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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 YEAR ENDED 31 DECEMBER 2012

#### RESULTS

The board of Directors (the “Board” or the “Directors”) of China New Economy Fund Limited (the “Company”) is pleased to announce the results of the Company for the year ended 31 December 2012 (the “Year”), together with the comparative figures for the year ended 31 December 2011, as follows:

#### STATEMENT OF COMPREHENSIVE INCOME

|   | <i>Notes</i> | <b>Year ended<br/>31 December<br/>2012<br/>HK\$</b> | <b>Year ended<br/>31 December<br/>2011<br/>HK\$</b> |
|---|--------------|---|---|
| REVENUE   | 4            | <u>2,359,868</u>                                    | <u>7,824</u>  |
| Net change in fair value of financial assets and liabilities at fair value through profit or loss                       | 5            | <b>13,407,359</b>                                   | (39,407,708)  |
| Other operating expenses  |              | <u>(9,585,793)</u>                                  | <u>(9,698,550)</u>                                  |
| PROFIT/(LOSS) BEFORE TAX  | 6            | <b>6,181,434</b>                                    | (49,098,434)  |
| Income tax expenses   | 8            | <u>(1,373,114)</u>                                  | <u>–</u>  |
| PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY |              | <u><b>4,808,320</b></u>                             | <u>(49,098,434)</u>                                 |
| EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY   | 9            |   |   |
| – Basic   |              | <u><b>0.02</b></u>                                  | <u>(0.16)</u>                                       |
| – Diluted   |              | <u><b>0.02</b></u>                                  | <u>(0.16)</u>                                       |

## STATEMENT OF FINANCIAL POSITION

|  |              | <b>31 December<br/>2012</b> | 31 December         |
|--|--------------|-----------------------------|---------------------|
|  | <i>Notes</i> | <b>HK\$</b>                 | 2011<br><b>HK\$</b> |
| <b>CURRENT ASSETS</b>                                    |              |                             |                     |
| Prepayments and other receivables                        |              | <b>716,937</b>              | 582,448             |
| Financial assets at fair value<br>through profit or loss | <i>10</i>    | <b>168,603,309</b>          | 26,850,106          |
| Cash and cash equivalents                                |              | <b>76,400,468</b>           | 211,661,841         |
|  |              | <hr/>                       | <hr/>               |
| Total current assets                                     |              | <b>245,720,714</b>          | 239,094,395         |
|  |              | <hr/>                       | <hr/>               |
| <b>CURRENT LIABILITIES</b>                               |              |                             |                     |
| Other payables   |              | <b>745,329</b>              | 322,929             |
| Amount due to a related company                          |              | <b>414,986</b>              | 392,501             |
|  |              | <hr/>                       | <hr/>               |
| Total current liabilities                                |              | <b>1,160,315</b>            | 715,430             |
|  |              | <hr/>                       | <hr/>               |
| <b>NET CURRENT ASSETS</b>                                |              | <b>244,560,399</b>          | 238,378,965         |
|  |              | <hr/> <hr/>                 | <hr/> <hr/>         |
| <b>NON-CURRENT LIABILITY</b>                             |              |                             |                     |
| Deferred tax liabilities                                 |              | <b>1,373,114</b>            | –                   |
|  |              | <hr/>                       | <hr/>               |
| Net assets   |              | <b>243,187,285</b>          | –                   |
|  |              | <hr/> <hr/>                 | <hr/> <hr/>         |
| <b>EQUITY</b>  |              |                             |                     |
| Issued capital   |              | <b>30,300,000</b>           | 30,300,000          |
| Reserves   |              | <b>212,887,285</b>          | 208,078,965         |
|  |              | <hr/>                       | <hr/>               |
| Total equity   |              | <b>243,187,285</b>          | 238,378,965         |
|  |              | <hr/> <hr/>                 | <hr/> <hr/>         |
| <b>NET ASSET VALUE PER SHARE</b>                         |              | <b>0.80</b>                 | 0.79                |
|  |              | <hr/> <hr/>                 | <hr/> <hr/>         |

## NOTES

### 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, Uglund 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

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 Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). 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. These financial statements are presented in Hong Kong dollars (“HK\$”) except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRSs effective as of 1 January 2012:

#### *IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company’s financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity’s continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

## 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

### *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012. The Company expects to adopt the amendments from 1 January 2013.

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

### *IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

### *IFRS 9 Financial Instruments: Classification and Measurement*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### *IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 *Disclosure of Interest in Other Entities*. The amendments to IFRS 12 also set out the disclosure requirements for investment entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 *Joint Arrangement* and IFRS 12. The Company expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011), IAS 28 (2011), and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Company.

#### *IFRS 13 Fair Value Measurement*

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Company is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Company expects to adopt IFRS 13 prospectively from 1 January 2013.

#### *Annual Improvements May 2012*

These improvements will not have an impact on the Company, but include:

##### *IAS 1 Presentation of Financial Statements*

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

##### *IAS 32 Financial Instruments, Presentation*

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

##### *IAS 34 Interim Financial Reporting*

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

### **3. OPERATING SEGMENT INFORMATION**

During the years ended 31 December 2012 and 2011, all of the Company's investments are equity securities listed either on the Stock Exchange, the New York Stock Exchange or the National Association of Securities Dealers Automated Quotations ("NASDAQ"), and debt securities listed on the Singapore Exchange Securities Trading Limited ("SGX"). For management purposes, the Company is organized into one main operating segment, which invests mainly in equity and debt securities. All of the Company's activities are interrelated, and each activity is dependent on the other. 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 as a whole.

#### 4. REVENUE

An analysis of revenue is as follows:

|   | <b>Year ended<br/>31 December<br/>2012<br/>HK\$</b> | Year ended<br>31 December<br>2011<br>HK\$ |
|---|---|---|
| Dividend income from listed equity securities | 1,367,161   | –   |
| Interest income from listed debt securities   | 903,340   | –   |
| Bank interest income                          | 89,367  | 7,824                                     |
|   | <u>2,359,868</u>                                    | <u>7,824</u>                              |

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

|  | <b>Year ended<br/>31 December<br/>2012<br/>HK\$</b> | Year ended<br>31 December<br>2011<br>HK\$ |
|--|---|---|
| Net realized loss on financial assets<br>at fair value through profit or loss          | (14,916,621)  | (778,960)                                 |
| Net unrealized gain/(loss) on financial<br>assets at fair value through profit or loss | 27,838,630  | (40,862,135)                              |
| Net realized gain on financial liabilities<br>at fair value through profit or loss     | 485,350   | 2,233,387                                 |
|  | <u>13,407,359</u>                                   | <u>(39,407,708)</u>                       |

#### 6. PROFIT/(LOSS) FOR THE YEAR

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

|                                    | <b>Year ended<br/>31 December<br/>2012<br/>HK\$</b> | Year ended<br>31 December<br>2011<br>HK\$ |
|------------------------------------|---|---|
| Investment management fee (note 7) | 4,917,512   | 5,219,572                                 |
| Foreign exchange (gain)/loss, net  | (184)   | 75,171                                    |
| Auditors' remuneration             | 286,500   | 277,000                                   |
| Legal and professional fees        | 76,401  | 830,674                                   |
|                                    | <u>5,274,229</u>                                    | <u>6,302,317</u>                          |

## 7. FEES

### Administration fee

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

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

The administration fee is subject to a monthly minimum fee of HK\$73,000 (reduced by 50% in the first six months after listing) and is payable monthly in arrears. The administration fee for the year was HK\$876,000 (2011: HK\$651,113). As at 31 December 2012, an administration fee of HK\$73,000 (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 year (2011: Nil). As at 31 December 2012, no valuation fee was payable to the Administrator (2011: Nil).

### Custodian fee

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

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

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

The custodian fee for the year was HK\$180,000 (2011: HK\$144,448). As at 31 December 2012, a custodian fee of HK\$15,000 (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 year was HK\$4,917,512 (2011: HK\$5,219,572). As at 31 December 2012, a management fee of HK\$414,986 (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 year (2011: Nil). As at 31 December 2012, no performance fee was payable to the Investment Manager (2011: Nil).

## 8. TAXATION

### Cayman Islands

Under the current Cayman Islands law, there is 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 in Hong Kong during the year (2011: Nil). The major component of income tax charge for the years ended 31 December 2012 and 2011 are:

|                         | 2012<br><i>HK\$</i> | 2011<br><i>HK\$</i> |
|-------------------------|---------------------|---------------------|
| Provision for the year  | —                   | —                   |
| Deferred tax            | 1,373,114           | —                   |
| Tax charge for the year | <u>1,373,114</u>    | <u>—</u>            |

### PRC

No provision was made for PRC taxation in the financial statements as the Company did not generate any PRC sourced income during the year (2011: Nil).

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

The calculation of the basic earning per share amount is based on the Company's profit for the year attributable to ordinary equity holders of HK\$4,808,320 (2011: loss of HK\$49,098,434) and the weighted average number of ordinary shares in issue during the year of 303,000,000 (2011: 298,849,315 ordinary shares). No adjustment has been made to the basic earning per share amount presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the years.



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

|                           | 2012<br><i>HK\$</i> | 2011<br><i>HK\$</i> |
|---------------------------|---------------------|---------------------|
| Listed equity securities: |                     |                     |
| – Hong Kong               | 122,449,720         | 12,979,050          |
| – The United States       | 16,291,412          | 13,871,056          |
|                           | <u>138,741,132</u>  | <u>26,850,106</u>   |
| Listed debt securities:   |                     |                     |
| – Singapore               | 29,862,177          | –                   |
|                           | <u>168,603,309</u>  | <u>26,850,106</u>   |

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

Net unrealized gain on financial assets at fair value through profit or loss of HK\$27,838,630 (2011: Net unrealized loss of HK\$40,862,135) has been recognized in profit or loss in the statement of comprehensive income.

## 11. EVENT AFTER THE REPORTING PERIOD

The Company entered into a new investment management agreement dated 19 December 2012 with the Investment Manager (the “Agreement”), in which the Investment Manager is entitled to a management fee accruing monthly at the annual rate of 1.8% of the net asset value of the Company on each valuation day, subject to a maximum amount of HK\$4,200,000 and payable monthly in arrears from 1 January 2013 onwards.

Under the Agreement, the Investment Manager is entitled to receive a performance fee payable semi-annually in arrears and calculated at the rate of 20% of any net appreciation (after deduction of the management fees for the relevant period) 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.

Further details of the Agreement are set out in the circular of the Company dated 30 November 2012.

## **FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW**

The Company reported a net profit attributable to shareholders of HK\$4,808,320 during the Year, which consisted of the net unrealized gain of HK\$27,838,630 arising from the net mark to market gains taken on the investment positions in the portfolio, the net realized loss of HK\$14,916,621 arising from the trading of the equities listed in Hong Kong and the United States 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 Year.

The Company reported a net asset value of approximately HK\$0.80 per share as at 31 December 2012. The net asset value of the Company increased during the Year due to unrealized mark to market valuation and realized gains taken on the investment positions in the portfolio. The Company will continue to monitor investments carefully and expect improvement in its valuation as market conditions recover further.

During the Year, the Company received shareholders' approval of entering into the Agreement. Further details of the Agreement are set out in the circular of the Company dated 30 November 2012.

During the Year, the market performed better than 2011, the Hang Seng Index and Hang Seng China Enterprises Index ("HKCEI") rose by 22.91% and 11.73% respectively year-on-year. With company performance in general remained steady in the first half of 2012, the Company undertook more investments during the second half of the Year. The most significant gain of our investment portfolio comes from HKT Trust and HKT Limited (6823.HK) amounted to approximately HK\$5,792,000, which included both realized and unrealized gains. The Company will continue to deploy a sound risk management strategy with an aim to achieving stable returns on investment for shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Investment Review**

Following the successful listing of the Company on the Main Board of the Stock Exchange on 6 January 2011, the Company held seventeen investments in listed companies on 31 December 2012, comprising eleven equity securities listed in Hong Kong, three American Depositary Shares ("ADS") listed in the United States and three debt securities listed in Singapore. The largest one held by the Company is in the information technology sector focusing on Hong Kong and the Mainland China markets.

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

**At 31 December 2012**

**Listed equity securities – Hong Kong**

| Name of investee                   | Place of incorporation | Particular of issued shares held             | Proportion of investee's capital owned | Cost<br><i>HK\$'000</i> | Market value<br><i>HK\$'000</i> | Unrealized gain/(loss) recognized<br><i>(Note 1)</i><br><i>HK\$'000</i> | Net asset attributable to the Company<br><i>(Note 2)</i> | Dividend received/receivable during the year<br><i>HK\$'000</i> | % of net assets of the Company |
|------------------------------------|------------------------|--|--|-------------------------|---------------------------------|---|--|---|--------------------------------|
| (a) EPRO Limited                   | The Cayman Islands     | 33,000,000 ordinary shares of HK\$0.01 each  | 0.63%                                  | 24,750                  | 17,160                          | (7,590)   | HK\$1.81 million   | –   | 7.06                           |
| (b) Digital China Holdings Limited | Bermuda                | 1,100,000 ordinary shares of HK\$0.10 each   | 0.10%                                  | 13,820                  | 14,542                          | 722   | HK\$7.69 million   | 159   | 5.98                           |
| (c) Lenovo Group Limited           | Hong Kong              | 2,000,000 ordinary shares of HK\$0.025 each  | 0.02%                                  | 12,193                  | 14,020                          | 1,827   | US\$0.50 million   | 290   | 5.77                           |
| (d) PCCW Limited                   | Hong Kong              | 4,024,000 ordinary shares of HK\$0.25 each   | 0.06%                                  | 12,484                  | 13,682                          | 1,198   | HK\$4.97 million   | 78  | 5.63                           |
| (e) Kunlun Energy Company Limited  | Bermuda                | 800,000 ordinary shares of HK\$0.01 each     | 0.01%                                  | 11,377                  | 12,928                          | 1,551   | HK\$4.00 million   | –   | 5.32                           |
| (f) HKT Trust and HKT Limited      | Hong Kong              | 1,595,000 ordinary shares of HK\$0.0005 each | 0.02%                                  | 9,500                   | 12,026                          | 2,503   | HK\$7.69 million   | 542   | 4.95                           |

| Name of investee                                   | Place of incorporation                     | Particular of issued shares held         | Proportion of investee's capital owned | Cost            | Market value    | Unrealized gain/(loss) recognized | Net asset attributable to the Company | Dividend received/receivable during the year | % of net assets of the Company |
|--|--|--|--|-----------------|-----------------|-----------------------------------|---------------------------------------|--|--------------------------------|
|  |  |  |  | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>                   | <i>(Note 2)</i>                       | <i>HK\$'000</i>                              |                                |
| (g) China Longyuan Power Group Corporation Limited | The People's Republic of China (the "PRC") | 2,000,000 H shares of RMB1.00 each       | 0.02%                                  | 10,502          | 10,700          | 198                               | RMB6.48 million                       | –  | 4.40                           |
| (h) China Mobile Limited                           | Hong Kong                                  | 113,000 ordinary shares of HK\$0.1 each  | 0.0006%                                | 9,530           | 10,198          | 668                               | RMB4.07 million                       | –  | 4.19                           |
| (i) Dongjiang Environment Company Limited          | The PRC                                    | 310,300 H shares of RMB1.00 each         | 0.26%                                  | 7,990           | 9,899           | 2,276                             | RMB5.44 million                       | 191  | 4.07                           |
| (j) Beijing Enterprises Holdings Limited           | Hong Kong                                  | 120,000 ordinary shares of HK\$0.1 each  | 0.01%                                  | 5,510           | 6,054           | 544                               | HK\$4.06 million                      | 84   | 2.49                           |
| (k) Tencent Holdings Limited                       | The Cayman Islands                         | 5,000 ordinary shares of HK\$0.0001 each | 0.0003%                                | 1,341           | 1,241           | (100)                             | HK\$0.11 million                      | –  | 0.51                           |

## ADS – The United States

| Name of investee                | Place of incorporation | Particular of ADS held | Proportion of investee's capital owned | Cost            | Market value    | Unrealized gain/(loss) recognized<br><i>(Note 1)</i> | Net asset attributable to the Company<br><i>(Note 2)</i> | Dividend received/receivable during the year | % of net assets of the Company |
|---------------------------------|------------------------|------------------------|--|-----------------|-----------------|--|--|--|--------------------------------|
|                                 |                        |                        |  | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>                                      |  | <i>HK\$'000</i>                              |                                |
| (l) NetEase, Inc.               | The Cayman Islands     | 18,000                 | 0.014%                                 | 8,279           | 5,935           | (2,344)  | US\$0.35 million   | –  | 2.44                           |
| (m) Renren Inc.                 | The Cayman Islands     | 200,000                | 0.052%                                 | 21,756          | 5,302           | 24,065   | US\$0.58 million   | –  | 2.18                           |
| (n) Focus Media Holding Limited | The Cayman Islands     | 25,400                 | 0.002%                                 | 3,857           | 5,054           | 1,197  | US\$0.27 million   | 23   | 2.08                           |

## Listed debt securities – Singapore

| Name of issuer  | Place of incorporation | Quantity   | Cost            | Market value    | Unrealized gain/(loss) recognized<br><i>(Note 1)</i> | Yield per annum (%) | Maturity date     | % of net assets of the Company | Interest received/accrued during the year |
|---|------------------------|------------|-----------------|-----------------|--|---------------------|-------------------|--------------------------------|---|
|   |                        |            | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>                                      |                     |                   |                                | <i>HK\$'000</i>                           |
| (o) Chaowei Power Holdings Limited  | The Cayman Islands     | 10,000,000 | 12,248          | 12,816          | 568  | 7.25                | 24 September 2017 | 5.27                           | 243                                       |
| (p) China WindPower Group Limited   | Bermuda                | 9,800,000  | 10,396          | 10,855          | 459  | 6.375               | 4 April 2014      | 4.46                           | 491                                       |
| (q) Hero Asia Investment Limited<br>(A wholly-owned subsidiary of China Longyuan Power Group Corporation Limited) | The PRC                | 5,000,000  | 6,094           | 6,191           | 97   | 4.5                 | 21 December 2013  | 2.54                           | 169                                       |

## 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 | Unrealized gain/(loss) recognized | Net asset attributable to the Company | Dividend received/receivable during the year | % of net assets of the Company |
|---------------------------------------|------------------------|--|--|----------|--------------|-----------------------------------|---------------------------------------|--|--------------------------------|
|                                       |                        |  |  | HK\$'000 | HK\$'000     | HK\$'000                          | (Note 2)                              | HK\$'000                                     |                                |
| Dongjiang Environment Company Limited | The PRC                | 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 | Particular of ADS held | Proportion of investee's capital owned | Cost     | Market value | Unrealized gain/(loss) recognized | Net asset attributable to the Company | Dividend received/receivable during the year | % of net assets of the Company |
|------------------|------------------------|------------------------|--|----------|--------------|-----------------------------------|---------------------------------------|--|--------------------------------|
|                  |                        |                        |  | HK\$'000 | HK\$'000     | HK\$'000                          | (Note 2)                              | HK\$'000                                     |                                |
| 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) represented the changes in fair value of the respective investments during the year ended 31 December 2012.
- (2) The calculation of net assets attributable to the Company is based on the latest published quarterly/interim results or annual report of the respective investments at the end of each reporting period.
- (3) The unrealized gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2011.

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

- (a) EPRO Limited (“EPRO”) is principally engaged in provision of professional information technology contract services and maintenance services; and re-selling of hardware and software. No dividend

was received by the Company during the year ended 31 December 2012. The unaudited profit attributable to shareholders of EPRO for the six months period ended 31 December 2012 was approximately HK\$42 million and the unaudited net assets attributable to shareholders of EPRO at 31 December 2012 was approximately HK\$288 million. The fair value of the investment in EPRO is based on quoted market bid prices.

- (b) Digital China Holdings Limited (“Digital China”) is principally engaged in the sale and distribution of general information technology products and system products, provision of supply chain services and information technology services. A dividend income of approximately HK\$159,000 was recognized in the statement of comprehensive income of the Company. The unaudited profit attributable to shareholders of Digital China for the nine months period ended 31 December 2012 was approximately HK\$1,171 million and the unaudited net assets attributable to shareholders of Digital China as at 31 December 2012 was approximately HK\$7,641 million. The fair value of the investment in Digital China is based on quoted market bid prices.
- (c) Lenovo Group Limited (“Lenovo”) is principally engaged in the provision of advanced information technology products and services. A dividend income of approximately HK\$290,000 was recognized in the statement of comprehensive income of the Company. The unaudited profit attributable to shareholders of Lenovo for the nine months period ended 31 December 2012 was approximately US\$508 million and the unaudited net assets attributable to shareholders of Lenovo as at 31 December 2012 was approximately US\$2,581 million. The fair value of the investment in Lenovo is based on quoted market bid prices.
- (d) PCCW Limited (“PCCW”) is principally engaged in the provision of local, mobile and international telecommunications services, internet access services, interactive multimedia and pay-TV services. A dividend income of approximately HK\$78,000 was recognized in the statement of comprehensive income of the Company. The audited profit attributable to shareholders of PCCW for the year ended 31 December 2012 was approximately HK\$1,663 million and the audited net assets attributable to shareholders of PCCW as at 31 December 2012 was approximately HK\$8,979 million. The fair value of the investment in PCCW is based on quoted market bid prices.
- (e) Kunlun Energy Limited (“Kunlun Energy”) is principally engaged in the exploration and production of crude oil and natural gas in the PRC, the Republic of Kazakhstan, the Sultanate of Oman, Peru, the Kingdom of Thailand, the Azerbaijan Republic and the Republic of Indonesia, and the sales of natural gas, LNG processing and terminal and transmission of natural gas in the PRC. No dividend was received by the Company during the year ended 31 December 2012. The unaudited profit attributable to shareholders of Kunlun Energy for the six months period ended 30 June 2012 was approximately HK\$3,500 million and the unaudited net assets attributable to shareholders of Kunlun Energy as at 30 June 2012 was approximately HK\$40,269 million. The fair value of the investment in Kunlun Energy is based on quoted market bid prices.
- (f) HKT Trust and HKT Limited (“HKT”) is principally engaged in the provision of integrated telecommunications service. A dividend income of approximately HK\$542,000 was recognized in the statement of comprehensive income of the Company. The audited profit attributable to

shareholders of HKT for the year ended 31 December 2012 was approximately HK\$1,610 million and the audited net assets attributable to shareholders of HKT as at 31 December 2012 was approximately HK\$30,934 million. The fair value of the investment in HKT is based on quoted market bid prices.

- (g) China Longyuan Power Group Corporation Limited (“China Longyuan”) is principally engaged in wind and coal power generation and sale, coal trading and other related business in the PRC. No dividend was received during the year ended 31 December 2012. The unaudited profit attributable to shareholders of China Longyuan for the six months period ended 30 June 2012 was approximately RMB1,460 million and the unaudited net assets attributable to shareholders of China Longyuan as at 30 June 2012 was approximately RMB26,020 million. The fair value of the investment in China Longyuan is based on quoted market bid prices.
- (h) China Mobile Limited (“China Mobile”) is principally engaged in the provision of mobile telecommunication and related services. No dividend was received during the year ended 31 December 2012. The audited profit attributable to shareholders of China Mobile for the year ended 31 December 2012 was approximately RMB129,274 million and the audited net assets attributable to shareholders of China Mobile as at 31 December 2012 was approximately RMB723,447 million. The fair value of the investment in China Mobile is based on quoted market bid prices.
- (i) Dongjiang Environment Company Limited (“Dongjiang Environment”) is principally engaged in environmental protection industry. A dividend income of approximately HK\$191,000 was recognized in the statement of comprehensive income of the Company. The unaudited profit attributable to shareholders of Dongjiang Environment for the nine months period ended 30 September 2012 was approximately RMB204 million and the unaudited net assets attributable to shareholders of Dongjiang Environment as at 30 September 2012 was approximately RMB2,077 million. The fair value of the investment in Dongjiang Environment is based on quoted market bid prices.
- (j) 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 the PRC; (ii) the production, distribution and sale of beer in the PRC; (iii) the construction of sewage and water treatment plants and other infrastructural facilities and the provision of related services in the PRC; and (iv) investment in transportation infrastructure in the PRC. A dividend income of approximately HK\$84,000 was recognized in the statement of comprehensive income of the Company. The unaudited profit attributable to shareholders of Beijing Enterprises for the six months ended 30 June 2012 was approximately HK\$1,819 million and the unaudited net assets attributable to shareholders of Beijing Enterprise as at 30 June 2012 was approximately HK\$38,452 million. The fair value of the investment in Beijing Enterprises is based on quoted market bid prices.



- (k) Tencent Holdings Limited (“Tencent”) is principally engaged in the provision of internet value-added services, mobile and telecommunication value-added services and online advertising services to users in the PRC. No dividend income was received during the year ended 31 December 2012. The audited profit attributable to shareholders of Tencent for the year ended 31 December 2012 was approximately RMB12,732 million and the audited net assets attributable to shareholders of Tencent as at 31 December 2012 was approximately RMB41,298 million. The fair value of the investment in Tencent is based on quoted market bid prices.
- (l) NetEase, Inc. is principally engaged in the provision of internet and online game services in the PRC. No dividend was received during the year ended 31 December 2012. The unaudited profit attributable to shareholders of NetEase, Inc. for the year ended 31 December 2012 was approximately US\$584 million and the unaudited net assets attributable to shareholders of NetEase, Inc. as at 31 December 2012 was approximately US\$2,504 million. The fair value of the investment in NetEase, Inc. is based on quoted market bid prices.
- (m) Renren Inc. is principally engaged in the provision of social networking internet platform in the PRC. No dividend was received during the year ended 31 December 2012. The unaudited loss attributable to shareholders of Renren Inc. for the year ended 31 December 2012 was approximately US\$75 million and the unaudited net assets attributable to shareholders of Renren Inc. as at 31 December 2012 was approximately US\$1,107 million. The fair value of the investment in Renren Inc. is based on quoted market bid prices.
- (n) Focus Media Holding Limited (“Focus Media”) operates the PRC’s largest lifestyle targeted interactive digital media networks. Focus Media offers one of the most comprehensive targeted interactive digital media platforms aimed at Chinese consumers at various urban locations. A dividend income of approximately HK\$23,000 was recognized in the statement of comprehensive income of the Company. The unaudited profit attributable to shareholders of Focus Media for the nine months period ended 30 September 2012 was approximately US\$161 million and the unaudited net assets attributable to shareholders of Focus Media as at 30 September 2012 was approximately US\$1,371 million. The fair value of the investment in Focus Media is based on quoted market bid prices.
- (o) Chaowei Power Holdings Limited (“Chaowei Power”) issued the USD settled convertible bonds amounted to RMB633,000,000 and is listed on the SGX on 25 September 2012 (“Chaowei Power Bond”).

Chaowei Power is principally engaged in manufacturing and sales of motive batteries and electrode plates. Chaowei Power Bond has a fixed rate interest of 7.25% per annum and the interests are payable semi-annually in arrear on 24 March and 24 September each year. The unaudited profit attributable to shareholders of Chaowei Power for the six months period ended 30 June 2012 was approximately RMB322 million and the unaudited net assets attributable to shareholders of Chaowei Power as at 30 June 2012 was approximately RMB1,933 million. The fair value of the investment in Chaowei Power is based on quoted bid prices.

- (p) China WindPower Group Limited (“China WindPower”) issued the CNY denominated guarantee bonds amounted to CNY750,000,000 and is listed on the 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. China WindPower Bond has a fixed rate interest of 6.375% per annum and the interests are payable semi-annually in arrear on 4 April and 4 October each year. The audited profit attributable to shareholders of China WindPower for the six months period ended 30 June 2012 was approximately HK\$25 million and the unaudited net assets attributable to shareholders of China WindPower as at 30 June 2012 was approximately HK\$4,413 million. The fair value of the investment in China WindPower Bond is based on quoted bid prices.

- (q) Hero Asia Investment Limited is a wholly-owned subsidiary of 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 the PRC. China Longyuan Bond has an interest rate of 4.50% per annum and the interests are payable semi-annually in arrear on 21 June and 21 December each year. The unaudited profit attributable to shareholders of China Longyuan for the six months period ended 30 June 2012 was approximately RMB1,460 million and the unaudited net assets attributable to shareholders of China Longyuan as at 30 June 2012 was approximately RMB26,020 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\$4,808,320 during the Year, which consisted of the unrealized gain of HK\$27,838,630 arising from the net mark to market gains taken on the investment positions in the portfolio as listed out above, the net realized loss of HK\$14,916,621 arising from the trading of equities securities listed in Hong Kong and the United States amounted to a net realized gain of HK\$8,194,047 and the net realized loss of HK\$23,110,668, respectively, and the net 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 Year.

The top three investments with realized gain and loss for the year ended 31 December 2012 are summarized as below:

**Top three realized gain for the year ended 31 December 2012**

| <b>Name of investment</b>         | <b>Realized gain</b><br><i>HK\$'000</i> |
|-----------------------------------|---|
| HKT Trust and HKT Limited         | 3,289                                   |
| China Telecom Corporation Limited | 2,537                                   |
| China Unicom (Hong Kong) Limited  | 2,096                                   |

## **Top three realized loss for the year ended 31 December 2012**

| <b>Name of investment</b> | <b>Realized loss</b><br><i>HK\$'000</i> |
|---------------------------|---|
| Renren Inc.               | 23,944                                  |
| Lenovo Group Limited      | 912                                     |
| Baidu Inc.                | 341                                     |

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

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

## **FINAL DIVIDEND**

The Directors do not recommend the payment of final dividend for the Year (2011: Nil).

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

There were no other charges on the Company's assets or significant contingent liabilities as at 31 December 2012 (31 December 2011: Nil).

## **CAPITAL STRUCTURE**

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

## **CAPITAL EXPENDITURE AND COMMITMENT**

During the Year, the Company made no capital expenditures or any other commitments (2011: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the Year, the Company did not acquire any subsidiaries or associated companies (2011: Nil) .

## **USE OF PROCEEDS**

The Company has seventeen investments as at 31 December 2012, which comprised of equities securities and debt securities listed in Hong Kong, Singapore or the United States. The largest one held by the Company is in the information technology sector focusing on Hong Kong and the Mainland China markets.

The rest of the net proceeds gained 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 of the Company, the Listing Rules and the investment management agreement. Any proceeds not deployed are placed on bank deposits or invested in money market instruments or money market funds.

## **EMPLOYEES**

As at 31 December 2012, the Company had no employees (31 December 2011: Nil) but had three Executive Directors (31 December 2011: Three) and three Independent Non-executive Directors (31 December 2011: Three). 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.

## **PROSPECT**

Looking into 2013, we remain optimistic that the Chinese economy will maintain sustainable growth benefiting from the improved cost structure for most Chinese enterprises and a combination of steady exports and increasing domestic consumer consumption. With interest rates staying low and raw material costs falling by an average of 20%, we expect 2013 will be a good year for Chinese equities market and more quality investment opportunities will emerge.

Currently, the effective risk free rate in China is standing at approximately 5%, a further cut in the first quarter of 2013 will push up the overall price-earnings ratio of Chinese equity market, together with an anticipated corporate earnings growth at 15-20%, we expect the China A-share market and the HKCEI could surge significantly in 2013. The Company, therefore, aims to allocate more cash into equities, especially the Chinese companies listed in Hong Kong, focusing on new energy, technology, and waste management sectors where we expect they will outperform the rest.

After the smooth transition of leadership in China, we expect that there will be more market favourable policies to be announced which would boost liquidity further. In addition, the reform of state-owned enterprise and capitalization of rural land will continue to play a significant role in creating value for most of the Chinese companies.

On the downside, labour costs could rise further to erode profit margin, inflation might return at the second half of 2013; and property price might hike too rapidly which could solicit further tightening policy. We also remain cautious on the possibility of rising Sino-Japan tension which might add volatility to the market.

The Company will continue to look for good investment opportunities and will not hesitate to make a move when the time is appropriate. With our excellent investment and risk management team, we believe it will be another productive year for both our investors and our team.

## **OTHER INFORMATION**

### **PURCHASE, REDEMPTION OR SALE OF THE SHARES OF THE COMPANY**

The Company did not purchase, sell or redeem any of the Company's shares during the Year.

### **CORPORATE GOVERNANCE PRACTICES**

The Company has applied most of the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that throughout the year ended 31 December 2012, the Company was in compliance with the code provisions as set out in 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 Independent Non-executive Directors of the Company is appointed for a specific term. However, one-third of the Independent Non-executive Directors of the Company for the time being shall retire by rotation (provided that every Independent Non-executive Director shall be subject to retirement at least once every three years) and be eligible for re-election at the annual general meeting of the Company. As such, even though each Independent Non-executive Director is not appointed for a specific term, his term of office is the period up to his retirement by rotation which is in accordance with code provision A.4.2 of the CG Code.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Year.

### **AUDIT COMMITTEE**

The Audit Committee currently comprises of 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 and shall meet with the external auditors twice without the presence of the Executive Directors. The Audit Committee has reviewed the annual results of the Company for the Year.

## **CLOSURE OF REGISTER OF MEMBERS**

The Board hereby announces that the register of members of the Company will be closed from Tuesday, 21 May 2013 to Thursday, 23 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the attendance of the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 May 2013.

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

Hong Kong, 21 March 2013

*As at the date of this announcement, the Directors of the Company are Mr. WANG Junyan, Mr. LINDSAY Craig Blaser and Mr. GU Xu as executive directors, Mr. SIU Kam Chau, Professor XU Yangsheng and Mr. DALLY Doyle Ainsworth as independent non-executive directors.*