
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China New Economy Fund Limited (the “Company”), you should at once hand this Prospectus and the PAL (as defined herein) (together, the “Prospectus Documents”) to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed “Exert and Consent” in appendix III to this Prospectus has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents. Dealings in the securities of the Company may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

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)

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE

The latest time for application and payment for the Rights Shares is 4:00 p.m. (Hong Kong time) on Monday, 15 September 2014. The procedures for application of the Rights Shares are set out on pages 7 to 8 of this Prospectus.

The Shares (as defined herein) have been dealt with on an ex-entitlements basis from Friday, 22 August 2014. Dealing in the Rights Shares in the nil-paid form will take place from 9:00 a.m. on Tuesday, 2 September 2014 to 4:00 p.m. on Wednesday, 10 September 2014. If the Underwriter (as defined herein) terminates the Underwriting Agreement (as defined herein), or the conditions of the Rights Issue (as defined herein) are not fulfilled, the Rights Issue will not proceed. Any Shareholders (as defined herein) or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Rights Issue are fulfilled (which is expected to be on Wednesday, 17 September 2014) will accordingly bear the risk that the Rights Issue could not become unconditional and may not proceed.

The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Wednesday, 17 September 2014 to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed “Termination of the Underwriting Agreement” on pages iv to v of this Prospectus.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Rights Issue will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

29 August 2014

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

Event	2014
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 2 September
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Thursday, 4 September
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 10 September
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 15 September
Latest time for Underwriting Agreement to terminate and the Rights Issue to become unconditional	4:00 p.m. on Wednesday, 17 September
Announcement of results of the Rights Issue	Tuesday, 23 September
Despatch of certificates for fully paid Rights Shares on or before	Wednesday, 24 September
Commencement of dealings in fully paid Rights Shares	9:00 a.m. on Thursday, 25 September

All times and dates in this Prospectus refer to Hong Kong times and dates. Dates or deadlines specified in this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER IN THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

- tropical cyclone warning signal number 8 or above, or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 15 September 2014. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;

EXPECTED TIMETABLE

- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 15 September 2014. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Monday, 15 September 2014, the dates mentioned in the section headed “Expected timetable” of the Rights Issue may be affected. The Company will notify Shareholders by way of announcement on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Latest Time for Termination if there occurs:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially or adversely affect the business or the financial or trading position or prospects of the Company or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets or the occurrence of any combination of circumstances which may, in the absolute opinion of the Underwriter materially or adversely affect the business or the financial or trading position or prospects of the Company or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities or a combination of the above circumstances) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of the Company or the destruction of any material asset of the Company; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company whether or not ejusdem generis with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus Documents, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than thirty consecutive business days, excluding any suspension in connection with the clearance of the Announcement (if necessary) or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) there is (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriter,

then Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 12 August 2014 in relation to the Rights issue
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China New Economy Fund Limited (stock code: 80), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Manager” or “China Everbright”	China Everbright Securities (HK) Limited, a company incorporated in Hong Kong and 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
“Latest Practicable Date”	26 August 2014, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information herein
“Last Trading Day”	12 August 2014, being the date of the Underwriting Agreement

DEFINITIONS

“Latest Acceptance Time”	4:00 p.m. on Monday, 15 September 2014 (or such other time or date as the Underwriter may agree in writing with the Company), being the latest date for acceptance of, and payment of, Rights Shares
“Latest Time for Termination”	4:00 p.m. on Wednesday, 17 September 2014, being the second Business Day following the Latest Acceptance Time or such later time and/or date as the Company and the Underwriter may agree, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) accompanying this Prospectus in connection with the Rights Issue
“Posting Date”	Friday, 29 August 2014, or such other day as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents
“Prospectus”	this prospectus, issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and PAL
“PRC”	People’s Republic of China
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date

DEFINITIONS

“Record Date”	Thursday, 28 August 2014, being the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarized herein
“Rights Share(s)”	151,500,000 new Shares to be offered to the Qualifying Shareholders for subscription on the basis of one (1) Rights Share for every two (2) Shares held at the Record Date pursuant to Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.28 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Trinity Finance Investment Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 12 August 2014 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“%”	percentage

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. LINDSAY Craig Blaser

Mr. GU Xu

Mr. CHAN Cheong Yee

Registered Office:

P.O. Box 309, Uglund House

South Church, George Town

Grand Cayman KYI-1104

Cayman Islands

Independent non-executive Directors:

Mr. SIU Kam Chau

Mr. DALLY Doyle Ainsworth

Mr. AYOUB Faris Ibrahim Taha

Principal place of business in Hong Kong:

3/F, Town Health Technology Centre

10-12 Yuen Shun Circuit

Siu Lek Yuen

Shatin, New Territories

Hong Kong

29 August 2014

To the Qualifying Shareholders,

and the Non-Qualifying Shareholders (if any) for information only

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD ON RECORD DATE

INTRODUCTION

On 12 August 2014, the Company proposes to carry out the Rights Issue to raise approximately HK\$42.4 million before expenses by way of rights to the Shareholders. The Rights Issue involves the issue of 151,500,000 Rights Shares at the Subscription Price of HK\$0.28 per Rights Share.

The purpose of this Prospectus is to provide you with, among other things, further details of (i) the Rights Issue; (ii) financial information of the Company; and (iii) general information of the Company.

LETTER FROM THE BOARD

THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) Shares held on the Record Date
Subscription Price	:	HK\$0.28 per Rights Share
Number of Shares in issue at the Record Date and the Latest Practicable Date	:	303,000,000 Shares
Number of Rights Shares	:	151,500,000 Rights Shares
Underwriter	:	Trinity Finance Investment Limited
Enlarged issued share capital upon completion of the Rights Issue	:	454,500,000 Shares

The number of Rights Shares to be issued pursuant to the Rights Issue represents 50% of the issued share capital of the Company as at the Latest Practicable Date and approximately 33.33% of enlarged issued share capital of the Company immediately following the completion of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any share options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price is HK\$0.28 per Rights Share, payable in full upon acceptance under the PAL(s).

The Subscription Price represents:

- (i) a discount of approximately 36.36% to the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.88% to the average of the closing prices of approximately HK\$0.43 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a discount of approximately 27.59% to the theoretical ex-rights price of approximately HK\$0.387 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 24.32% to the closing price of HK\$0.370 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 72.82% to the unaudited net asset value per Share of HK\$1.03 per Share as at 31 July 2014.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among others, the prevailing market price and trading liquidity of the Shares. The Directors consider that the discount to the prevailing market price would encourage the Shareholders to participate in the Rights Issue to maintain their shareholdings in the Company and to enjoy the potential growth of the Company. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue, the Directors consider that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The Rights Shares will be allotted on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the Latest Acceptance Time in accordance with the procedures specified in the section headed "Procedure for acceptance and payment or transfer" below.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot to and will not accept applications for any fractions of Rights Shares from Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractional entitlements will be aggregated and the fractions of Rights Shares shall be provisionally allotted to a nominee of the Company. The Company shall procure such of its nominees, if possible, to sell all the fractions of the nil-paid Rights Shares in the market and the net proceeds of such sales, after deduction of expenses, will be aggregated and an equivalent amount will accrue for the benefit of the Company.

LETTER FROM THE BOARD

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder at the close of business on the Record Date. Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date whom the Company, based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

Based on the register of members of the Company as at the Latest Practicable Date, there is no Overseas Shareholder.

The Prospectus Documents are sent to the Qualifying Shareholders only.

Non-Qualifying Shareholders

The Company will only send the Prospectus (without PAL) to the Non-Qualifying Shareholders, if any, for their information.

Based on the register of members of the Company as at the Latest Practicable Date, there is no Non-Qualifying Shareholder.

No application for excess Rights Shares

After arm's length negotiation with the Underwriters, the Board has decided that the Qualifying Shareholders will not be entitled to subscribe for any additional Rights Shares in excess of their respective assured entitlements. Given that each Qualifying Shareholder will be given equal and fair opportunity to participate in the Rights Issue, the Board considers that it will be burdensome to the Company to put in additional effort and costs to administer the excess application procedures. Any Rights Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Procedure for acceptance and payment or transfer

If you are a Qualifying Shareholder, you will find the PAL enclosed with this Prospectus which entitles you to apply for the number of Rights Shares in your assured entitlement shown thereon. If you wish to apply for such Rights Shares or any lesser number of such Rights Shares, you must complete, sign and lodge the same in accordance with the instructions printed thereon, together with the remittance for full amount payable on application with the Registrar by not later than 4:00 p.m. (Hong Kong time) on Monday, 15 September 2014. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's casher orders must be issued by, a licensed bank in Hong Kong and made payable to "China New Economy Fund Limited – Rights Issue Account" and crossed "Account Payee Only".

LETTER FROM THE BOARD

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than the Latest Acceptance Time by the Qualifying Shareholder, his/her/its entitlement to apply under the Rights Issue will be deemed to have been declined and will be cancelled.

If you are a Qualifying Shareholder and you wish to accept only part of your provisional allotment of Rights Shares, or transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you, or to transfer your rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Thursday, 4 September 2014 with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection at Computershare Hong Kong Investor Services Limited at the address above after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The PAL contains full information regarding the procedures to be followed if you wish to apply for a number of Rights Shares different from your assured entitlement and the procedures to transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholder under the Rights Issue will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions to which the Rights Issue is subject are not fulfilled in accordance with the section headed "Conditions of the Rights Issue" below, the application monies will be refunded, without interest, by sending cheques made out to the applicants (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicants on or before Wednesday, 24 September 2014.

No receipt will be issued in respect of any application monies received.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the existing board lots of 100,000 Rights Shares. Dealing in the Rights Shares will be subject to the payment of the stamp duty and other applicable fees and charges in Hong Kong.

Certificates for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Wednesday, 24 September 2014 to those who have accepted and paid for the Rights Shares, by ordinary post at their own risk.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealings in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Non-Qualifying Shareholders (if any), their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, the followings:

- (i) the passing of all necessary resolution(s) by the Board approving the Rights Issue and the transactions contemplated hereunder by no later than the Posting Date;
- (ii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong);
- (iii) the posting of the Prospectus Documents to Qualifying Shareholders on the Posting Date;

LETTER FROM THE BOARD

- (iv) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Posting Date;
- (v) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (vi) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and that the Underwriting Agreement not being terminated in accordance with its terms;
- (vii) compliance with and performance of all undertakings and obligations of the Underwriter under the Underwriting Agreement; and
- (viii) there being no event occur prior to the Latest Time for Termination which would render the warranties of the Company untrue and incorrect.

No parties to the Underwriting Agreement are capable to waive any of the above conditions. As at the date of this Prospectus, conditions (i), (ii), (iii) and (iv) above have been fulfilled. If all the above conditions are not satisfied by the Latest Time for Termination or such other date as the Underwriter and the Company may agree in writing, the Underwriting Agreement shall be terminated, and no parties to the Underwriting Agreement will have any claim against any other parties for costs, damages, compensation or otherwise (except certain expenses of the Underwriter shall remain payable by the Company under the Underwriting Agreement). The Rights Issue will not proceed accordingly.

UNDERWRITING ARRANGEMENT FOR THE RIGHTS ISSUE

Trinity Finance Investment Limited, the Underwriter, is a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons within the meaning of the Listing Rules.

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite 151,500,000 Right Shares under the Right Issue.

Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 10% of the voting rights of the Company upon the completion of the Rights Issue; and shall use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Untaken Shares procured by it (i) will be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors, chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules);

LETTER FROM THE BOARD

and (ii) save for the Underwriter itself and its associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 5.0% or more of the voting rights of the Company upon completion of the Rights Issue.

Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate subscription price of the Rights Shares underwritten by it. The Directors consider that the underwriting commission accords with market rates.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Latest Time for Termination if there occurs:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially or adversely affect the business or the financial or trading position or prospects of the Company or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets or the occurrence of any combination of circumstances which may, in the absolute opinion of the Underwriter materially or adversely affect the business or the financial or trading position or prospects of the Company or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities or a combination of the above circumstances) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

LETTER FROM THE BOARD

- (iii) there is any change in the circumstances of the Company which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of the Company or the destruction of any material asset of the Company; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus Documents, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than thirty consecutive business days, excluding any suspension in connection with the clearance of the Announcement (if necessary) or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) there is: (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriter,

then Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

LETTER FROM THE BOARD

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows (assuming there being no other changes in shareholding of the Company):

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming no Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming all Rights Shares are subscribed by the Qualifying Shareholders)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Public Shareholders	303,000,000	100.0%	303,000,000	66.7%	454,500,000	100.0%
Underwriter (<i>Note</i>)	—	—	151,500,000	33.3%	—	—
Total	303,000,000	100.0%	454,500,000	100.0%	454,500,000	100.0%

Note: Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 10% of the voting rights of the Company upon the completion of the Rights Issue; and shall use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Untaken Shares procured by it (i) will be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors, chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii) save for the Underwriter itself and its associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 5.0% or more of the voting rights of the Company upon completion of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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 the PRC, Hong Kong, Macau and Taiwan.

As at 31 July 2014, the Company had cash and cash equivalents of approximately HK\$42.8 million. The gross proceeds and the estimated net proceeds of the Rights Issue will be approximately HK\$42.4 million and HK\$41.1 million respectively. The Company intends to apply such net proceeds from the Rights Issue for investment in line with its ordinary course of business. The Company intends to invest in the publicly listed enterprises engaged in information technology, creative culture, waste treatment and healthcare sectors in the PRC as they will continue to benefit from the transformation of the PRC economy. The Company is expected to make such investments in the next 12 months. The Company also

LETTER FROM THE BOARD

has a working capital management policy that targets to maintain its cash position not less than 10% of its net asset value for its internal operation. The net price per Rights Share shall be approximately HK\$0.27.

Having considered other fund raising alternatives for the Company, such as placing of new Shares or other convertible securities, and taking into account the benefits and cost of each of the alternatives, the Board considers that the Rights Issue is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to continue to participate in the future development of the Company should they wish to do so.

The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Friday, 22 August 2014. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 2 September 2014 to Wednesday, 10 September 2014 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Tuesday, 2 September 2014 to Wednesday, 10 September 2014 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
By order of the Board
China New Economy Fund Limited
Craig Blaser Lindsay
Chairman and Chief Executive Officer

1. FINANCIAL SUMMARY

The audited financial information of the Company for each of the three years ended 31 December 2011, 2012, and 2013 can be referred to the annual reports of the Company for the years ended 31 December 2011 (pages 37 to 79), 2012 (pages 51 to 95) and 2013 (pages 50 to 95) respectively.

The above-mentioned financial information has been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.chinaneconomyfund.com>). The auditors of the Company have not issued any qualified opinion on the Company's financial statements for the financial years ended 31 December 2011, 2012 and 2013.

2. STATEMENT OF INDEBTEDNESS

As at 31 July 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Company had no borrowing and did not have any outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2013, being the date to which the latest audited financial statements of the Company were made up.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the Company has sufficient working capital for at least twelve months from the date of this Prospectus.

5. FINANCIAL AND TRADING PROSPECT OF 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 the PRC, Hong Kong, Macau and Taiwan.

As announced by the Company dated 11 July 2014, the net profit of the Company for the six months ended 30 June 2014 is expected to improve significantly as compared to that of the six months ended 30 June 2013. The expected increase is mainly attributable to unrealized fair value gain on financial assets at fair value through profit or loss.

The Hong Kong economy and stock market were inevitably affected by slowdown of Chinese economy. In the first half of 2014, the Hang Seng Index and Heng Seng China Enterprises Index were down by 0.5% and 4.4% respectively. Faced with the weak stock market, the Company deployed a timely and appropriate investment approach in response to the ever-changing market sentiment and government policy so that net assets under its management during the first half of 2014 recorded a substantial increase.

The multitudinous reform measures initiated in the Third Plenary Session of the 18th Central Committee of the Communist Party of China aiming at facilitating a healthy and sustainable economic development in the long run may cool down the domestic economy from its reliance on the fixed asset investment especially in the property market. In addition, the geopolitical tensions in Ukraine and Middle East, and the uncertainty on the pace of United States Federal Reserve to raise interest rate which will have a shocking effect on the Chinese and Hong Kong stock markets. However, the Company is confident that our experienced investment team along with strict internal control policies will minimize our risk exposure.

In addition, we believe the Chinese government will adopt flexible macroeconomics policies to maintain a reasonable economic growth rate. In the first half of 2014, Chinese economy has recorded a gross domestic product growth rate of 7.4%, slightly lower than the target of 7.5% in which the government set for 2014. Therefore, the Company expects that Chinese government will implement more specific policies to encourage domestic consumption and exports in the second half, together with the steady United States economy recovery. The Company still remains cautiously optimistic about the outlook of the stock markets in the PRC and Hong Kong.

We are especially positive on the information technology, creative culture, waste treatment and healthcare sectors as they will continue to benefit from the transformation of Chinese economy.

The Company will continue an investment strategy that focuses in the PRC and closely monitor the changes in the global market. The Company wants to capture valuable investment opportunities to maximize capital gain for the Shareholders.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE COMPANY

The unaudited pro forma statement of adjusted net tangible assets of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Company as if the Rights Issue had been completed on 30 June 2014.

The unaudited pro forma statement of adjusted net tangible assets of the Company has been prepared on the basis set out on the notes below for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Company had the Rights Issue been completed as at 30 June 2014 or at any future date.

	Unaudited net tangible assets of the Company as at 30 June 2014 <i>(Note 2)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 3)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets of the Company after completion of the Rights Issue <i>HK\$'000</i>	Unaudited net tangible assets of the Company per share attributable to the equity holders as at 30 June 2014 <i>(Note 4)</i> <i>HK\$</i>	Unaudited pro forma adjusted net tangible assets per Share after completion of the Rights Issue <i>(Note 3)</i> <i>HK\$</i>
Based on 151,500,000 Rights Shares to be issued at a subscription price of HK\$0.28 per Rights Share	323,966	41,100	365,066	1.07	0.80

Notes:

1. The Rights Issue of 151,500,000 Rights Shares is based on 303,000,000 Shares is issued as at 30 June 2014.
2. The unaudited net tangible assets of the Company as at 30 June 2014 is extracted from the published interim results announcement of the Company for the six months ended 30 June 2014.
3. The estimated net proceeds from the Rights Issue are based on 151,500,000 Rights Shares to be issued at the Subscription Price of HK\$0.28 per Rights Share, after deduction of the related estimated expenses of approximately HK\$1,320,000.
4. The number of Shares used for the calculation of unaudited net tangible assets per Share is 303,000,000 as at 30 June 2014.
5. The unaudited pro forma adjusted net tangible assets per Share after completion of the Right Issue is arrived at on the basis that 454,500,000 Shares were in issue assuming the Rights Issue had been completed on 30 June 2014.
6. No adjustment has been made to reflect any trading results or other transactions of the Company entered into subsequent to 30 June 2014.

2. ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus:

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

To the Directors of China New Economy Fund Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China New Economy Fund Limited (the “Company”) prepared by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma net tangible assets as at 30 June 2014, and related notes as set out on page 18 of the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note 1.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of rights issue of shares of the Company on its financial position as at 30 June 2014 as if the transaction had taken place at 30 June 2014. As part of this process, information about the Company’s financial position has been extracted by the Directors from the Company’s financial statements for the period ended 30 June 2014.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant’s responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of rights issue of the Company on unadjusted financial information of the Company as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Company’s, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong
29 August 2014

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of the Investment Manager having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

(a) Share capital as at the Latest Practicable Date:

<i>Authorised</i>	<i>HK\$</i>
<u>776,000,000</u> Shares	<u>77,600,000.00</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
303,000,000 Shares as at the Latest Practicable Date	30,300,000.00
Rights Shares to be issued	
<u>151,500,000</u> Shares	<u>15,150,000.00</u>
<u>454,500,000</u>	<u>45,450,000.00</u>

As at the Latest Practicable Date, the Company has no outstanding warrants, share options or convertible or exchangeable securities granted or in issue which confer any right to convert into or subscribe for Shares.

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed herein) had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of shares	Position	Approximate percentage of total issued share capital of the Company
Brightpower Assets Management Limited	Beneficial owner	22,900,000	Long	7.56%
Guocang Group Limited	Interest of controlled corporation	22,900,000	Long	7.56%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company within two years immediately preceding the date of this Prospectus and are or may be material:

- (a) the investment management agreement entered into between the Company and the Investment Manager dated 18 December 2013 in relation to the provision of non-discretionary investment management services to the Company for which the Company will pay to the Investment Manager a monthly management fee of HK\$80,000 for a period of three years commencing from 1 January 2014 to 31 December 2016; and
- (b) the Underwriting Agreement.

5. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or was proposing to enter into any service contracts with the Company (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

7. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company, or was proposed to be acquired, or disposed of by, or leased to the Company since 31 December 2013, the date to which the latest published audited financial statements of the Company were made up.
- (b) Save for the investment management agreement dated 18 December 2013 and entered into between the Company and the Investment Manager, of which Mr. Chan Cheong Yee, one of the executive Directors, is also one of the responsible officers of the Investment Manager, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by the Company since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Company.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which compete or may compete either directly or indirectly with the business of the Company.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinions and advice which are included in this Prospectus:

Name	Qualification
Ernst & Young	Certified Public Accountants
1. As at the Latest Practicable Date, Ernst & Young did not have any shareholding, directly or indirectly, in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.	
2. Ernst & Young has given and has not withdrawn its written consent to the issue of this Prospectus, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.	
3. As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company, or was proposed to be acquired, or disposed of by, or leased to the Company since 31 December 2013, the date to which the latest published audited financial statements of the Company were made up.	

10. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Board of Directors	Mr. LINDSAY Craig Blaser Mr. GU Xu Mr. CHAN Cheong Yee Mr. SIU Kam Chau Mr. DALLY Doyle Ainsworth Mr. AYOUB Faris Ibrahim Taha
Head office and principal place of business	3/F, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong
Registered office	P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands

Underwriter	Trinity Finance Investment Limited
Legal advisers to the Company	<i>As to Hong Kong Law</i> Michael Li & Co. 19/F, Prosperity Tower No. 39 Queen's Road Central, Hong Kong <i>As to Cayman Islands Law</i> Maples and Calder P.O. Box 309, Umland House South Church Street George Town Grand Cayman KY1-1104 Cayman Islands
Auditors	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Principal banker	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Hong Kong share registrar and transfer office	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Investment manager	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Custodian	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Administrator	HSBC Trustee (Cayman) Limited P.O. Box 484, HSBC House 68 West Bay Road Grand Cayman KY1-1106 Cayman Islands

Authorised representatives

Mr. Craig Blaser Lindsay
 FT B1 Shouson Gdn
 6A Shouson Hill Road
 Shouson Hill
 Hong Kong

Mr. Tai Man Hin Tony
 Flat 10B, All Fit Garden
 20 Bonham Road
 Hong Kong

Company secretary

Mr. Tai Man Hin Tony (*CPA, ACA, FCCA*)

Particulars of the Directors**(a) Name and address of Directors****Name****Address***Executive Directors*

Mr LINDSAY Craig Blaser

FT B1 Shouson Gdn
 6A Shouson Hill Road
 Shouson Hill, Hong Kong

Mr. GU Xu

Room 703, No. 11 Lane 289
 Ouyang Road, Hongkou District Shanghai, China

Mr. CHAN Cheong Yee

Suite F, 29/F, Tower 10
 South Horizons
 Apleichau
 Hong Kong

Independent Non-executive Directors

Mr. SIU Kam Chau

Flat D 7/F, Tower 8, One Beacon Hill
 1 Beacon Hill Road, Kowloon Tong
 Kowloon, Hong Kong

Mr. DALLY Doyle Ainsworth

103 Royal Palm Drive
 Sunrise Landing
 Newlands, Grand Cayman
 Cayman Islands

Mr. AYOUB Faris Ibrahim Taha

G/F Pokfulam Heights
 86C Pok Fu Lam Road
 Hong Kong

(b) Profiles of Directors*Executive Directors*

Mr. LINDSAY Craig Blaser (“**Mr. Lindsay**”), aged 60, is currently a chairman and chief executive officer of the Company. Mr. Lindsay is responsible for the management and formulation of the Company’s overall investment objective and policies. Mr. Lindsay was appointed as chairman and chief executive officer of the Company on 28 July 2010 and 31 July 2013 respectively and has been Director of the Company since 1 February 2010.

Mr. Lindsay graduated from the Bloomfield College in USA with a Bachelor of Arts degree in Accounting in 1976. He pursued further studies at the Rutgers University Graduate School of Business in USA and received his Master of Business Administration in Finance in 1979. Mr. Lindsay has over 34 years’ experience in the investment banking, proprietary trading and fund management industries. His expertise lies in areas of risk management, product accounting, financial reporting, regulatory and compliance and operations. From July 1980 to May 1996, Mr. Lindsay worked for Goldman, Sachs and Co. in areas of proprietary accounting and risk analysis, risk management, product accounting and risk analysis, government control and mortgage backed control, business analysis, risk management, product accounting and equities accounting. From June 1996 to December 2003, Mr. Lindsay served as an executive vice president and chief financial officer at Tokai Asia Limited (now known as UFJ Investments Asia Limited). From 2004 to 2006, Mr. Lindsay worked at Sattva Investment Advisors Limited as principal and chief financial officer. From 2007 to July 2014, Mr. Lindsay was the director and responsible officer of China Shanghai Investment Management Limited. From February 2008 to June 2014, he was the director of each of CSI China A-Share QFII Fund Limited and CITIC Securities Alpha Leaders Fund Limited; and the director and chief operating officer of each of CITIC Securities International Fund Management Limited. From August 2008 to June 2014, Mr Lindsay was the director and responsible officer of CITIC Securities International Investment Management (HK) Limited.

Currently, Mr. Lindsay is the director of China Alpha II Fund Limited. Mr. Lindsay is also appointed as director of The American Club Hong Kong on 1 January 2011, Global Integrity Alpha Fund Limited on 18 April 2011, Next Horizon Company Limited on 22 July 2011, Hong Kong Securities and Investment Institute on 7 December 2011 and the Hong Kong Island Stingrays Swim Club Limited on 22 September 2012. Commencing on 1 April 2013, he also becomes a member of the HKTDC Financial Services Advisory Committee and Steering Committee of the Asian Financial Forum 2014 and 2015. Mr. Lindsay is a licensed person for types 4 and 9 regulated activities under the Securities and Futures Ordinance.

Mr. GU Xu (“**Mr. Gu**”), aged 49, is currently an executive Director. Mr. Gu was appointed as executive Director on 25 November 2010. Mr. Gu completed a bachelor’s degree majoring in Economics from Shanghai University of Finance and Economics (上海財經大學) in 1986. He further received a master’s degree majoring in Economics from the same university in 1989 and a master’s degree majoring in Business

Administration awarded jointly by Fudan University (復旦大學) and The University of Hong Kong in 2003. Mr. Gu has accumulated 18 years' experience in asset management, investment and financial management in both financial conglomerate and private company. From October 2006 to May 2008, Mr. Gu was the president and partner of 上海格雷特投資管理有限公司 (Create Capital Co., Ltd.) and he was responsible for the management and investment decision making of a fund in the PRC. Since July 2009, Mr. Gu has been acting as the director of 河南農開投資基金管理有限責任公司 (Henan Agriculture Development Investment Fund Management Limited) and is responsible for the management and supervision of a fund named 河南農業開發產業投資基金 (Henan Agriculture Development Investment Fund). Since August 2010, Mr. Gu has been serving as the general manager of 上海宏華文化創業投資有限責任公司 (Shanghai Honghua Cultural Venture Investment Company Limited) (the "Honghua Fund"), a fund company targeting investment in culture industry in the PRC. He is also the general manager and director of the investment manager of the Honghua Fund. Since December 2011, Mr. Gu has been the director of 百佳婦嬰健康產業控股集團有限公司 (Baijia Maternal and Infant Health Industry Holding Group Co., Ltd.). Mr. Gu is also the chairman of the board of 上海東晟投資管理有限公司 (Shanghai Dongsheng Investment Management Co., Ltd.).

Mr. CHAN Cheong Yee ("Mr. Chan"), aged 50, is currently an executive Director. Mr. Chan was appointed as an Executive Director on 1 June 2013. Mr. Chan is one of the responsible officers of the Investment Manager. Mr. Chan is currently a licensed person to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading) and type 9 (asset management) regulated activities under the SFO. Mr. Chan obtained a Bachelor of Science degree from the College of Business Administration of The University of South Florida in the United States of America. Mr. Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules.

Since June 2003, Mr. Chan joined China Innovation Investment Limited (1217.HK), an investment company listed on the Stock Exchange, as an executive director. Mr. Chan was appointed as an independent non-executive director of Bingo Group Holdings Limited (8220.HK), a company listed on the Growth Enterprise Market of the Stock Exchange, in August 2007, and was re-designated as an executive director of Bingo Group Holdings Limited in April 2009. Mr. Chan was appointed as an independent non-executive director of Agritrade Resources Limited (1131.HK), a company listed on the Stock Exchange, in June 2010. Mr. Chan was appointed as an executive director of China Investment and Finance Group Limited (1226.HK), an investment company listed on the Stock Exchange, in March 2011. Mr. Chan was appointed as an executive director of China Investment Development Limited (204.HK), an investment company listed on the Stock Exchange, in May 2012. Mr. Chan was appointed as an executive director of Capital VC Limited (2324.HK), an investment company listed on the Stock Exchange, in November 2012. Mr. Chan was appointed as an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange, in May 2013.

Independent Non-executive Directors

Mr. SIU Kam Chau (“Mr. Siu”), aged 50, is currently an independent non-executive Director. Mr. Siu was appointed as an independent non-executive Director on 26 July 2010. Mr. Siu obtained a bachelor degree in accountancy from the City University of Hong Kong in 1992. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a certified public accountant (practising) in Hong Kong. Mr. Siu has over 25 years of working experience in auditing, accounting, company secretarial and corporate finance functions. He is currently an executive director of Jun Yang Solar Power Investments Limited (formerly known as China Gogreen Assets Investment Limited) (397.HK), an independent non-executive director of Wang On Group Limited (1222.HK), which shares are listed on the Main Board of the Stock Exchange, and an independent non-executive director of Oriental Unicorn Agricultural Group Limited (8120.HK), which shares are listed on the Growth Enterprise Market of the Stock Exchange. On 14 March 2014, Mr. Siu was appointed as an independent non-executive director of Deson Development International Holdings Limited (262.HK), which shares are listed on the Main Board of the Stock Exchange.

Mr. DALLY Doyle Ainsworth (“Mr. Dally”), aged 67, is currently an independent non-executive Director. Mr. Dally was appointed as an Independent Non-executive Director on 26 July 2010. He is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. Dally obtained a Bachelor of Science Degree from Atlantic Union College in Massachusetts, USA in 1981 and a Master in Business Administration from Nova Southeastern University in Florida, USA in 1992. He also obtained the Trust and Estate Practitioner designation from the Society of Trust and Estates Practitioners since October 1993. Mr. Dally has been an independent non-executive director of CITIC Securities Alpha Leaders Fund Limited since 4 March 2008. He is also the independent non-executive director of China Alpha II Fund Limited, Global Integrity Alpha Fund Limited (formerly known as CSI RMB Fund Limited), BIAS Global Portfolios SPC and CSI China A Share QFII Fund Limited.

Mr. Dally was the former managing director of Wachovia Bank and Trust Company (Cayman) Limited from 3 February 2005, a subsidiary of Wachovia Corporation, all of which were acquired by Wells Fargo and Company in October 2008. As a result of such acquisition and subsequent consolidation between entities within Wachovia Corporation and those within Wells Fargo and Company, Mr. Dally served as a managing director of Wells Fargo Bank and Trust Co (Cayman) Limited, a subsidiary of Wells Fargo and Company, until 12 November 2010.

Mr. Dally served in the trust division of Bank of Butterfield International (Cayman) Ltd for 14 years. Before his retirement in 2004, he acted as the senior manager and head of the trust and corporate services division. Prior to that, he was manager of the trust administration division of Butterfield Bank in Bermuda for 9 years.

Mr. AYOUB Faris Ibrahim Taha (“**Mr. Ayoub**”), aged 34, is currently an independent non-executive Director. Mr. Ayoub was appointed as an independent non-executive Director on 1 February 2014. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr. Ayoub holds a Master of Arts (Hons) in Economics & Political Science from University of Edinburgh. He has over 12 years’ experience in financial advisory and investments. Mr. Ayoub was an executive director in global principal investments & trading division of JP Morgan, Hong Kong. He is currently the Managing Director of Cassia Investments Limited, which is a consumer focused investment firm specializing in lower middle-market companies across Asia.

11. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission and professional fees payable to lawyers, reporting accountants and financial printer, etc., are estimated to be approximately HK\$1.3 million and will be payable by the Company.

12. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

13. INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS

Upon the listing of the Shares on the Stock Exchange on 6 January 2011, the Company has adopted an investment policy which, as stated in the prospectus (the “**Listing Document**”) of the Company for the listing of its Shares dated 31 December 2010, in accordance with the Listing Rules, for a period of three years from the date of Listing Document, may only be changed with the approval of the majority of Shareholders at a general meeting of the Company. After such period, on 23 January 2014, the Board adopted a new Investment policy in place of the old one which the Directors consider is in the best interests of the Company and the Shareholders as a whole in light of the latest development and current market situation. The investment objective and such policies are summarized below:

Investment Objectives

The Company may invest its funds (including but not limited to surplus funds, funds or not designated for specific purpose, or any funds realised from realization of any investment) (collectively the “**Company’s Funds**”) in such forms and terms in compliance with this investment policy and considered by the Board or any delegates of the Board to be appropriate through investing the Company’s Funds in diversified portfolio of investments products including listed or unlisted securities, unit trust funds,

derivatives, futures, warrants, options, bonds or such other investments as the board of directors of the Company (the “**Board**”), or such committees or person as the Board may authorize, may decide from time to time, so as to achieve capital appreciation.

The investment objective above can be changed by a resolution of the Board without Shareholders’ approval.

Investment Policy

The investment policies of the Company shall be as follows:

- (i) **Forms of Investment:** The Company’s Funds may be invested in (i) equity securities, equity-related securities, cash deposits, fixed deposits, trusts, unit trusts, mutual funds, derivatives, futures, warrants, options, bonds or debt instruments (collectively, the “**Investment Tools**”) issued by listed or unlisted enterprises established and/or conducting business in or outside Hong Kong, or (ii) in the form of interests in private companies, establishment of a partnership or participation in unincorporated investments, or (iii) such other types of investments in accordance with the investment objective and policies adopted by the Company from time to time, subject to the requirements of the memorandum and articles of association of the Company, and the Listing Rules;
- (ii) **Industries to be invested in:** The Company’s Funds shall normally be invested in the Investment Tools issued by any listed or unlisted companies engaged in different industries including, but not limited to, information technology, telecommunications, biological technology, manufacturing, service, property, internet-related business, financial services, entertainment business and hotel catering, which the Board, the research and operation team of the Company, the investment manager of the Company appointed from time to time, or such committees or person as the Board may authorize from time to time, consider to be of high growth potential or to be with significant potential return, and where appropriate and necessary, to invest in such Investment Tools issued by any listed or unlisted companies in such a variety of industries with a view to maintain a balance in the Company’s exposure to different industry sectors in order to minimise the impact on the Company in respect of any downturn in any particular sector in which the Company has investments; where it is not to the benefit of the Company to realise such investments and the market conditions are favourable, the Company may package such investments into equity and/or equity-related products to hedge against unfavourable conditions;
- (iii) **Factors to be considered in making particular investment:** The Company’s Funds shall normally be invested in enterprises which are established in their respective fields and in which the Board, the research and operation team of the Company, the investment manager, or such committees or person as the Board may authorize from time to time, believes there are potential prospects for possible growth. In particular, the Company

shall seek to identify enterprises with competitive products and concepts, strong management, high level of technical expertise and research and development capabilities, large potential markets, as well as management commitment to the long-term growth;

- (iv) **Investment in entities in recovery situation:** The Company's Funds may also be invested in companies or other entities which are considered by the Board, or such committees or person as the Board may authorize from time to time, as being special or in recovery situations on a case-by-case basis, such as companies in the course of recovery situations or the shares of which are trading below their net asset value per share, which may have potential to attain growth within the foreseeable future which may provide attractive returns to the Company;
- (v) **Additional factor in making investment decision:** Where possible (but not compulsory), the Company's Funds shall be invested in entities where there is a certain degree of synergy with other investee entities and where co-operation between such companies would be of mutual benefit to each other;
- (vi) **Term of investment:** The actual holding period of the Investment Tools shall be dependent on the return from investment, the prospect of the investee entities, and/or the potential of being listed on the Stock Exchange or other internationally recognised stock exchanges. The Company may, however, realise investments where the Board, the research and operation team of the Company, the investment manager, or such committees or person as the Board may authorize from time to time, believes that such realisation would be in the best interests of the Company and its shareholders as a whole or where the terms on which such realisation can be made are considered by the Board to be particularly favourable to the Company; and
- (vii) **Preservation of Company's Funds:** Before suitable investments are identified, the Company may seek to protect the capital value of the Company's Funds by placing the funds not deployed on deposits in Hong Kong Dollars or any currency with financial institutions in Hong Kong or investing in debt securities, money market instruments, bonds, treasury securities or other instruments denominated in any currency. The Company may also engage in transactions in options and futures which are traded on recognised securities exchanges, futures exchanges or other over-the-counter markets.

The investment policy above can be changed by a resolution of the Board without Shareholders' approval.

Investment Restriction

Under the articles of association of the Company and the Listing Rules, certain restrictions on investments are imposed on the Company:

- (i) the Company shall not make any investment which would expose the Company to unlimited liability;
- (ii) the Company shall not either by itself or through its wholly-owned subsidiaries (if any) or in conjunction with any connected person (as defined in the Listing Rules) take legal or effective management control of underlying investments and in no event, will the Company itself or through its wholly-owned subsidiaries (if any) invest in or own or control more than 30% (or such other percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers or other laws, regulations, rules, codes, orders or policies of other relevant jurisdictions as being the level of interest for triggering a mandatory general offer for all the interest in any of the investee companies or any other similar action or consequence) of the voting rights in any one company or body, except in relation to wholly-owned subsidiaries (if any) of the Company for the sole purpose of holding investments of the Company; and
- (iii) save in respect of cash deposits awaiting investment, the value of the Company's holding of investments issued by any one company or body shall not exceed 20% of the net asset value of the Company at the time the investment is made.

The Company has to comply with investment restrictions (ii) and (iii) above at all times while it remains as an investment company under Chapter 21 of the Listing Rules. The investment restriction (i) above can be changed by a resolution of the Board without Shareholders' approval.

Save for the unlisted securities, as at the Latest Practicable Date, the Company has no present intention to invest in options, warrants, commodities, futures contracts or precious metals.

14. INVESTMENT PORTFOLIO

Details of all the Company's financial assets at fair value through profit or loss as at 31 December 2013 and 30 June 2014 respectively are as follows:

At 30 June 2014

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 <i>(Note 1)</i>	Net asset/(liability) attributable to the Company <i>(Note 2)</i>	Dividend received/receivable during the Period	% of net assets of the Company
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>	
(a) CIL Holdings Limited	Bermuda	80,000,000 ordinary shares of HK\$0.01 each	3.186%	8,800	8,720	(80)	HK\$1.20 million	–	2.69
(b) Nanjing Sinolife United Company Limited	The People's Republic of China (the "PRC")	10,000,000 H shares of RMB0.10 each	1.193%	21,000	18,300	(2,700)	RMB2.19 million	–	5.65
(c) AMCO United Holding Limited	Bermuda	95,000,000 ordinary shares of HK\$0.01 each	7.273%	22,705	25,650	2,945	HK\$(2.67) million	–	7.92
(d) China Mobile Games and Cultural Investment Limited (Formerly known as Computech Holdings Limited)	The Cayman Islands	274,608,000 ordinary shares of HK\$0.10 each	14.412%	28,873	36,248	7,375	HK\$35.14 million	–	11.19
(e) Oriental Unicorn Agricultural Group Limited	Bermuda	63,000,000 ordinary shares of HK\$0.01 each	4.843%	10,080	7,560	(2,520)	HK\$12.20 million	–	2.33
(f) Finsoft Corporation	The Cayman Islands	91,575,000 ordinary shares of HK\$0.001 each	4.579%	33,883	124,542	90,659	HK\$2.30 million	–	38.44
(g) Jia Meng Holdings Limited	The Cayman Islands	19,500,000 ordinary shares of HK\$0.025 each	4.875%	9,945	10,140	195	HK\$4.44 million	–	3.13

Listed debt securities – Singapore

Name of issuer	Place of incorporation	Quantity	Cost	Market value	Unrealized gain/(loss) recognized <i>(Note 1)</i>	Yield per annum	Maturity date	% of net assets of the Company	Interest received/accrued during the Period
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(%)</i>			<i>HK\$'000</i>
(h) Chaowei Power Holdings Limited	The Cayman Islands	10,000,000	12,248	13,681	1,433	7.25	24 September 2017	4.22	446

Private Fund – The Cayman Islands

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/(liability) attributable to the Company	Dividend received/receivable during the Period	% of net assets of the Company
				HK\$'000	HK\$'000	(Note 1) HK\$'000	(Note 2) million	HK\$'000	
(i) Hydra Capital SPC	The Cayman Islands	3,750 shares of HK\$10,000 each	16.816%	37,500	37,500	–	HK\$37.50 million	–	11.58

At 31 December 2013*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/(liability) attributable to the Company	Dividend received/receivable during the year	% of net assets of the Company
				HK\$'000	HK\$'000	(Note 3) HK\$'000	(Note 2) HK\$'000		
(i) Dongjiang Environmental Company Limited	The People's Republic of China (the "PRC")	389,450 H shares of RMB1.00 each	0.17%	7,159	9,970	(2,453)	RMB3.72 million	163	3.92
(ii) DX.com Holdings Limited (Formerly known as EPRO Limited)	The Cayman Islands	33,000,000 ordinary shares of HK\$0.01 each	0.65%	24,826	7,128	(17,698)	HK\$1.56 million	–	2.80
(iii) PCCW Limited	Hong Kong	1,824,000 ordinary shares of HK\$0.25 each	0.025%	6,476	6,293	91	HK\$2.15 million	833	2.47
(iv) China Mobile Limited	Hong Kong	73,000 ordinary shares of HK\$0.1 each	0.0004%	6,288	5,858	(730)	RMB2.75 million	418	2.30
(v) Wasion Group Holdings Limited	The Cayman Islands	500,000 ordinary shares of HK\$0.01 each	0.054%	2,425	2,365	(60)	RMB1.41 million	360	0.93

Listed debt securities – Singapore

Name of issuer	Place of incorporation	Quantity	Cost	Market value	Unrealized gain/(loss) recognized	Yield per annum	Maturity date	% of net assets of the Company	Interest received/accrued during the year
			HK\$'000	HK\$'000	(Note 3) HK\$'000	(%)	HK\$'000		
(vi) Chaowei Power Holdings Limited	The Cayman Islands	10,000,000	12,248	12,779	(37)	7.25	24 September 2017	5.02	919
(vii) China WindPower Group Limited	Bermuda	9,800,000	10,396	12,404	1,549	6.375	4 April 2014	4.88	792

Notes:

- (1) The unrealized gain/(loss) represented the changes in fair value of the respective investments during the period.
- (2) The calculation of net assets/liabilities attributable to the Company is based on the latest published interim reports or annual report of the respective investments as at the latest practicable date 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 2013.

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

- (a) CIL Holdings Limited (“**CIL**”) is principally engaged in the provision of comprehensive solutions and distribution of server storage, multi-media and communication products. The unaudited loss attributable to shareholders of CIL for the six months ended 31 December 2013 was approximately HK\$30,198,000 and the unaudited net assets attributable to shareholders of CIL as at 31 December 2013 was approximately HK\$37,779,000. The fair value of the investment in CIL is based on quoted market bid prices.
- (b) Nanjing Sinolife United Company Limited (“**Nanjing Sinolife**”) is principally engaged in the sale of nutritional supplements and health food products in China. The audited profit attributable to shareholders of Nanjing Sinolife for the year ended 31 December 2013 was approximately RMB70,786,000 and the unaudited net assets attributable to shareholders of Nanjing Sinolife as at 31 December 2013 was approximately RMB183,882,000. The fair value of the investment in Nanjing Sinolife is based on quoted market bid prices.
- (c) AMCO United Holding Limited (“**AMCO**”) is principally engaged in the manufacture and sale of medical devices products and plastic moulding products. The audited loss attributable to shareholders of AMCO for the year ended 31 December 2013 was approximately HK\$74,613,000 and the audited net liability attributable to shareholders of AMCO as at 31 December 2013 was approximately HK\$36,673,000. The fair value of the investment in AMCO is based on quoted market bid prices.
- (d) China Mobile Games and Cultural Investment Limited (“**CMG**”) is principally engaged in investment in mobile games, provision of IT services, money lending business, medical diagnostic and health check services, and securities and property investments business. The unaudited loss attributable to shareholders of CMG for the Period was approximately HK\$10,763,000 and the unaudited net assets attributable to shareholders of CMG as at 30 June 2014 was approximately HK\$243,840,000. The fair value of the investment in CMG is based on quoted market bid prices.

- (e) Oriental Unicorn Agricultural Group Limited (“**Oriental Unicorn**”) is principally engaged in feedstock and related business, mainly involving in the manufacturing, development, distribution of feedstock products, animal husbandry, and related activities. The unaudited loss attributable to shareholders of Oriental Unicorn for the Period was approximately HK\$7,379,000 and the unaudited net assets attributable to shareholders of Oriental Unicorn as at 30 June 2014 was approximately HK\$251,889,000. The fair value of the investment in Oriental Unicorn is based on quoted market bid prices.
- (f) Finsoft Corporation (“**Finsoft**”) is principally engaged in the development, sale and provision of financial trading software solutions and provision of referral services. The unaudited profit attributable to shareholders of Finsoft for the Period was approximately HK\$1,303,296 and the unaudited net assets attributable to shareholders of Finsoft as at 30 June 2014 was approximately HK\$50,250,868. The fair value of the investment in Finsoft is based on quoted market bid prices.
- (g) Jia Meng Holdings Limited (“**Jia Meng**”) is principally engaged in the design, manufacture and sale of mattress and soft bed products. The audited profit attributable to shareholders of Jia Meng for the year ended 31 March 2014 was approximately HK\$4,516,000 and the audited net assets attributable to shareholders of Jia Meng as at 31 March 2014 was approximately HK\$91,026,000. The fair value of the investment in Jia Meng is based on quoted market bid prices.
- (h) Chaowei Power Holdings Limited (“**Chaowei Power**”) issued the USD settled convertible bonds amounted to RMB633,000,000 and is listed on Singapore Exchange Securities Trading Limited (“SGX”) on 25 September 2012 (“Chaowei Power Bond”).

Chaowei Power is principally engaged in manufacturing and sales of motive batteries and electronic plates. Chaowei Power Bond has a fixed rate interest of 7.25% per annum and the interests are payable semi-annually in arrears on 24 March and 24 September each year. The audited profit attributable to shareholders of Chaowei Power for the year of 2013 was approximately RMB310,238,000 and the unaudited net assets attributable to shareholders of Chaowei Power at 31 December 2013 was approximately RMB2,328,174,000. The fair value of the investment in Chaowei Power is based on the market bid prices.

- (i) Hydra Capital SPC (“**Hydra Capital**”) is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands established for the purpose of making investments on behalf of its portfolio holders. Hydra Capital has engaged a manager to make day-to-day decisions regarding the management of its investments. The manager has appointed an investment manager to manage and invest the assets of the investment portfolio on a discretionary basis. The investment manager is a company incorporated in Hong Kong with limited liability principally engaged in the provision of investment advisory, funds dealing, introducing broker and asset management services. The investment portfolio of Hydra Capital is currently

focused on making investments in internet-related and mobile-application-related industries. The fair value of the investment in Hydra Capital is stated as initial cost.

No impairment loss and diminution in value of investments was provided for the year ended 31 December 2013 and the six months ended 30 June 2014.

15. DISTRIBUTION POLICY

The Company's investment objective is to achieve long-term capital appreciation and, accordingly, the Company's investment portfolio is not expected to generate significant income. It is therefore not expected that the Company will have significant (if any) dividend income after expenses available for distribution by way of dividend and therefore the Company does not expect to declare dividend. Any declaration of distributions will be made at the discretion of the Directors and may be either from profit, reserves of the Company (including share premium account) or any amount lawfully available for distribution.

16. FOREIGN EXCHANGE POLICY

The Company's investments may be denominated in currencies other than HK dollars. As such, it may receive income, or make payments in foreign currency and is therefore subject to exchange rate fluctuations.

The PRC's system of foreign exchange administration imposes significant restrictions on the ability of enterprises located in the PRC to purchase, retain and make outward remittance of foreign currency. The relevant rules governing exchange control relating to the inflow and outflow of foreign exchange are contained primarily in the Regulations of Foreign Exchange Control (as amended) promulgated on 29th January, 1996 and effected on 1st April, 1996. In summary, all foreign exchange receipts (from capital injection or sales) must be deposited in the foreign exchange account opened with the designated bank approved to operate foreign exchange business by State Administration of Foreign Exchange ("SAFE"). Foreign exchange under current account items (such as dividends and profits) can be remitted abroad upon presentation of necessary documents, including auditor's report, capital verification report, foreign exchange registration certificate and tax certificates as well as other documents requires by SAFE.

Foreign exchange under capital account items (such as interest and repatriation of capital) may be remitted abroad upon presentation of necessary documents and subject to approval of SAFE. The Company may also enter into hedging transactions to seek to reduce risk associated with currency exchange rate.

17. TAXATION

General

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. The following summary of the anticipated tax treatment generally applicable to the Company in Hong Kong is based on current law

and practice subject to changes therein and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares or of exercising any rights attached to them under the laws of the jurisdiction in which they are liable to taxation.

Hong Kong

The Company will be subject to tax in Hong Kong if it carries on business in Hong Kong and derives Hong Kong sourced profits from such business. In that case, it will be subject to profits tax, currently imposed at a rate of 16% on any profits (including interest) which arise in or are derived from Hong Kong. Capital gains and offshore profits are not taxable.

In this regard, profits derived from the offshore disposal of shares listed or registered outside Hong Kong may in certain circumstances be considered as derived from outside Hong Kong and would, therefore, not attract a Hong Kong profits tax liability.

Under current law and practice, no tax will be payable by the Company in Hong Kong in respect of dividends paid by the Company. Gains arising on the sale of shares will be subject to profits tax where derived by certain persons carrying on a trade, profession or business of share dealing in Hong Kong.

Hong Kong stamp duty, currently at the rate of HK\$1.00 per HK\$1,000, or part thereof, of the consideration or its value will be payable by the buyer on every purchase, and also by the seller on every sale, of Shares (that is, a total of HK\$2.00 per HK\$1,000 is currently payable on a typical sale and purchase transaction). In addition a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

Cayman Islands

The government of Cayman Islands, will not, under the existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or the Shareholders. The Cayman Islands are not party to any double taxation treaties.

The Company has obtained an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the Shares, debentures or other obligations of the Company or (ii) by way of the withholding in whole or in part of a payment of

dividend or other distribution of income or capital by the Company to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Company.

THE PRC

The information set out below is a summary of the principal areas of the PRC taxation and fees which are likely to be relevant to the investments of the Company in the PRC.

Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which was promulgated on 16 March 2007, the income tax for both domestic and foreign-invested enterprises has been at the same rate of 25% effective since 1 January 2008.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) enacted by the State Council on 13 December 1993 and enforced on 1 January 1994 and which was later amended in November 2008 and became enforceable on 1 January 2009 and its Implementation Rules on the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on 25 December 1993, which was later amended in 2008 (enforceable on 1 January 2009) and amended in 2011 (enforceable on 1 November 2011), business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

18. BORROWING POWERS

Generally the Company will not exceed aggregate borrowings of 25% of the latest available net asset value of the Company at the time of any borrowing. Subject thereto, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party. Where the Directors believe it is in the best interests of the Company, the above borrowing restrictions may be altered without Shareholders' approval.

19. INFORMATION ON THE INVESTMENT MANAGER

- (a) Set out below is the information of the Investment Manager:

China Everbright Securities (HK) Limited
36/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

The Investment Manager is a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management).

- (b) The full names, addresses and descriptions of the directors of the Investment Manager are as follows:

Name	Address
Mr. Chen Hong	36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Mr. Cheung Pang To	36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Mr. So Hin Pong	36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Mr. Ho Chi Ho	36/F, Far East Finance Centre 16 Harcourt Road Hong Kong

Chen Hong

Mr. Chen is the director of China Everbright. He joined China Everbright on 18 May 2011. Mr. Chen attained Master in Business Administration awarded by Fudan University in year 2001. Mr. Chen has over 20 years of working experience in the financial industry. He joined Shenyin & Wanguo Securities Co., Ltd in 1992 and joined China Everbright International Trust and Investment Company in 1995. On 18 May 2011, Mr. Chen has become the executive director and chief executive officer of China Everbright Securities International Limited.

Cheung Pang To

Mr. Cheung is the director and the head of sales of China Everbright. He joined China Everbright on 11 June 2001. Mr. Cheung attained Bachelor of Business Administration in 1988 and a Master degree's in Business Administration in 1996. Mr. Cheung has over 22 years of working experience in the Hong Kong financial industry. Mr. Cheung is one of the responsible officers of China Everbright and its associates holding licences for carrying on types 1, 2, 3, 4, 5 and 9 regulated activities pursuant to the SFO. Before joining China Everbright, he worked for Sun Hung Kai & Co., Ltd. for over 12 years.

So Hin Pong

Mr. So is the director and the head of customer services of China Everbright. He joined China Everbright on 12 June 2001. Mr. So attained Diploma in Finance awarded by the Chinese University of Hong Kong. Mr. So has 30 years of working experience in Hong Kong financial industry. Mr. So is one of the responsible officers of China Everbright and its associates holding licences for carrying on types 1, 2, 3, 4, 5, 6 and 9 regulated activities pursuant to the SFO.

Ho Chi Ho

Mr. Ho is the director of China Everbright Capital Limited and China Everbright. He joined China Everbright Capital Limited on 20 June 2005. Mr. Ho graduated from the Chinese University of Hong Kong in 1996 with a bachelor degree in Business Administration. Mr. Ho has been in the corporate finance industry for over 16 years. Mr. Ho is the principal and one of the responsible officers of China Everbright Capital Limited and China Everbright for carrying on types 1, 4, 6 regulated activities pursuant to the SFO. Prior to joining China Everbright Capital Limited, Mr. Ho worked for Guotai Junan Capital Limited and First Shanghai Capital Limited as their senior management.

- (c) None of the Directors, the directors of the Investment Manager, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the Company, or any re-allowance of other types on purchases charged to the Company.
- (d) On 18 December 2013, the Company has entered into the agreement (the “**New Investment Management Agreement**”) with the Investment Manager, pursuant to which the 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 maximum aggregate management fee payable by the Company to the Investment Manager under the New Investment Management Agreement will not exceed HK\$960,000 per annum.

The Investment Manager will provide non-discretionary investment management services to the Company under the New Investment Management Agreement including: (i) 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; (ii) providing investment recommendations to the Investment Committee and assisting the Investment Committee in structuring acquisitions and disposals; (iii) executing investment and divestment decisions of the Company in accordance with the instructions of the Investment Committee; and (iv) providing general administrative services.

20. THE CUSTODIAN

HSBC Institutional Trust Services (Asia) Limited, whose address is at 1 Queen's Road Central, Hong Kong, was appointed as the custodian in relation to the investments which the Company may from time to time deposit with the custodian.

21. RISK FACTORS OF INVESTING IN THE COMPANY

The Company is an investment company and its funds will be invested 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. These investments will be subject to market fluctuations and the risks inherent in all investments. Investors should also be aware that the Company's income and its net assets value may be adversely affected by external factors beyond the control of the Company. As a result, the Company's operating results and its net assets value may go down as well as up, subject to, among other factors, the prevailing market condition.

22. MISCELLANEOUS

The English text of this Prospectus and the PAL shall prevail over the Chinese text for the purpose of interpretation.

23. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of the Prospectus Documents and the consent letter referred to the paragraph headed "Expert and Consent" in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

24. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. during 9:30 a.m. to 12:30 p.m. and 2:30 p.m. to 5:30 p.m. on Monday to Friday) at 19/F, Prosperity Tower, 39 Queen's Road Central, Hong Kong, during the period of 14 days from the date of this Prospectus:

- (a) the memorandum and articles of association of the Company;
- (b) the audited annual reports of the Company for the three years ended 31 December 2011, 2012 and 2013;
- (c) the written consent referred to in the paragraph headed "Expert and consent" in appendix III to this Prospectus;
- (d) the unaudited pro forma statement of adjusted net tangible assets of the Company, the text of which is set out in appendix II to this Prospectus;
- (e) the letter from Ernst & Young in respect of the pro forma financial information following completion of the Rights Issue, the text of which is set out in appendix II to this Prospectus;
- (f) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in appendix III this Prospectus;
- (g) the Underwriting Agreement; and
- (h) this Prospectus.