In case of any deviation, the Risk Committee will discuss the deviations with the Investment Committee and the New Investment Manager immediately and monitor remedial action. For all material deviations, the Risk Committee will formulate recommendations to the Board on the appropriate remedial actions to be made. In formulating such recommendations, the Risk Committee will also seek advice from the compliance adviser of the Company, China Everbright Capital Limited, on any applicable disclosure or reporting requirement relating to such deviations under

the Listing Rules, and make appropriate announcement if necessary. The Risk Committee will meet on a monthly basis or more regularly if a meeting is requested by any Risk Committee member.

Potential conflicts of interest

Currently, the New Investment Manager and their directors, officers and employees provide management services to three investment companies listed under Chapter 21 of the Listing Rules (namely, China Innovation Investment Limited, China Investment and Finance Group Limited, and China Investment Development Limited) and a Renminbi Qualified Foreign Institutional Investor fund (namely, Everbright Fortune RMB Bond Fund).

From time to time, conflicts of interest may arise between the interest of the Company and those of other clients of the New Investment Manager. In such situations, the New Investment Manager will have regard to its obligations to the Company to act in the best interests of the Company, so far as is practicable having regard also to its obligations to the other clients.

The New Investment Manager has adopted the following measures to serve all its clients well and at the same time avoid conflict of interest:

- (a) The New Investment Manager will maintain a clear understanding of the investment policy, investment objective and investment strategy of each of its clients including the Company. Only clients with suitable investment appetite will be introduced to relevant potential investment opportunities.
- (b) Should more than one client fit into any particular investment criteria, such investment opportunities sourced by the New Investment Manager or its network will be submitted to all those suitable clients for consideration. If a number of clients are interested in participating in the same investment opportunity and the available investment is insufficient to satisfy these demands, the New Investment Manager will allocate the investment to those clients on a pro-rata basis depending on the respective subscription requests.
- (c) When deciding the subscription size of any investment for the Company and its other clients, the New Investment Manager will consider factors such as current weighting of assets, risk parameters, market outlook, constraints of investment exposure and the financial resources available to the Company and its other clients.
- (d) Proposed investment terms of each client will be treated with extreme confidentiality.

The New Investment Manager has advised the Company that it is confident that pursuant to the above arrangement, no conflicts of interest arise.

Overlapping director

Mr. CY Chan is an Executive Director of the Company and a sales director and one of the responsible officers of the New Investment Manager and he is involved in the day-to-day operations of the Company and each of those companies managed by the New Investment Manager. This may give rise to conflicts of interest.

As the overall interests of the Company and the New Investment Manager are aligned, the Directors are of the view that Mr. CY Chan will be able to act in the best interests of the Company and its Shareholders. In addition, all major decisions of each of these companies will be made by their respective board of directors as a whole and not at the sole discretion of Mr. CY Chan. In the case of the Company, apart from Mr. CY Chan, Mr. Craig Lindsay and Mr. Xu Gu (Executive Directors) and the Independent Non-executive Directors are also involved in making appropriate decisions on behalf of the Company. They are all competent and have sufficient expertise and knowledge to act for the best interest of the Company.

The Independent Non-executive Directors and the other Executive Directors, Mr. Craig Lindsay and Mr. Xu Gu, also have the discretion to seek independent expert advice from external legal counsel or other professionals should they feel such advice would be advantageous.

Mr. CY Chan will maintain confidentiality in respect of the information of each of the companies managed by the New Investment Manager. He is also aware of his obligations under the SFC's Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC that they are required to establish and ensure the integrity and security of all information relevant to the business operations of the respective entities.

In addition, in accordance with Rule 13.44 of the Listing Rules, the Articles provide that any Director will generally not vote on any board resolution approving a contract or arrangement or any other proposal in which the Director or his associate(s) has/have a material interest, except on certain issues provided by the Articles.

Allocation of investments/time/attention

The New Investment Manager will ensure that it will always act fairly and in the best interests of the Company and its other clients.

If a number of clients are interested to participate in the same investment and the available investment is insufficient to satisfy these demands, the New Investment Manager will allocate the investment to those clients on a pro-rata basis depending on the respective subscription requests.

In terms of allocation of time/attention, the New Investment Manager will delegate a team of individuals to serve the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings set out below:

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| “Annual Cap(s)” | the proposed maximum aggregate amount of the fees payable to the New Investment Manager per annum under the New Investment Management Agreement, being HK\$960,000, HK\$960,000 and HK\$960,000 for the year ending 31 December 2014, 2015 and 2016 respectively |
| “Articles” | the memorandum and articles of association of the Company, in force from time to time |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors |
| “Company” | China New Economy Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability on 1 February 2010 |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “CSIIM” | CITIC Securities International Investment Management (HK) Limited, the investment manager under the Existing Investment Management Agreement and a company incorporated in Hong Kong and licensed by the SFC to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO |
| “Director(s)” | the director(s) of the Company |
| “Executive Director(s)” | the executive director(s) of the Company |
| “Existing Investment Management Agreement” | the investment management agreement entered into between the Company and CSIIM on 19 December 2012, pursuant to which the Company has re-appointed CSIIM as the investment manager to provide investment management services for a period commencing from 1 January 2013 to 31 December 2014 |
| “HK\$” or “HK Dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Non-executive Director(s)” | the independent non-executive director(s) of the Company |

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|---------------------------------------|--|
| “Investment Committee” | the investment committee of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “New Investment Management Agreement” | the investment management agreement entered into between the Company and the New Investment Manager on 18 December 2013 in relation to the provision of non-discretionary investment management services by the New Investment Manager to the Company for a period of three years commencing from 1 January 2014 to 31 December 2016 |
| “New Investment Manager” | China Everbright Securities (HK) Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| “PRC” | The People’s Republic of China |
| “Risk Committee” | the risk committee of the Company |
| “SFC” | the Securities and Futures Commission |
| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary shares of the Company |
| “Shareholder(s)” | the registered holder(s) of the Share(s) from time to time |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

By Order of the Board
China New Economy Fund Limited
Craig Blaser Lindsay
Chairman and Chief Executive Officer

Hong Kong, 18 December 2013

As at the date of this announcement, the Directors of the Company are Mr. LINDSAY Craig Blaser, Mr. GU Xu and Mr. CHAN Cheong Yee as Executive Directors, Mr. SIU Kam Chau, Mr. DALLY Doyle Ainsworth, Mr. Arthur James Kay STUBBS and Mr. TAI Man Hin Tony as Independent Non-executive Directors.