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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker, or other licensed securities dealer, 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 circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA NEW ECONOMY FUND LIMITED

中國新經濟投資有限公司

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

(Stock Code: 80)

**PROPOSED RIGHTS ISSUE OF 97,353,899 RIGHTS SHARES
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY EIGHT (8) EXISTING SHARES
HELD ON THE RECORD DATE WITH BONUS ISSUE
ON THE BASIS OF THREE (3) BONUS SHARES
FOR EVERY ONE (1) RIGHTS SHARE
TAKEN UP UNDER THE RIGHTS ISSUE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

UNDERWRITER TO THE RIGHTS ISSUE



中天證券有限公司
CHINA SKY SECURITIES LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at 4608, 46/F, The Center, 99 Queens Road Central, Hong Kong on Thursday, 22 February 2018 at 10:00 a.m., at which the above proposal will be considered, is set out in this circular. Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude shareholders from attending and voting in person at the EGM if they so wish, in such event, the form of proxy shall be deemed to be revoked.

Shareholders and potential investors should note that the Rights Issue and the Bonus Issue are conditional upon, among other matters, the Underwriting Agreement having become unconditional (see the section headed “Conditions of the Rights Issue and the Bonus Issue” herein) and that the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (see the section headed “Termination of the Underwriting Agreement” herein). Accordingly, the Rights Issue and the Bonus Issue may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Monday, 26 February 2018 and that dealing in the Rights Shares in the nil-paid form will take place from Thursday, 8 March 2018 to 15 March 2018 (both days inclusive) while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue and the Bonus Issue are subject are fulfilled (which is expected to be on Wednesday, 21 March 2018), will accordingly bear the risk that the Rights Issue and the Bonus Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

5 February 2018

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EXPECTED TIMETABLE

Set out below is the expected timetable of the Rights Issue and the Bonus Issue:

2018

Latest time for lodging transfer of Shares to qualify for attendance and voting at EGM.	4:30 p.m. on Wednesday, 14 February
Closure of register of members of the Company (both days inclusive)	Thursday, 15 February to Thursday, 22 February
Latest time for lodging forms of proxy for the purpose of the EGM	10:00 a.m. on Tuesday, 20 February
Record date for attendance and voting at the EGM.	Thursday, 22 February
Date and time of the EGM	10:00 a.m. on Thursday, 22 February
Publication of the poll results announcement	Thursday, 22 February
Last day of dealings in the Shares on a cum-entitlement basis	Friday, 23 February
First day of dealing in the Shares on an ex-entitlement basis	Monday, 26 February
Latest time for lodging transfers of the Shares for registration in order to qualify for the Rights Issue.	4:30 p.m. on Tuesday, 27 February
Closure of register of members of the Company for determination of entitlements under the Rights Issue.	Wednesday, 28 February to Monday, 5 March
Record date for determination of entitlements under the Rights Issue	Monday, 5 March
Register of members of the Company re-opens.	Tuesday, 6 March
Despatch of the Prospectus Documents	Tuesday, 6 March
First day of dealings in nil-paid Rights Shares.	9:00 a.m. on Thursday, 8 March
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Monday, 12 March

EXPECTED TIMETABLE

2018

Last day of dealings in nil-paid Rights Shares	Thursday, 15 March
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	
	4:00 p.m. on Tuesday, 20 March
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	
	5:00 p.m. on Wednesday, 21 March
Announcement of results of the Rights Issue	Tuesday, 27 March
Certificates for fully paid Rights Shares and Bonus Issue to be despatched on or before	
	Wednesday, 28 March
Refund cheques, if any, to be despatched if the Rights Issue is terminated or in respect of wholly or partially unsuccessful applications for excess Rights Shares on or before	
	Wednesday, 28 March
Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lot of Shares.	
	Thursday, 29 March
Dealings in Rights Shares and Bonus Shares commences.	
	9:00 a.m. on Thursday, 29 March
Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lot of Shares	
	Monday, 23 April

All times stated in this circular refer to Hong Kong times. Dates stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Rights Issue and the Bonus Issue will be announced as appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

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

1. a tropical cyclone warning signal number 8 or above; or
2. 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 the date of the Latest Time for Acceptance, 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; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess 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 in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares is postponed in accordance with the foregoing, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as possible.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 January 2018 in relation to, among other things, the Rights Issue and Bonus Issue
“Articles of Association”	the articles of association of the Company
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of Bonus Shares on the basis of three (3) Bonus Shares for every one (1) Right Share taken up under the Rights Issue
“Bonus Share(s)”	the new Share(s) to be allotted, issued and credited as fully paid-up under the Bonus Issue
“Business Day”	a day (other than a Saturday, Sunday or public holiday or days on which) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China New Economy Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability (stock code: 80), the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF”	the excess application form(s) for the excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be held at 4608, 46/F, The Center, 99 Queens Road Central, Hong Kong on Thursday, 22 February 2018 at 10:00 a.m. to consider the ordinary resolution to be proposed to approve the Bonus Issue and the transactions contemplated thereunder

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person(s) or company(ies) who or which is/are independent of, not acting in concert with (within the meaning of the Takeovers Code) and not connected with the Company, any of the Directors, chief executive or substantial shareholder(s) of the Company or any of their respective associates
“Investment Manager”	China Everbright Securities (HK) Limited, 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)
“Last Trading Day”	23 January 2018, being the last trading day for the Shares before the publication of the Announcement
“Latest Lodging Time”	4:30 p.m. on 27 February 2018 as the latest time for lodging transfer of Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	2 February 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Acceptance”	4:00 p.m. on 20 March 2018 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares
“Latest Time for Termination”	5:00 p.m. on the next business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to this term under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Overseas Letter”	a letter from the Company to the Prohibited Shareholders (if any) explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholders”	holders of the issued Shares whose addresses as shown in the register of members of the Company on the Record Date are in jurisdictions outside Hong Kong (if any)
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares (with Bonus Shares)
“PRC”	the People’s Republic of China (for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan)
“Prohibited Shareholders”	those Overseas Shareholders, whose the Board, after making enquiries pursuant to Rule 13.36(2) of the Listing Rules, considers it necessary or expedient 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 not to extend the Rights Issue to them (if any)
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue and the Bonus Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF in respect of the allotment of Rights Shares
“Prospectus Posting Date”	Tuesday, 6 March 2018 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	holders of the issued Shares whose names are shown on the register of members of the Company on the Record Date (and not being Prohibited Shareholders), who are entitled to participate in the Rights Issue
“Record Date”	Monday, 5 March 2018, being the record date for determination of entitlements to the Rights Issue
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office

DEFINITIONS

“Rights Issue”	the proposed issue of the Rights Shares by way of Rights Issue to the Qualifying Shareholders
“Rights Share(s)”	97,353,899 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of one (1) Rights Share for every eight (8) existing Shares held on the Record Date and payable in full on acceptance pursuant to the Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.50 per Rights Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	China Sky Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 23 January 2018 entered into between the Company and the Underwriter in relation to the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) 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 and 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 of the Underwriting Agreement) of a political, military, financial, economic 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 which may, in the absolute opinion of the Underwriter materially and 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
 - (c) the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) 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) 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
- (3) 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,

TERMINATION OF THE UNDERWRITING AGREEMENT

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

- (4) 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
- (5) 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
- (6) the Prospectus Documents when published contain information (either as to business prospects or the condition of the Company or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Company and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue (with Bonus Issue); or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue.

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

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

LETTER FROM THE BOARD

CHINA NEW ECONOMY FUND LIMITED

中國新經濟投資有限公司

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

(Stock Code: 80)

Board of Directors

Executive Directors:

Mr. GU, Xu (*Chairman and Chief Executive Officer*)

Mr. CHAN, Cheong Yee

Independent non-executive Directors:

Mr. LAM, Chun Ho

Mr. AYOUB, Faris Ibrahim Taha

Mr. PUN, Tit Shan

Mr. CHONG Ching Hoi

Registered office:

P.O. Box 309, Uglund House,

South Church Street,

George Town,

Grand Cayman KY1-1104,

Cayman Islands

Principal place of business:

Suite 902, 9/F., Ovest,

77 Wing Lok Street

Hong Kong

5 February 2018

To the Qualifying Shareholders and, for information only, the Prohibited Shareholders (if any)

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF 97,353,899 RIGHTS SHARES
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY EIGHT (8) EXISTING SHARES
HELD ON THE RECORD DATE WITH BONUS ISSUE
ON THE BASIS OF THREE (3) BONUS SHARES
FOR EVERY ONE (1) RIGHTS SHARE
TAKEN UP UNDER THE RIGHTS ISSUE**

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Rights Issue and the Bonus Issue.

The Rights Issue will be fully underwritten by the Underwriter. The Underwriting Agreement contains provisions granting the Underwriter the right, which may be exercised at any time prior to the Latest Time for Termination or such later time or date as may be agreed to terminate the Underwriting Agreement on the occurrence of certain events. If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

In order to give effect to the Bonus Issue as proposed in accordance with the Articles of Association, the Company proposes to put forward an ordinary resolution to the Shareholders for approval at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, inter alia, further details of the Rights Issue with the Bonus Issue and a notice convening the EGM.

PROPOSED RIGHTS ISSUE WITH BONUS ISSUE

Issue statistics

Basis of the Rights Issue with Bonus Issue:	One (1) Rights Share for every eight (8) existing Shares held on the Record Date and payable in full on acceptance, together with three (3) Bonus Shares for every one (1) Rights Share taken up. The aggregate effect of the Rights Issue and the Bonus Issue would be for every eight (8) existing Shares held on Record Date, four (4) new Shares would be issued to the Qualifying Shareholder should the Qualifying Shareholder elect to take up the Rights Shares.
Subscription Price:	HK\$0.50 per Rights Share
Number of Shares in issue as at the date of the Latest Practicable Date:	778,831,198 Shares
Number of Rights Shares:	97,353,899 Rights Shares
Number of Bonus Shares:	Up to 292,061,697 Bonus Shares to be issued to the Qualifying Shareholders, who elect to take up the Rights Issue, on the basis of three (3) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue
Number of Rights Shares underwritten by the Underwriter:	97,353,899 Rights Shares, being the total number of the Rights Shares under the Rights Issue
Number of Shares in issue upon completion of the Rights Issue with the Bonus Issue:	Up to 1,168,246,794 Shares

The Company does not have any outstanding convertible note, warrant, option, derivative or other securities convertible into or exchangeable for any Share as at the Latest Practicable Date. The Company has no intention to issue or grant any warrants, options and/or convertible securities on or before the Record Date.

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

LETTER FROM THE BOARD

Bonus Issue

Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the Qualifying Shareholders, who elect to take up the Rights Shares, on the basis of three (3) Bonus Shares for every one (1) Rights Share taken up under the Rights Issue. The aggregate effect of the Rights Issue and the Bonus Issue would be for every eight (8) existing Shares held on Record Date, four (4) new Shares would be issued to the Qualifying Shareholder should the Qualifying Shareholder elect to take up the Rights Shares.

On the basis of 97,353,899 Rights Shares to be issued under the Rights Issue, up to 292,061,697 Bonus Shares will be issued.

Subscription Price

The Subscription Price is HK\$0.50 per Rights Share, payable in full on application and the effective subscription price (the “**Effective Subscription Price**”) after taking into consideration the Bonus Issue is HK\$0.125 per Right Share. The Subscription Price represents:

- (i) the par value of each Share of HK\$0.50;
- (ii) a premium of approximately 284.62% over the closing price of HK\$0.130 per Share as quoted on Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 290.63% over the theoretical ex-entitlement price of approximately HK\$0.128 per Share after the Rights Issue with Bonus Issue based on the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a premium of approximately 278.79% over the average closing price of HK\$0.132 per Share for the last five consecutive trading days including and up to the Last Trading Day;
- (v) a premium of approximately 72.41% over the latest unaudited net asset value attributable to the Shareholders per Share of approximately HK\$0.29 as at 31 December 2017; and
- (vi) a premium of approximately 303.23% over the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Effective Subscription Price of HK\$0.125 represents:

- (i) a discount of approximately 3.85% to the closing price of HK\$0.130 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 2.34% to the theoretical ex-entitlement price of approximately HK\$0.128 per Share after the Rights Issue with Bonus Issue based on the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a discount of approximately 5.30% to the average closing price of HK\$0.132 per Share for the last five consecutive trading days including and up to the Last Trading Day;
- (iv) a discount of approximately 56.9% to the latest unaudited net asset value attributable to the Shareholders per Share of approximately HK\$0.29 as at 31 December 2017; and
- (v) a premium of approximately 0.81% over the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The theoretical ex-entitlement price per Share after completion of the Rights Issue and Bonus Issue is approximately HK\$0.128 and this is calculated based on the following formula:

$$\frac{(\text{Number of Rights Shares} \times \text{Subscription Price}) + (\text{Number of existing Shares} \times \text{Closing Price as at the Last Trading Day})}{\text{Total number of Shares after completion of the Rights Issue and Bonus Issue}}$$

Total number of Shares after completion of the Rights Issue and Bonus Issue

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the par value of each Share, the then prevailing market price of the Shares, the financial position of the Company and having considered the future development and other investment opportunities of the Company.

In determining the Subscription Price, the Directors have taken into account (i) the ratio for the Rights Issue; (ii) the need to have an attractive structure for the Rights Issue such that the Shareholders would be interested in participating in it; (iii) the need to attract the Underwriter to participate in the Rights Issue on terms favourable to the Company; and (iv) the urgency in the funding need of the Company to finance the repayment of the loan and coupon notes that are soon to be due.

The Subscription Price was determined with reference to the then trading prices of the Shares, which the Directors consider to be the most relevant factor as compared to the net asset value of the Company in assessing whether the Rights Issue would be attractive to the Shareholders to participate in such exercise given that the Shareholders are likely to look to the investment cost for the Shares to determine the attractiveness of such exercise.

Taking into consideration of the Subscription Price, which is at a premium and unlikely to attract Shareholders to participate in the Rights Issue, in order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the issue of the Bonus Issue with the Rights Issue would result in an Effective Subscription Price of HK\$0.125 which is close to or at a slight discount to the market price of the Shares and the Effective Subscription Price is therefore fair and reasonable and in the interest of the Company and the Shareholders as a whole as each Qualifying Shareholder is entitled to subscribe for the Rights Shares in proportion to his/her/its existing shareholding in the Company at an Effective Subscription Price which is close to or at a slight discount to the trading price of the Shares.

LETTER FROM THE BOARD

Considering that the Shares have been trading on the Stock Exchange in the price range between HK\$0.117 and HK\$0.320 in the past 12 months prior to the Latest Practicable Date, the minimum Subscription Price of HK\$0.50, which is at a premium of approximately 284.62% over the closing price of HK\$0.130 per Share as quoted on Stock Exchange on the Last Trading Day would not be attractive to the Shareholders. The current structure of the Rights Issue together with the Bonus Issue would offer the Shareholders an opportunity to subscribe for further Shares at the Effective Subscription Price of HK\$0.125, which is at a discount of approximately 3.85% to the closing price of HK\$0.130 per Share as quoted on Stock Exchange on the Last Trading Day. If the Rights Issue were to be conducted on the basis of 1 Rights Share for every 2 existing Shares without the Bonus Issue, the Subscription Price, which is at the par value of each Share, i.e. HK\$0.50, would be at a premium over the recent trading prices of the Shares. Under such structure, the Directors envisage that no Shareholder would be willing to participate in the Rights Issue and the Company would be unlikely to find any underwriter who would be willing to underwrite the Rights Shares. Such structure would render the fundraising exercise ineffective.

The current structure of the Rights Issue and the Bonus Issue, which is in compliance with the applicable laws and the Articles of Association, would increase the attractiveness of the Rights Issue to the Shareholders as it would allow them to subscribe for further Shares at the Effective Subscription Price of HK\$0.125, which is close to or at a slight discount to the recent trading prices of the Shares. The Board considers that the issue of Bonus Shares in combination with the Rights Issue would increase the attractiveness of the Rights Issue to the Shareholders.

The Board considers the current structure to be in the best interests of the Company and Shareholders as a whole having considered the amount that needs to be raised to satisfy the funding needs of the Company and the current trading price of the Shares. The Subscription Price was determined based on the par value of the Shares of HK\$0.50 per Share, as the Companies Law of the Cayman Islands to which the Company is subject prohibits the issue of Shares at a price below the par value of the Shares without the sanction of the Cayman court.

The Effective Subscription Price is used as a reference point for the Shareholders in consideration of the Rights Issue and Bonus Issue. The Bonus Shares will be credited as fully paid at par by way of capitalisation of an amount of up to HK\$146,030,848.50 from the share premium account of the Company pursuant to the Bonus Issue. All Shares to be issued under the Rights Issue and Bonus Issue will be issued or credited as fully paid at par. Taking into account the legal opinion by the legal adviser to the Company as to Cayman Islands law, the Directors confirm that the current structure of the Rights Issue and Bonus Issue (including the Effective Subscription Price) would not result in the Company issuing Shares at a discount and would not violate the articles of association of the Company nor any applicable law in the Cayman Islands.

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Prohibited Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders (if any). To qualify for the Rights Issue, a Shareholder must, at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be the Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Tuesday, 27 February 2018. The address of the Registrar is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Prohibited Shareholders

The Company will send the Prospectus (without PAL and EAF) and the Overseas Letter to the Prohibited Shareholders (if any) for their information only. Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Prohibited Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid pro rata to the Prohibited Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Prohibited Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be taken up by the Underwriter.

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. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be available for excess application by the Qualifying Shareholders. Should there be no excess application by the Qualifying Shareholders, those Rights Shares created from the aggregation of fractions of the Rights Shares will be taken up by the Underwriter.

Closure of register of members

The register of members of the Company will be closed from Thursday, 15 February 2018 to Thursday, 22 February 2018, both dates inclusive, to determine the eligibility of the Shareholders to vote at the EGM. The register of members of the Company will be closed from

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Wednesday, 28 February 2018 to Monday, 5 March 2018, both dates inclusive, to determine the eligibility of the Rights Issue and the Bonus Issue. No transfer of Shares will be registered during the above periods.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every eight (8) Shares held by the Qualifying Shareholders on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted for with the Registrar by 4:00 p.m. on Tuesday, 20 March 2018.

Rights of the Overseas Shareholders

If, on the Record Date, a Shareholder's address on the register of member of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries to its lawyers as to whether the issue of Rights Shares and the Bonus Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to Rights Shares to such Overseas Shareholders, no provisional allotment of Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Prohibited Shareholders.

Based on the register of members of the Company as at the Latest Practicable Date, there was no Overseas Shareholder. The Directors will comply with Rule 13.36(2) of the Listing Rules and make enquiries regarding the feasibility of extending the Rights Issue and the Bonus Issue to the Overseas Shareholders (if any) taking into consideration the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of Rights Shares and Bonus Shares to the Overseas Shareholders.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any applicable requirements of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares and the Bonus Shares to the Overseas Shareholders, the Rights Issues and the Bonus Issues will not be extended to the Overseas Shareholders who will become the Prohibited Shareholders. The results of the enquiries and the basis of the exclusion of the Overseas Shareholders will be included in the Prospectus.

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Status of the Rights Shares and the Bonus Shares

The Rights Shares and the Bonus Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares and the Bonus Shares. Holders of the Rights Shares in their fully paid form and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares and the Bonus Shares

Certificates of the Rights Shares and the Bonus Shares and refund cheques

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the Rights Shares and the Bonus Shares are expected to be posted on or before Wednesday, 28 March 2018 to those entitled thereto by ordinary post at their own risk.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for (i) the Rights Shares representing the entitlement of the Prohibited Shareholders and which cannot be sold at a net premium; (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders; and (iii) any Rights Shares arising out of the aggregation of fractional entitlements. Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Company will allocate the Rights Shares in excess of the entitlement at its discretion on a fair and equitable basis to the Qualifying Shareholders who have applied for excess Rights Shares. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their sole discretion on a fair and equitable basis on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) subject to availability of excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

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Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Latest Lodging Time. Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on Tuesday, 27 February 2018.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) and the Bonus Shares (in their fully-paid form).

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 and the Bonus Shares (in their fully-paid form) 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 and the Bonus Shares in their fully-paid form 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 and the Bonus Shares in their fully-paid form or such other dates as may be determined by HKSCC.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms and the Bonus Shares in their fully-paid form will be in the existing board lots of 20,000 Rights Shares. Dealing in the Rights Shares and the Bonus Shares will be subject to the payment of the stamp duty and other applicable fees and charges in Hong Kong.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services during Thursday, 29 March 2018 to Monday, 23 April 2018 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Further details in respect of the odd lots arrangement will be set out in the Prospectus.

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UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	23 January 2018 (after trading hours)
Underwriter:	China Sky Securities Limited
Number of Rights Shares underwritten:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares which have not been taken up (the “ Untaken Shares ”). Accordingly, the Rights Issue is fully underwritten.

The Company will pay the Underwriter an underwriting commission of 1.5% of the aggregate Subscription Price in respect of the 97,353,899 underwritten Rights Shares for which the Underwriter has agreed to subscribe or the subscription of which the Underwriter has agreed to procure, and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The Directors are of the view that the commission is fair and reasonable.

To the best of the Directors’ knowledge, information and belief, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

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 29.9% of the voting rights of the Company upon the completion of the Rights Issue and the Bonus Issue. The Underwriter shall also use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Untaken Shares procured by it (i) shall be Independent Third Parties; and (ii), save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue and Bonus Issue.

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon the completion of the Rights Issue and the Bonus Issue in compliance with Rule 8.08(1)(a) of the Listing Rules. To the best information, belief and knowledge of the Directors, as at the Latest Practicable Date, the Underwriter is not beneficially interested in any Shares in its own capacity and no sub-underwriter has been engaged.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the

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Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) 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 and 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 of the Underwriting Agreement) of a political, military, financial, economic 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 which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole 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
- (2) 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) 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
- (3) 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
- (4) 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

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- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

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

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Conditions of the Rights Issue and the Bonus Issue

The Rights Issue and the Bonus Issue are conditional upon:

- (1) the passing of all necessary resolution(s) by the Board approving the Rights Issue and the Bonus Issue and the transactions contemplated hereunder by no later than the Prospectus Posting Date;
- (2) the delivery to the Stock Exchange for authorisation and the 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) and otherwise in compliance with the

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Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;

- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares and the Bonus Shares by no later than the first day of their dealings;
- (5) the passing of the necessary resolution(s) at the EGM to approve the Bonus Issue (including but not limited to the allotment and issue of the Bonus Shares) by the Shareholders and the transactions contemplated thereunder;
- (6) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (7) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (8) the compliance with and performance of all the undertakings and obligations of the Underwriter under the Underwriting Agreement; and
- (9) there being no event occurred prior to the Latest Time for Termination which would render the warranties of the Company untrue and incorrect.

Neither of the Company nor the Underwriter may waive conditions (1) to (5) and (7) to (9) stated above. The Underwriter may waive the condition stated in (6) above by written notice to the Company. If the conditions precedent are not satisfied (or waived, as the case may be) in full by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

BUSINESS REVIEW, 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 mainland China, Hong Kong, Macau and Taiwan.

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During the six months ended 30 June 2017 (the “**Period**”), the People’s Republic of China (the “**PRC**”) Government deepened its structural reform aiming to create a healthy social environment for a sustainable yet efficient economic growth. According to the National Bureau of Statistics of China, the gross domestic product (GDP) of the PRC recorded an increase of 6.9% in the first half of 2017, realising the target of 6.5%–7% set by PRC Government in the beginning of 2016, however in line with the market expectation as the government has indicated that the PRC economy has entered into a new normal era featured with medium growth rates and economic structure optimization driven by capacity cuts and consumption upgrade.

The benchmark of Shanghai Composite Index increased merely approximately 2.9% during the first half of 2017, while Hang Seng Index increased approximately 17.1%. During the Period, the Company adopted a timely and appropriate investment approach in response to the volatile market sentiment and complicated government policies, and to detect investment opportunities emerging from the sectors benefiting from the economic transformation in PRC, to obtain a substantial net asset appreciation. The Company will continue to implement its comprehensive risk management strategy with an aim to achieve stable returns on investments for our shareholders.

During the Period, the Company has invested two new private equities and one bond fund, making a total of seven unlisted investments in our diversified portfolio. The Company believes they will bring a potential return alongside with listed investments in the long-run. Our Company will explore more investment opportunities toward private equities and other unlisted investments.

As global economy and politics are facing more risk, the Company expects that the US Federal Reserve will be more cautious to raise interest rate and possibly one more hike by the end of 2017. In addition, the PRC Government has lowered its GDP growth target, focusing on quality over quantity as it overhauls its growth model. Therefore, the Company remains cautiously optimistic on the prospects of securities market in China and Hong Kong.

The Company will continue to deploy an investment strategy focusing on Greater China and closely monitor the changes in the global market. With our professional and experienced investment and risk management team, we are confident to capture valuable investment opportunities to maximise profit to our shareholders.

REASONS FOR THE RIGHTS ISSUE AND THE BONUS ISSUE AND USE OF PROCEEDS

The estimated net proceeds from the Rights Issue will be approximately HK\$47.1 million, which would be applied for: (i) the repayment of a loan due and payable in March 2018 in the sum of HK\$35,000,000; and (ii) the partial repayment of coupon notes due and payable in April 2018 in the sum of HK\$31,500,000. The repayment would take place as soon as the Rights Issue is completed. The Company will consider realising its investments to raise further funds for settlement of the balance of the principal sum of the coupon notes which remains outstanding after the partial repayment.

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As the net proceeds of the Rights Issue will be applied towards repayment of debts in its entirety, there will be no remaining sum available to be applied towards satisfying the funding needs of the Company for the next 12 months. As at the date hereof, the Company does not have any plan to conduct further rights issue or other fund-raising activities. However, should the Company identify any investment opportunity that is in line with the investment strategy of the Company and the expected return being higher than the finance cost, or should any funding needs arise in the next 12 months, the Company may consider other funding methods to finance such investment and/or any such funding needs.

The estimated expense in relation to the Rights Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses is approximately HK\$1.6 million and will be borne by the Company. Having considered other fund-raising alternatives for the Company, such as issue of unlisted notes and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Rights Issue allows the Company to strengthen its balance sheet by raising long term equity fund without the need for payment of interest and repayment. 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 and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. In addition, given that the subscription price is above the closing prices of the Shares, the Bonus Issue will be issued as an incentive for the Shareholders to take part into the Rights Issue. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted. Should the Qualifying Shareholders decide not to take up their entitlements under the Rights Issue with the Bonus Issue, they can choose to dispose of their Rights Shares provisional allotments in the market in nil-paid form for economic benefit.

The Company has considered fund raising by issuing debt security or debt financing but the Board considers that any further debt financing or borrowings would worsen the gearing ratio and incur further interest expenses of the Company and it is the intention of the Board to reduce the gearing ratio and interest expenses of the Company to a more favourable level to improve the rate of return of the Company's investment portfolio. Therefore, the Board has ruled out debt financing as a source for raising funds in this occasion.

The Board also considered placing of new Shares. However as placing of new Shares would normally be conducted on a best efforts basis of which the success is not guaranteed and the size of any placing would not be sufficient to meet the funding requirement on this occasion, placing of new Shares was not considered by the Board when it was considering the Rights Issue and hence did not proceed further. The Board considers that rights issue would be more favourable and attractive to the Shareholders than open offer because it would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

The Board has also considered to perform a share capital reduction which involves reduction of par value of the Shares. However, such exercise involves the filing of a petition to

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the Grand Court of the Cayman Islands for an order to approve a shareholders' special resolution in favour of the share capital reduction which is a time-consuming procedure that can take up to several months. Under the circumstances, there may not be sufficient time for such exercise to be completed in time to meet the funding needs of the Company and accordingly was not considered as a viable option to the Company. The Board does not rule out the possibility of performing a share capital reduction in the future.

As 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 returns through capital appreciation and dividend. Accordingly, the Directors do not consider realising the existing investments of the Company to satisfy its funding needs to be a priority when considering the various options of fund-raising methods. As mentioned above, the estimated net proceeds from the Rights Issue of approximately HK\$47.1 million will not be sufficient to cover the intended use of proceeds for the repayment of a loan and coupon notes in the aggregate sum of approximately HK\$66.5 million in its entirety, the Directors have therefore considered realising only a relatively small portion of the existing investments of the Company to settle the remaining portion of the amounts to be due under the coupon notes.

The Rights Issue, when compared with other forms of equity fund raising, would offers the existing Shareholders the opportunity to participate in the future growth of the Company as it allows existing Shareholders to subscribe for Rights Shares in proportion to their existing shareholdings in the Company without having their relative shareholdings being diluted and the Board considers that the terms of the Rights Issue with Bonus Issue are fair and reasonable and in the best interest of the Shareholders as a whole as it allows existing Shareholders to participate in the future growth of the Company without having their relative shareholding diluted and it will improve the capital base and gearing ratio of the Company.

The Board, having considered the amount of funding required by the Company, the advantages and feasibility of the Rights Issue with Bonus Issue as compared to the other methods of fund-raising and the par value of the Shares, considers that the current structure and the terms of the Rights Issue and the Bonus Issue to be fair and reasonable and it is in the best interest of the Shareholders as a whole as the Rights Issue would strengthen the capital base of the Company and improve its gearing ratio.

The Company has approached five financial institutions including the Underwriter concerning the Rights Issue with Bonus Issue based on the current proposed structure. Out of the five institutions, the Underwriter quoted the lowest underwriting commission rate. Taking into account the foregoing alternative fund-raising methods considered and that the Underwriter provided the most favourable terms for the Rights Issue, the Board is of the view that the Underwriter is the most suitable candidate for acting as the underwriter to the Rights Issue.

The Directors consider that the Rights Issue and the Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Rights Issue and the Bonus Issue.

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EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structures of the Company immediately before and after the completion of the Rights Issue and the Bonus Issue are set out below:

Shareholders	As at the Latest Practicable Date		Upon completion of the Rights Issue and the Bonus Issue			
	Assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Rights Issue			
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Wang Xin	117,246,628	15.05	117,246,628	10.04	175,869,940	15.05
The Underwriter and its sub-underwriter(s) and subscriber(s) procured by the Underwriter (if any) (<i>Note</i>)	–	–	389,415,596	33.33	–	–
Public Shareholders	661,584,570	84.95	661,584,570	56.63	992,376,854	84.95
Total	<u>778,831,198</u>	<u>100.00</u>	<u>1,168,246,794</u>	<u>100.00</u>	<u>1,168,246,794</u>	<u>100.00</u>

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 29.9% of the voting rights of the Company upon the completion of the Rights Issue and the Bonus Issue. The Underwriter shall also use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Untaken Shares procured by it (i) shall be Independent Third Parties; and (ii), save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue and Bonus Issue.

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon the completion of the Rights Issue and the Bonus Issue in compliance with Rule 8.08(1)(a) of the Listing Rules.

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GENERAL

As the proposed Rights Issue will not increase the number of issued shares or the market capitalisation of the Company by more than 50% or otherwise fall under any scenarios contemplated under the Listing Rules, the Rights Issue is not subject to the approval of the Shareholders in a general meeting. However, pursuant to the articles of association of the Company, the Bonus Issue will be subject to Shareholders' approval at the EGM.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months from the Latest Practicable Date.

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

Shareholders and potential investors should note that the Rights Issue and the Bonus Issue are conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue and the Bonus Issue may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Monday, 26 February 2018 and that dealing in the Rights Shares in the nil-paid form will take place from Thursday, 8 March 2018 to Thursday, 15 March 2018 (both days inclusive) while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue and the Bonus Issue are subject are fulfilled (which is expected to be on Wednesday, 21 March 2018), will accordingly bear the risk that the Rights Issue and the Bonus Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Bonus Issue and the transactions contemplated thereunder. A notice convening the EGM to be held at 4608, 46/F, The Center, 99 Queens Road Central, Hong Kong on Thursday, 22 February 2018 at 10:00 a.m. is enclosed with this circular.

LETTER FROM THE BOARD

To the best knowledge of the Directors, no Shareholders have a material interest in the Bonus Issue and accordingly, no Shareholders will have to abstain from voting at the EGM. The Board has not received any information from any substantial Shareholder of its intention to take up the Rights Issue to be provisionally allotted or offered to it/him/her.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

The resolution proposed to be approved at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules. An announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Directors consider that the terms of the Rights Issue with the Bonus Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Shareholders to vote in favour of the proposed resolution approving the Bonus Issue at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully

For and on behalf of the Board

China New Economy Fund Limited

Gu Xu

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 5 February 2018

A. FINANCIAL INFORMATION OF THE COMPANY

The audited financial information of the Company for each of the three years ended 31 December 2014, 2015, and 2016 and the six months ended 30 June 2017 can be referred to the annual reports of the Company for the years ended 31 December 2014 (pages 46 to 103), 2015 (pages 49 to 111) and 2016 (pages 59 to 131) and the interim report of the Company for the six months ended 30 June 2017 (pages 33 to 76), which were published on 24 April 2015, 21 April 2016, 24 April 2017 and 20 September 2017 respectively. The above-mentioned financial information is available on the Company's website at <http://www.chinaneweconomyfund.com/document/EW00080-AR.pdf> (for the year ended 31 December 2014), http://www.chinaneweconomyfund.com/document/484_EW00080-AR.PDF (for the year ended 31 December 2015), http://www.chinaneweconomyfund.com/document/EW00080_AR.PDF (for the year ended 31 December 2016) and <http://www.chinaneweconomyfund.com/document/EW00080%20IR.PDF> (for the six months ended 30 June 2017) and the website of the Stock Exchange at www.hkexnews.hk. The auditors of the Company have not issued any qualified opinion on the Company's financial statements for the financial years ended 31 December 2014, 2015 and 2016.

B. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Company had outstanding borrowings comprise the following:

Securities margin borrowings

The total carrying amounts of the Company's outstanding secured securities margin borrowings as at 31 December 2017 were approximately HK\$5,647,000. Securities margin borrowings as at 31 December 2017 were unguaranteed and secured by the Company's listed equity securities investments.

Notes payable

The Company had an outstanding principal of notes payable of approximately HK\$32,500,000, which were unguaranteed and unsecured and interest bearing at coupon rates of 7.5%.

Revolving loan facility

The Company had a loan amount HK\$35,000,000 borrowed from an independent third party which carried an interest of 8.5% per annum payable every three months. The loan facility is unguaranteed and unsecured.

At the close of business on 31 December 2017, except as disclosed in this section, the Company did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, finance lease obligations, mortgages or charges, guarantees or other material contingent liabilities.

C. 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 Circular in the absence of unforeseen circumstances.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the profit warning announcement of the Company dated 15 January 2018 for the expected loss of the Company for the year ended 31 December 2017, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

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

The following is the unaudited pro forma statement of adjusted net tangible assets of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effects of the Rights Issue with Bonus Issue on the unaudited net tangible assets of the Company as if the Rights Issue with Bonus Issue had taken place on 30 June 2017.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Company as at 30 June 2017 or any future date; or (ii) the net tangible assets per Share of the Company as at 30 June 2017 or any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited net tangible assets of the Company as at 30 June 2017, as extracted from the published interim report of the Company for the six months ended 30 June 2017, and is adjusted for the effect of the Rights Issue with Bonus Issue described below.

	Unaudited net tangible assets of the Company as at 30 June 2017	Add: Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted net tangible assets of the Company as at 30 June 2017 immediately upon completion of the Rights Issue with Bonus Issue	Unaudited net tangible assets of the Company per Share before completion of the Rights Issue with Bonus Issue	Unaudited pro forma adjusted net tangible assets of the Company per Share upon completion of the Rights Issue with Bonus Issue
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)	HK\$ (Note 4)
Based on the issue of 97,353,899 Rights Shares with 292,061,697 Bonus Shares	353,822	47,100	400,922	HK\$0.45	HK\$0.34

Notes:

1. The unaudited net tangible assets of the Company as at 30 June 2017 of approximately HK\$353,822,000 is extracted from the published interim report of the Company for the six months ended 30 June 2017.
2. The estimated net proceeds from the Rights Issue of approximately HK\$47,100,000 are based on the proceeds of approximately HK\$48,677,000 from the issue of 97,353,899 Rights Shares at the Subscription Price of HK\$0.50 per Rights Share after deduction of the estimated related expenses of approximately HK\$1,577,000.
3. The calculation is determined based on the unaudited net tangible assets of the Company as at 30 June 2017 of approximately HK\$353,822,000 divided by the number of shares in issue of 778,831,198 as at the Latest Practicable Date and immediately before completion of the Rights Issue with Bonus Issue.
4. The unaudited net tangible assets of the Company per Share upon completion of the Rights Issue with Bonus Issue is arrived at on the basis that (i) 778,831,198 Shares in issue as at the Latest Practicable Date and (ii) 97,353,899 Rights Shares and 292,061,197 Bonus Shares to be issued upon completion of the Rights Issue with Bonus Issue, were in issue assuming that the Rights Issue with Bonus Issue had been completed on 30 June 2017.
5. The pro forma financial information does not take account of any trading or other transactions subsequent to the date of the financial statements included in the Unaudited Pro Forma Financial Information (i.e. 30 June 2017).

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared by for the sole purpose of inclusion in this circular, in respect of the Unaudited Pro Forma Financial Information of the Company.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED 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**”) by the directors of the Company (“**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible assets of the Company as at 30 June 2017, and related notes (“**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II to the Company’s circular dated 5 February 2018 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed Rights Issue with Bonus Issue (as defined in the Circular) on the net tangible assets of the Company as if the Rights Issue with Bonus Issue had taken place at 30 June 2017. As part of this process, information about the Company’s financial position has been extracted by the Directors from the Company’s condensed interim financial statements for the six months ended 30 June 2017, on which no audit or review report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited 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 (“**AG 7**”) “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the Unaudited 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 Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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 plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the 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 Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or 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 event or transaction at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited 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 Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the Unaudited 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 purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hong Kong, 5 February 2018

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue with the Bonus Issue are set out as follows:

(i) As at the Latest Practicable Date

HK\$

Authorised:

<u>2,000,000,000</u>	Shares	<u>1,000,000,000.00</u>
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Issued and fully paid:

<u>778,831,198</u>	Shares	<u>389,415,599.00</u>
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(ii) Immediately after completion of the Rights Issue with the Bonus Issue

HK\$

Authorised:

<u>2,000,000,000</u>	Shares	<u>1,000,000,000.00</u>
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HK\$

Issued and fully paid:

778,831,198	Shares	389,415,599.00
97,353,899	Rights Shares	48,676,949.50
<u>292,061,697</u>	Bonus Shares	<u>146,030,848.50</u>
<u><u>1,168,246,794</u></u>	Shares in total	<u><u>584,123,397.00</u></u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares and the Bonus Shares (when allotted, fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares and the Bonus Shares. Holders of the Rights Shares in their fully paid form and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares and the Bonus Shares.

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 Rights Shares or Bonus Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company did not have any outstanding warrants, options or securities convertible into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

Director's and chief executive's interests in the Company

As at the Latest Practicable Date, none of the Directors and chief executives of the Company and their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests or short positions which they are taken or deemed to have under such provisions

of the SFO); or (b) pursuant to section 352 of the SFO, to be entered the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, the following person(s) (other than the Directors and the chief executive of the Company) has, or is deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, details of which are set out as follows:

Long positions in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximately percentage or attributable percentage of shareholding
China Sky Securities Limited	Underwriter	389,415,596	33.33% (L)
Wang Xin	Beneficial owner	117,246,628	15.05% (L)
Ng Wah Tung	Beneficial owner	40,000,000	5.13% (L)

(L): denotes long position

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2016 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to the Company, or were proposed to be acquired or disposed of by or leased to the Company.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Company.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company within the two years immediately preceding the Latest Practicable Date which are or may be material:

1. the custodian agreement entered into between the Company and Deutsche Bank AG, Hong Kong Branch for the provision of custody services in relation to securities and cash which the Company may deposit with the custodian from time to time;
2. the administration agreement entered into between the Company and Amicorp Hong Kong Limited for the provision of certain administrative services;
3. a placing agreement dated 13 June 2016 and entered into between the Company and Nuada Limited in relation to the placing of up to 185,436,000 shares of HK0.1 each in the Company on a best efforts basis;
4. an underwriting agreement dated 4 November 2016 and entered into between the Company and China Jianxin Financial Services Limited in relation to the underwriting and other arrangements in respect of a rights issue of 333,784,800 rights shares of HK\$0.50 each in the Company on the basis of three rights share for every two existing shares held; and
5. the Underwriting Agreement.

7. LITIGATION

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

8. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, proposed directors or any of their respective associates had any interest in business which competes with or may compete with the business of the Company or had any other conflict of interests which any person has or may have with the Company.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letter or advice contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, the above expert had no 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.

As at the Latest Practicable Date, the above expert had no interest, direct or indirect, in the promotion of, or in any assets which since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company.

The above expert has given and has not withdrawn its written consent to the issue of this circular, 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.

10. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Board of Directors	Mr. GU Xu Mr. CHAN Cheong Yee Mr. LAM Chun Ho Mr. AYOUB Faris Ibrahim Taha Mr. PUN Tit Shan Mr. CHONG Ching Hoi
Head office and principal place of business	Suite 902, 9/F., Ovest 77 Wing Lok Street Hong Kong

Registered office	P.O. Box 309, Uglund House, South Church Street, George Town Grand Cayman KY1-1104 Cayman Islands
Underwriter	China Sky Securities Limited Room 1106, 11/F Cosco Tower 183 Queen's Road Central Hong Kong
Legal advisers to the Company as to Hong Kong Law	Michael Li & Co. 19/F, Prosperity Tower No. 39 Queen's Road Central, Hong Kong
Legal advisers to the Company as to Cayman Islands Law	Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Auditors	HLB Hodgson Impey Cheng Limited 31/F Gloucester Tower The Landmark 11 Pedder Street, Central Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited 73/F, The Center 99 Queen's Road Central Hong Kong
Hong Kong share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Investment manager	China Everbright Securities (HK) Limited 24/F., Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Custodian	Deutsche Bank AG, Hong Kong Branch 52/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Administrator	Amicorp Hong Kong Limited Rooms 2103–4, 21/F Wing On Centre 111 Connaught Road Central Hong Kong
Authorised representatives	Mr. Chan Cheong Yee Suite F, 29/F Tower 10 South Horizons Apleichau Hong Kong Mr. Tai Man Hin Tony Suite 902, 9/F, Ovest 77 Wing Lok Street Hong Kong
Company secretary	Mr. Tai Man Hin Tony (<i>CPA, ACA, FCCA</i>)

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

Name	Address
<i>Executive Directors</i>	
Mr. GU Xu	Room 703, No. 11 Lane 289 Ouyang Road Hongkou District Shanghai, China

Name	Address
Mr. CHAN Cheong Yee	Suite F, 29/F, Tower 10 South Horizons Apleichau Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. LAM Chun Ho	Flat C, 7/F, Block 1, Site 7 Whampoa Garden, Hung Hom Kowloon, Hong Kong
Mr. AYOUB Faris Ibrahim Taha	G/F Pokfulam Heights 86C Pok Fu Lam Road Hong Kong
Mr. PUN Tit Shan	Flat B, 4/F, Sunlight Garden 2 Man Wan Road Homantin, Kowloon Hong Kong
Mr. CHONG Ching Hoi	Room 3209, 32/F., Lai Choi House Lai Yan Court 278 Lai King Hill Road Lai Chi Kok, Kowloon Hong Kong

(b) Profiles of Directors*Executive Directors*

Mr. GU Xu (“Mr. Gu”), aged 53, was appointed as executive Director of the Company since 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 22 years’ experience in asset management, investment and financial management in both financial conglomerate and private company. He is the chairman of 上海東晟投資管理有限公司 (Shanghai Dongsheng Investment Management Co., Ltd.). Furthermore, Mr. Gu has been appointed as the president of 河南中原聯創投資基金管理有限公司 (Henan Zhong Yuan Lian Chuang Investment Fund Management Company Limited) since October 2015. Mr. Gu has also been appointed as independent supervisor of 蘇州金融租賃股份有限公司 (Suzhou Financial

Leasing Co., Ltd) in May 2016 and independent supervisor of 中遠海運發展股份有限公司 (02866.HK) (前稱：中海集裝箱運輸股份有限公司) (COSCO SHIPPING Development Co., Ltd., formerly known as China Shipping Container Lines Company Limited), a company listed both in Hong Kong and Shanghai, in June 2016.

Mr. CHAN Cheong Yee (“Mr. Chan”), aged 54, was appointed as an executive Director since 1 June 2013. Mr. Chan is one of the responsible officers of China Everbright Securities (HK) Limited. 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 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 and 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. On 14 February 2016, Mr. Chan was appointed as an executive director of China Trend Holdings Limited (8171.HK), a company listed on the Growth Enterprise Market of the Stock Exchange. He was an independent non-executive director of Agritrade Resources Limited (1131.HK) from June 2010 to October 2015.

Independent Non-executive Directors

Mr. LAM Chun Ho (“Mr. Lam”), aged 35, was appointed as an independent non-executive Director since 22 October 2014. He is the chairman of each of the Audit Committee and Remuneration Committee as well as a member of the Nomination Committee of the Company. Mr. Lam graduated from Hong Kong Baptist University with a bachelor degree of Business Administration in Accounting. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants and he has over 11 years’ experience in the field of auditing, financial reporting and financial management. Mr. Lam is currently a manager of a local corporate service company. Since 24 October 2014, Mr. Lam has been appointed as an independent non-executive

director of China Wah Yan Healthcare Limited (648.HK), a company listed on the main board of the Stock Exchange.

Mr. AYOUB Faris Ibrahim Taha (“Mr. Ayoub”), aged 38, was appointed as an independent non-executive Director since 1 February 2014. He is the chairman of the Nomination Committee as well as a member of the audit 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 16 years’ experience in financial advisory and investments. Mr. Ayoub was an executive director in global principal investments & trading division of JP Morgan, Hong Kong. Since March 2012, he became the managing director of Cassia Investments Limited, which is a consumer focused investment firm specialising in lower middle-market companies across Asia.

Mr. PUN Tit Shan (“Mr. Pun”), aged 56, has been appointed as an independent non executive Director since 8 April 2016. He is a member of the Audit Committee, Nomination Committee and the Remuneration Committee of the Company. Mr. Pun holds a master of business administration degree (with honour) from the University of Manchester. Mr. Pun is currently a licensed person to carry out type 1 (dealing in securities) regulated activities under the SFO. Since August 2016, Mr Pun has been appointed as the chief executive officer and a responsible officer of Asia Wealth Securities Limited to carry out type 1 (dealing in securities) regulated activities under the SFO. He has over 33 years’ of experience in the finance field, such as strategic dealing and arbitraging in the derivatives market, sales and marketing management in the primary and secondary equity market and sales and assets managing of high net-worth clients and investment advisory. In addition, Mr. Pun has been appointed as an independent non-executive director of Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) (Stock code: 1019) in May 2016 and CPMC Holdings Limited (Stock code: 906) in September 2016, both of the companies’ shares are listed on the Main Board of The Stock Exchange. Currently, he is the vice-chairman of Institute of Financial Analyst and Professional Commentator; and the Honorary Consultant of Hong Kong Ningxia Youth Association (香港寧夏青年會).

Mr. CHONG Ching Hoi (“Mr. Chong”), aged 35, is currently the Chief Financial Officer and Company Secretary of Hao Bai International (Cayman) Limited (“HBIC”), a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8431). He has joined HBIC since March 2016 and is responsible for its compliance and corporate governance, preparing group’s consolidated financial statements as well as reviewing and implementing effective financial policies and internal control procedures. Mr. Chong graduated from the Hong Kong University of Science and Technology with a bachelor degree of Business Administration in Accounting in November 2004. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has more than 10 years of experience in audit, accounting, financial reporting and compliance. After graduation, Mr. Chong worked in various

accounting and audit firms in Hong Kong. From November 2012 to February 2016, Mr. Chong was the Chief Financial Officer and Company Secretary of China Yuanbang Property Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (Stock Code: BCD. SI) and was responsible for the preparation of financial statements as well as reviewing and developing effective financial policies and control procedures.

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\$1.6 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 summarised below:

Investment Objectives

The Company may invest its funds (including but not limited to surplus funds, or funds not designated for specific purpose, or any funds realised from realisation 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, or such committees or person as the Board may authorise, may decide from time to time, so as to achieve capital appreciation.

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 authorise 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 authorise 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 authorise 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 2016 and 30 June 2017 respectively are as follows:

At 30 June 2017

Listed Equity Securities – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net assets attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(a) First Credit Finance Group Limited	Bermuda	99,460,000 ordinary shares of HK\$0.02 each	2.74%	44,733	57,687	12,954	HK\$26.27 million	-	9.10
(b) Hong Kong Education (Int'l) Investments Limited	Bermuda	25,600,000 ordinary shares of HK\$0.05 each	4.68%	15,006	36,864	21,858	HK\$18.08 million	-	5.82
(c) Universe International Financial Holdings Limited	Bermuda	40,338,500 ordinary shares of HK\$0.01 each	4.73%	37,413	36,708	(705)	HK\$43.51 million	-	5.79

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Period HK\$'000	% of gross assets of the Company
(d) Xinhua News Media Holdings Limited	The Cayman Islands	67,284,000 ordinary shares of HK\$0.01 each	4.67%	16,204	30,614	14,410	HK\$5.79 million	–	4.83
(e) LEAP Holdings Group Limited	The Cayman Islands	140,000,000 ordinary shares of HK\$0.005 each	2.66%	26,250	29,540	3,290	HK\$9.18 million	–	4.66
(f) China Parenting Network Holdings Limited	The Cayman Islands	15,080,000 ordinary shares of HK\$0.01 each	1.47%	22,031	26,088	4,057	RMB5.42 million	–	4.12
(g) Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	19,798	(22,037)	HK\$16.07 million	82	3.12

Private Equity – British Virgin Islands

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Period HK\$'000	% of gross assets of the Company
(h) Gransing Financial Holdings Limited	British Virgin Islands	48 ordinary shares of USD1 each	17.52%	42,799	56,919	14,120	HK\$31.56 million	–	8.98
(i) WinHealth International Company Limited	British Virgin Islands	84 ordinary shares of HK\$1.00 each	8.40%	30,000	30,000	–	HK\$2.46 million	–	4.73

Private Equity – Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Period HK\$'000	% of gross assets of the Company
(j) Help U Credit Finance Limited	Hong Kong	37,000 ordinary shares of HK\$1.00 each	19.95%	19,000	19,000	–	HK\$17.56 million	–	3.00

At 31 December 2016

Listed Equity Securities – Hong Kong

	Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net assets attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
					HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(a)	Luen Wong Group Holdings Limited	The Cayman Islands	8,120,000 ordinary shares of HK\$0.01 each	0.65%	2,111	149,570	147,459	HK\$0.54 million	–	20.88
(b)	China e-Wallet Payment Group Limited (Formerly known as RCG Holdings Limited)	Bermuda	69,600,000 ordinary shares of HK\$0.04 each	2.97%	22,294	45,240	22,946	HK\$17.83 million	–	6.32
(c)	Town Health International Medical Group Limited	Bermuda	31,704,000 ordinary shares of HK\$0.01 each	0.41%	46,708	39,313	(7,395)	HK\$17.92 million	310	5.49
(d)	China Parenting Network Holdings Limited	The Cayman Islands	14,002,000 ordinary shares of HK\$0.01 each	1.36%	19,463	36,405	16,942	RMB4.86 million	–	5.08
(e)	LEAP Holdings Group Limited	The Cayman Islands	70,000,000 ordinary shares of HK\$0.01 each	2.66%	26,250	36,400	10,150	HK\$9.22 million	–	5.08
(f)	Interactive Entertainment China Cultural Technology Investments Limited	Bermuda	289,800,000 ordinary shares of HK\$0.01 each	5.43%	40,297	30,719	(9,578)	HK\$53.94 million	–	4.29
(g)	Hong Kong Education (Int'l) Investments Limited	Bermuda	22,000,000 ordinary shares of HK\$0.05 each	4.02%	11,060	23,980	12,920	HK\$15.53 million	–	3.35
(h)	Convoy Global Holdings Limited	The Cayman Islands	93,564,000 ordinary shares of HK\$0.10 each	0.63%	47,221	21,426	(25,795)	HK\$30.83 million	–	2.99
(i)	AMCO United Holding Limited	Bermuda	36,240,000 ordinary shares of HK\$0.01 each	1.95%	14,748	21,019	6,271	HK\$5.91 million	–	2.93

Private Equity – British Virgin Islands

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net assets attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	Company	HK\$'000	Company
(j) Gransing Financial Holdings Limited	British Virgin Islands	24 shares of USD1 each	17.52%	38,419	52,539	14,120	HK\$21.05 million	-	7.33

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

- (a) First Credit Finance Group Limited (“**First Credit**”) is principally engaged in money lending business. The unaudited profit attributable to shareholders of First Credit for the six months ended 30 June 2017 was approximately HK\$40,765,000 and the unaudited net assets attributable to shareholders of First Credit as at 30 June 2017 was approximately HK\$958,919,000. The fair value of the investment in First Credit is based on quoted market bid prices.
- (b) Hong Kong Education (Int’l) Investments Limited (“**HK Education**”) is principally engaged in provision of private educational services, investment in securities, property investments and money lending business. The unaudited loss attributable to shareholders of HK Education for the six months ended 31 December 2016 was approximately HK\$223,294,000 and the unaudited net assets attributable to shareholders of HK Education as at 31 December 2016 was approximately HK\$386,220,000. The fair value of the investment in HK Education is based on quoted market bid prices.
- (c) Universe International Financial Holdings Limited (“**Universe Int’l**”) is principally engaged in film distribution & exhibition, licensing & sub-licensing of film rights, properties & securities investment, money lending, trade, wholesale & retail of optical, watch & jewellery products, securities brokerage & margin financing. The unaudited loss attributable to shareholders of Universe Int’l for the six months ended 31 December 2016 was approximately HK\$39,496,000 and the unaudited net assets attributable to shareholders of Universe Int’l as at 31 December 2016 was approximately HK\$919,817,000. The fair value of the investment in Universe Int’l is based on quoted market bid prices.
- (d) Xinhua News Media Holdings Limited (“**XH News Media**”) is principally engaged in provision of cleaning and related services, medical waste treatment service, waste treatment service and television screen broadcast business. The audited loss attributable to shareholders of XH News Media for the year ended 31 March 2017 was approximately HK\$18,033,000 and the audited net assets attributable to shareholders of XH News Media as at 31 March 2017 was approximately HK\$123,926,000. The fair value of the investment in XH News Media is based on quoted market bid prices.

- (e) LEAP Holdings Group Limited (“**LEAP Holdings GP**”) is principally engaged in provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. The audited profit attributable to shareholders of LEAP Holdings GP for the year ended 31 March 2017 was approximately HK\$8,359,000 and the audited net assets attributable to shareholders of LEAP Holdings GP as at 31 March 2017 was approximately HK\$345,060,000. The fair value of the investment in LEAP Holdings GP is based on quoted market bid prices.
- (f) China Parenting Network Holdings Limited (“**China Parenting Network**”) is principally engaged in online platform focusing on the children, babies and maternity market in China to provide marketing and promotional service; e-commerce business; and licensing of smart-hardware devices. The unaudited profit attributable to shareholders of China Parenting Network for the six months ended 30 June 2017 was approximately RMB16,522,000 and the unaudited net assets attributable to shareholders of China Parenting Network as at 30 June 2017 was approximately RMB368,822,000. The fair value of the investment in China Parenting Network is based on quoted market bid prices.
- (g) Town Health International Medical Group Limited (“**Town Health**”) is principally engaged in healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities. The unaudited profit attributable to shareholders of Town Health for the six months ended 30 June 2017 was approximately HK\$43,517,000 and the unaudited net assets attributable to shareholders of Town Health as at 30 June 2017 was approximately HK\$4,119,476,000. The fair value of the investment in Town Health is based on quoted market bid prices.
- (h) Gransing Financial Holdings Limited (“**Gransing Holdings**”) is principally engaged in provision of quality brokerage, corporate finance, asset management and financial adviser services to institutional and individual investors through its subsidiaries. The fair value of the investment in Gransing Holdings is stated as recent arm’s length market transactions.
- (i) WinHealth International Company Limited (“**WinHealth**”) is principally engaged in pharmaceutical products distribution in mainland China through its subsidiaries. WinHealth owns a number of exclusive distribution rights on patented drugs in mainland China. The fair value of the investment in WinHealth is stated as initial cost.
- (j) Help U Credit Finance Limited (“**Help U**”) is principally engaged in money lending business in Hong Kong. Help U is a licensed money lender and provides secured and unsecured loans to both individuals and corporations. The fair value of the investment in Help U is stated as initial cost.

The top three investments with realised gain and loss for the Period are summarised as below:

Top three realised gain for the Period

Name of investment	Realised gain <i>HK\$'000</i>
Luen Wong Group Holdings Limited	4,261
Finsoft Financial Investment Holdings Limited	3,725
Rui Kang Pharmaceutical Group Investments Limited	2,161

Top three realised loss for the Period

Name of investment	Realised loss <i>HK\$'000</i>
Interactive Entertainment China Cultural Technology Investment Limited	30,996
IR Resources Limited	10,472
Tianyun International Holdings Limited	6,511

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 Hong Kong 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 29 January 1996 and effected on 1 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 is 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 derive Hong Kong sourced profits from such business. In that case, the Company will be subject to profits tax, currently imposed at a rate of 16.5% 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 0.1% 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 0.2% 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 the 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties. The Company has obtained an undertaking from the Governor-in-Cabinet 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. No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

PRC

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 as amended and effective on 24 February 2017, the income tax for both domestic and foreign-invested enterprises has been at the same rate of 25% effective since 1 January 2008.

18. BORROWING POWERS

Generally, the Company will not exceed aggregate borrowings of 100% 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 of the Company:

China Everbright Securities (HK) Limited

24/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
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 is as follows:

Name	Address
Mr. Li Bingtao	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Mr. Sun Yi	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Ms. Mak Yun Ching, Mica	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Mr. Tai Yiu Kuen	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

The biographies of the directors of the Investment Manager are as follows:

Li Bingtao (“Mr. Li”)

Mr. Li is presently Director and Chief Executive Officer of Everbright Sun Hung Kai Company Limited and the Director of China Everbright Securities (HK) Limited. Mr. Li commenced his financial career at Lianhe Securities in 2001, and worked for Washington Mutual and JP Morgan Chase Bank later on. From April 2009 to March 2014, Mr. Li served at China Securities Regulation Committee, and joined Everbright Securities Company Limited in April 2014. On 24 September 2014, Mr. Li has become the Executive Director and Chief Executive Officer of China Everbright Securities International Limited. Mr. Li has later been appointed as Director and Chief Executive Officer of Everbright Sun Hung Kai Limited since 18 December, 2017, following official completion of integration between China Everbright Securities International Limited & Sun Hung Kai Financial Limited. Mr. Li holds several degrees including a Master of Arts from New York University. He also holds the CFA and FRM designation.

Sun Yi (“Mr. Sun”)

Mr. Sun is currently Deputy Chief Executive Officer of Everbright Sun Hung Kai Company Limited, Responsible Officer of China Everbright Securities (HK) Limited and China Everbright Securities Assets Management Limited, supervisor of Everbright Pramerica Fund Management Co., Ltd. With over 20 years’ experience in the financial industry, Mr. Sun has worked at the treasury and international banking departments at the headquarters of top five largest banks in China as well as the headquarter of Everbright Securities, before joining Everbright Securities Company Limited in June 2011. Mr. Sun holds a bachelor, a master degree and a doctorate degree in economics from Fudan University. He is a senior economist.

Mak Yun Ching, Mica (“Ms. Mak”)

Ms. Mak is currently Managing Director and Head of Global Capital Markets Department of Everbright Sun Hung Kai Company Limited. She is also a Responsible Officer of China Everbright Securities (HK) Limited. Ms. Mak has over 20 years’ experience in the finance industry, having served in CLSA Limited and Core Pacific Yamaichi before joining the company, during which she has managed over 100 listings in the Hong Kong capital market and over 80 placing and secondary market financing deals. Ms. Mak holds Master of Laws degree from University of London and Bachelor degree in Economics from The Chinese University of Hong Kong.

Tai Yiu Kuen (“Mr. Tai”)

Mr. Tai is presently the Deputy Chief Executive Officer of Everbright Sun Hung Kai Company Limited. Mr. Tai joined the Group in July 2000, after which he has held a number of senior positions across various business functions within the Group. He has more than 25 years of experience in the financial services industry. Prior to joining the Group, Mr Tai has worked for various international financial institutions including CLSA Limited and J.P. Morgan Securities (Asia Pacific) Limited.

- (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 30 December 2016, the Company has entered into the agreement (the “**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 2017 to 31 December 2019. The maximum aggregate fee payable by the Company to the Investment Manager under the Investment Management Agreement will not exceed HK\$960,000 per annum. The Investment Manager will provide nondiscretionary investment management services to the Company under the 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.

21. CUSTODIAN

Deutsche Bank AG, Hong Kong Branch, whose address is at 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, was appointed as the custodian in relation to the investments which the Company may from time to time deposit with the custodian.

The Company had terminated the custodian agreement with HSBC Institutional Trust Services (Asia) Limited effective on 2 August 2015 and appointed Deutsche Bank AG, Hong Kong Branch (the “**Custodian**”) as its new custodian. The custodian agreement with Deutsche Bank AG, Hong Kong Branch (the “**Custodian Agreement**”) was effective and will continue to be in force until terminated by either the Company or the Custodian by giving the other party not less than one month’s advance notice in writing.

Pursuant to the Custodian Agreement, the Company will pay the Custodian a monthly fee of the higher of (a) the net asset value of the Company at valuation day equal to the rate 0.02% per annum, or (b) USD2,500 per month.

22. 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.

23. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Tai Man Hin Tony (CPA, ACA, FCCA) who is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

- (b) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

24. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours in any weekday (excluding Saturdays, Sundays and public holidays) at the office of the Company at Suite 902, 9/F, Ovest, 77 Wing Lok Street, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016 and the interim report of the Company for the six months ended 30 June 2017;
- (c) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in appendix II of this circular;
- (d) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (e) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (f) this circular.

NOTICE OF EGM

CHINA NEW ECONOMY FUND LIMITED

中國新經濟投資有限公司

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

(Stock Code: 80)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of China New Economy Fund Limited (the “**Company**”) will be held at 4608, 46/F, The Center, 99 Queens Road Central, Hong Kong at 10:00 a.m. on Thursday, 22 February 2018 for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new ordinary shares of HK\$0.50 each in the share capital of the Company (the “**Shares**”) to be issued pursuant to this resolution:

- (a) an amount standing to the credit of the share premium account of the Company which is equivalent to the aggregate nominal amount of the Bonus Shares (as defined below) to be issued by the Company be capitalised and the directors of the Company (the “**Directors**”) be and are hereby authorised to apply such amount in paying up in full at par such number of new Shares (the “**Bonus Shares**”) on the basis of three (3) Bonus Shares for every one (1) new Share (each a “**Rights Share**”) proposed to be issued by way of rights issue in accordance with the terms and conditions set out in the circular of the Company dated 5 February 2018;
- (b) any Directors be authorised to allot, issue and distribute the Bonus Shares, credited as fully paid, to the first registered holders of the fully-paid Rights Shares on the basis of three (3) Bonus Shares for every one (1) fully-paid Rights Share taken up notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholders of the Company and, in particular, the Directors be and are hereby authorised to make such exclusion or other arrangements in relation to fractional entitlements or Prohibited Shareholders (as defined in the circular of the Company date 5 February 2018) as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Articles of Association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

NOTICE OF EGM

- (c) any Directors be and is hereby authorised to, at their absolute discretion, do all acts and things as may be necessary and expedient in connection with the allotment and issue of the Bonus Shares, including, but not limited to, determining the amount to be capitalised out of the share premium account of the Company and the number of Bonus Shares to be issued, allotted and distributed in the manner referred to in this resolution.”

By order of the Board
China New Economy Fund Limited
Gu Xu
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 5 February 2018

Registered office:

PO Box 309, Uglan House
South Church Street
George Town, Grand Cayman KY1-1104
Cayman Islands

Principal place of business:

Suite 902, 9/F, Ovest
77 Wing Lok Street
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and to vote on his behalf. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority.
- (4) Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.
- (5) Save for any resolution(s) approving the procedural and administrative matters, any voting of the EGM should be taken by poll.