

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.

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

CHINA NEW ECONOMY FUND LIMITED

中國新經濟投資有限公司

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

(Stock code: 80)

(1) PROPOSED SHARE CONSOLIDATION; (2) PROPOSED CHANGE IN BOARD LOT SIZE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting (“EGM”) of China New Economy Fund Limited to be held at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong on Thursday, 22 September 2016 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 17M Floor, 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.

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	3
Letter from the Board	5
Appendix I — General Information	10
Notice of EGM	28

DEFINITIONS

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

“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the shares of the Company for trading on the Stock Exchange from 100,000 Existing Shares to 20,000 Consolidated Shares after the Share Consolidation becoming effective
“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
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.50 each in the issued and unissued share capital of the Company upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Thursday, 22 September 2016 at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong to consider the ordinary resolution to be proposed to approve the Share Consolidation
“Existing Share(s)”	share(s) currently having a par value of HK\$0.10 each in the share capital of the Company before the Share Consolidation becoming effective
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Manager”	China Everbright Securities (HK) Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

DEFINITIONS

“Latest Practicable Date”	25 August 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every five (5) Existing Shares of HK\$0.10 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$0.50 in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of the Existing Share(s) or as the context may require, the Consolidated Share(s) from time to time
“Share Option(s)”	share option(s) granted under the Share Option Scheme
“Share Option Scheme”	share option scheme of the Company adopted on 1 June 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

EXPECTED TIMETABLE

Set out below is an expected timetable for the implementation of the proposed Share Consolidation and the Change in Board Lot Size. The timetable is subject to the results of the EGM. The Company will notify the Shareholders of any significant changes to the expected timetable by way of announcement(s) as and when appropriate:

2016

Latest time for lodging forms of proxy for the EGM ... 10:00 a.m. on Tuesday, 20 September

Date and time of the EGM..... 10:00 a.m. on Thursday, 22 September

Announcement of voting results of the EGM..... Thursday, 22 September

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation as set out in this circular

Effective date of the Share Consolidation..... Friday, 23 September

Dealing in the Consolidated Shares commences 9:00 a.m. on Friday, 23 September

Original counter for trading in the Existing Shares
in board lots of 100,000 Shares (in the form of
existing share certificates) temporarily closes 9:00 a.m. on Friday, 23 September

Temporary counter for trading in the Consolidated Shares
in board lots of 20,000 Consolidated Shares
(in the form of existing share certificates) opens 9:00 a.m. on Friday, 23 September

First day of free exchange of existing share certificates
for new share certificates for the Consolidated Shares Friday, 23 September

Original counter for trading in the Consolidated Shares
in board lots of 20,000 Consolidated Shares
(in the form of new share certificates for
the Consolidation Shares) re-opens 9:00 a.m. on Friday, 7 October

Parallel trading in the Consolidated Shares
(in the form of new share certificates for
the Consolidated Shares and existing share certificates)
commences 9:00 a.m. on Friday, 7 October

Designed broker starts to stand in the market to provide
matching services for odd lots of the Consolidated Shares ... 9:00 a.m. on Friday, 7 October

Temporary counter for trading in the Consolidated Shares
in board lots of 20,000 Consolidated Shares
(in the form of existing share certificates) ends 4:00 p.m. on Friday, 28 October

EXPECTED TIMETABLE

2016

Parallel trading in the Consolidated Shares
(in the form of new share certificates for
the Consolidation Shares and existing
share certificates) ends..... 4:00 p.m. on Friday, 28 October

Designated broker ceases to stand in the market
to provide matching services for odd lots of
the Consolidated Shares 4:00 p.m. on Friday, 28 October

Last day for free exchange of existing share certificates
for new share certificates for the Consolidated Shares Tuesday, 1 November

Note: All times and dates in this circular refer to Hong Kong local times and dates

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

Registered office:

P.O. Box 309, Ugland House,
South Church Street,
George Town,
Grand Cayman KY1-1104,
Cayman Islands

Principal place of business:

Room 707,7/F,
New World Tower 1,
16–18 Queen's Road Central,
Hong Kong

29 August 2016

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 August 2016 in respect of the proposed Share Consolidation and the Change in Board Lot Size. The purpose of this circular is to provide you with details of the proposed Share Consolidation and the proposed Change in Board Lot Size and to give you the notice of the EGM to be convened.

PROPOSED SHARE CONSOLIDATION

The Board proposes that every five (5) Existing Shares of HK\$0.10 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.50 in the issued and unissued share capital of the Company. As at the Latest Practicable Date, The authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Existing Shares of HK\$0.1 each, of which 1,112,616,000 Existing Shares are in issue which are fully paid or credited as fully paid. Assuming no further Existing Shares will be issued from the Latest Practicable Date up to the date of the EGM, upon the Share Consolidation becoming effective, there will be 222,523,200 Consolidated Shares of HK\$0.50

LETTER FROM THE BOARD

each in issue which are fully paid or credited as fully paid. The authorised share capital of the Company will remain at HK\$200,000,000 but will be divided into 400,000,000 Consolidated Shares of HK\$0.50 each.

As at the Latest Practicable Date, save for the Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe for 32,830,414 Existing Shares (equivalent to 6,566,082 Consolidated Shares), there are no outstanding options, warrants or securities convertible or exchangeable into Existing Shares.

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

The Share Consolidation will become effective after the conditions of the Share Consolidation above are fulfilled.

STATUS OF THE CONSOLIDATED SHARES

The Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company.

In order to alleviate the difficulties arising from the existence of odd lots of Consolidated Shares, the Company has agreed to procure Computershare Hong Kong Investor Services Limited to arrange for matching services regarding the sale and purchase of odd lots of Consolidated Shares from 9:00 a.m. on Friday, 7 October 2016 to 4:00 p.m. on Friday, 28 October 2016 (both days inclusive). Shareholders of odd lots of the Consolidated Shares may contact the Investor Service Officer of Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (telephone number: (852) 2862 8555) during the office hours in the aforesaid period. Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. The Company will bear the costs relating to the matching of sale and purchase of odd lots of the Consolidated Shares. Shareholders are advised to consult their professional advisers if they are in doubt about the above procedures.

LISTING APPLICATION

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective. All necessary arrangements will be made for the Consolidated Shares to be admitted

LETTER FROM THE BOARD

into the CCASS established and operated by HKSCC. The Share Consolidation will be conducted in accordance with the provisions in the articles of association of the Company and the Cayman Islands laws.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded in board lots of 100,000. Subject to and following the Share Consolidation becoming effective, it is proposed that the Consolidated Shares will be traded in board lots of 20,000. Based on the closing price of HK\$0.077 per Existing Share as at the Latest Practicable Date, the value of each board lot of 20,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$7,700.

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. In view of the recent trading price of the Existing Shares, the Board proposes to implement the Share Consolidation in order to comply with the trading requirements of the Listing Rules. The Change in Board Lot Size is proposed to reflect the effect of the Share Consolidation on the same scale such that the value of each board lot of shares of the Company to be traded by Shareholders or investors will be the same in theory before and after the Share Consolidation having become effective. Save for the necessary professional expenses and printing charges for the implementation of the Share Consolidation and the Change in Board Lot Size, the implementation of the Share Consolidation and the Change in Board Lot Size will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders. Accordingly, the Board is of the view that the Share Consolidation and the Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no intention, or has entered or proposed to enter into, any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, and negotiation (whether concluded or not) with an intention to conduct any equity fund raising activities.

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS

As the exercise period of all the outstanding Share Options will lapse on 11 September 2016 pursuant to the terms of the grant of such Share Options, which falls before the effective date of the Share Consolidation as set out in the expected timetable of this circular, i.e. 23 September 2016, no adjustments to the subscription price, and the number of Consolidated Shares to be issued under the Share Options will require to be made. However, in any event, if the expected timetable set out in this circular is revised and any adjustments are required to be made to the subscription price and/or the number of Consolidated Shares to be issued under the Share Options, the Company will instruct its auditors to review and certify such adjustments as soon as possible and further announcement will be made by the Company in this regard.

The Share Consolidation will have no effect on the scheme mandate limit under the Share Option Scheme save that the number of Existing Shares as may be issuable under the scheme mandate limit will be adjusted to the Consolidated Shares.

EXCHANGE OF CERTIFICATES FOR CONSOLIDATED SHARES

Subject to the Share Consolidation becoming effective, which is currently expected to be 23 September 2016, being the business day immediately after the date of the EGM, Shareholders may on or after 23 September 2016 and until 4:30 p.m. on 1 November 2016 (both days inclusive), submit their existing share certificates in grey colour for the Existing Shares 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 for exchange for share certificates in yellow colour for the Consolidated Shares at the expenses of the Company. It is expected that the new share certificates for the Consolidated Shares will be available for collection within 10 business days after the submission of the existing share certificates to the branch share registrar of the Company for exchange. Thereafter, a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Company's branch share registrar for each share certificate for the Consolidated Shares issued or each share certificate for the Existing Shares submitted for cancellation.

With effect from 31 October 2016, trading will only be in Consolidated Shares which share certificates will be issued in yellow colour. The Consolidated Shares are to be consolidated on the basis of five (5) Existing Shares to one (1) Consolidated Share. Existing share certificates in grey colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

LETTER FROM THE BOARD

EGM

A notice of EGM convening the EGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the proposed Share Consolidation is set out on pages 28 to 29 of this circular.

To the best knowledge of the Directors, no Shareholders have a material interest in the Share Consolidation and accordingly, no Shareholders will have to abstain from voting at the EGM.

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy accompanying with this circular in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and 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 will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

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.

RECOMMENDATION

The Directors consider that the Share Consolidation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution at the EGM.

Yours faithfully

For and on behalf of the Board

China New Economy Fund Limited

Gu Xu

Chairman, Chief Executive Officer and Executive Director

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of Listing Rules in connection with the listing document of the Company. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company.

INVESTMENT PORTFOLIO

Set out below are the details of the ten largest investments of the Company as at 31 December 2015, which include all listed investments with a value of more than 5% of the Company's gross assets as at 31 December 2014 and 31 December 2015. Save for the investments disclosed herein, there are no other listed investments or other investments with a value of more than 5% of the Company's gross assets as at 31 December 2014 and 31 December 2015.

At 31 December 2015

Listed equity securities — Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market Value	Unrealized gain/(loss) recognized (Note 1)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
(a) Town Health International Medical Group Limited	Bermuda	31,704,000 ordinary shares of HK\$0.01 each	0.42%	46,621	50,409	3,789	HK\$19.23 million	83	14.82
(b) China Parenting Network Holdings Limited	The Cayman Islands	14,002,000 ordinary shares of HK\$0.01 each	1.36%	19,463	33,325	13,862	RMB4.12 million	—	9.80
(c) Convoy Global Holdings Limited (Formerly known as Convoy Financial Holdings Limited)	The Cayman Islands	63,564,000 ordinary shares of HK\$0.1 each	0.43%	36,438	27,333	(9,105)	HK\$21.17 million	—	8.04
(d) RCG Holdings Limited	Bermuda	69,600,000 ordinary shares of HK\$0.04 each	4.63%	22,294	18,444	(3,850)	HK\$30.76 million	—	5.42
(e) AMCO United Holding Limited	Bermuda	31,430,000 ordinary shares of HK\$0.01 each	2.53%	17,042	15,558	(1,484)	HK\$6.17 million	—	4.57
(f) Suncorp Technologies Limited	Bermuda	102,000,000 ordinary shares of HK\$0.0003 each	0.67%	24,990	12,546	(12,444)	HK\$4.18 million	—	3.69
(g) China Wah Yan Healthcare Limited	Hong Kong	100,424,554 ordinary shares	3.84%	16,148	12,252	(3,896)	HK\$14.54 million	—	3.60

Private Equity Funds — Cayman Islands

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market Value	Unrealized loss recognized (Note 1)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
(h) Hydra Capital SPC	The Cayman Islands	3,750	16.74%	37,500	32,221	(5,279)	HK\$32.22 million	10,365	9.47
(i) SBI China M&A Opportunities Fund SPC	The Cayman Islands	1,612	13.49%	12,897	12,070	(827)	HK\$12.07 million	—	3.55

Private Equities — Hong Kong

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain recognized (Note 1)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000			
(j) Sense Key Design Holdings Limited	Hong Kong	199	19.9%	25,000	25,000	—	HK\$1.28 million	—	7.35

At 31 December 2014*Listed equity securities — Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Finsoft Corporation	The Cayman Islands	173,650,000 ordinary shares of HK\$0.0005 each	4.34%	32,125	209,248	177,123	HK\$2.62 million	—	43.85
China Mobile Games and Cultural Investment Limited	The Cayman Islands	300,006,000 ordinary shares of HK\$0.01 each	12.02%	33,682	57,601	23,919	HK\$29.31 million	—	12.07
Town Health International Medical Group Limited	Bermuda	22,236,000 ordinary shares of HK\$0.01 each	0.44%	28,191	27,128	(1,063)	HK\$5.26 million	—	5.69
BBi Life Sciences Corporation	The Cayman Islands	11,079,000 ordinary shares of HK\$0.01 each	2.11%	19,584	18,502	(1,082)	RMB10.43 million	—	3.88
Jun Yang Solor Power Investments Limited	Bermuda	100,500,000 ordinary shares of HK\$0.01 each	2.26%	18,741	18,090	(651)	HK\$26.34 million	—	3.79

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain/(loss) recognized (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Nanjing Sinolife United Company Limited	The People's Republic of China	10,000,000 H shares of RMB0.1 each	1.19%	21,075	15,900	(5,175)	RMB7.47 million	—	3.33
DX.com Holdings Limited	The Cayman Islands	100,000,000 ordinary shares of HK\$0.01 each	1.78%	17,252	13,100	(4,152)	HK\$3.08 million	—	2.75
Hong Kong Education (Int'l) Investments Limited	The Cayman Islands	60,000,000 ordinary shares of HK\$0.1 each	3.68%	7,339	7,020	(319)	HK\$10.68 million	—	1.47
New Ray Medicine International Holding Limited	Bermuda	14,288,000 ordinary shares of HK\$0.01 each	1.49%	8,030	7,001	(1,029)	HK\$4.52 million	—	1.47

Private Equity Fund — The Cayman Islands

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealized gain recognized (Note 3)	Net asset attributable to the Company (Note 2)	Dividend received/receivable during the year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000		HK\$'000	
Hydra Capital SPC	The Cayman Islands	3,750	16.74%	37,500	37,522	22	HK\$37.52 million	—	7.86

Notes:

- (1) The unrealized gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2015.
- (2) The calculation of net assets attributable to the Company is based on the latest published interim/annual reports of the respective investments at the end of each reporting period.
- (3) The unrealized gain/(loss) represented the changes in fair value of the respective investments during the year ended 31 December 2014.

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

- (a) Town Health International Medical Group Limited (“Town Health”) is principally engaged in investment in healthcare business including medical institutions operation and pharmaceutical distribution in Hong Kong and China. The audited profit attributable to shareholders of Town Health for the year ended 31 December 2015 was approximately HK\$254,803,000 and the audited net assets attributable to shareholders of Town Health as at 31 December 2015 was approximately HK\$4,530,792,000. The fair value of the investment in Town Health is based on quoted market bid prices.

- (b) China Parenting Network Holdings Limited (“China Parenting”) is principally engaged in online platform focusing on the Children-Babies-Maternity (CBM) market in China and is mainly engaged in provision of marketing and promotional services and e-commerce business. The audited profit attributable to shareholders of China Parenting for the year ended 31 December 2015 was approximately RMB34,525,000 and the audited net assets attributable to shareholders of China Parenting as at 31 December 2015 was approximately RMB302,379,000. The fair value of the investment in China Parenting is based on quoted market bid prices.
- (c) Convoy Global Holdings Limited (“Convoy”) is principally engaged in the independent financial advisory (IFA) business, money lending business, proprietary investment business, asset management business and corporate finance business. The audited loss attributable to shareholders of Convoy for the year ended 31 December 2015 was approximately HK\$467,258,000 and the audited net assets attributable to shareholders of Convoy as at 31 December 2015 was approximately HK\$4,974,893,000. The fair value of the investment in Convoy is based on quoted market bid prices.
- (d) RCG Holdings Limited (“RCG Holdings”) is principally engaged in business of biometric and Radio Frequency Identification (RFID) products, solutions services, internet and mobile applications and related services and commodities trading. The audited profit attributable to shareholders of RCG Holdings for the year ended 31 December 2015 was approximately HK\$156,498,000 and the audited net assets attributable to shareholders of RCG Holdings as at 31 December 2015 was approximately HK\$664,602,000. The fair value of the investment in RCG Holdings is based on quoted market bid prices.
- (e) AMCO United Holding Limited (“AMCO United”) is principally engaged in (i) manufacture and sale of medical devices products, (ii) manufacture and sale of plastic moulding products, (iii) provision of public relations services and (iv) provision of human resources management services. The audited loss attributable to shareholders of AMCO United for the year ended 31 December 2015 was approximately HK\$18,606,000 and the audited net assets attributable to shareholders of AMCO United as at 31 December 2015 was approximately HK\$243,770,000. The fair value of the investment in AMCO United is based on quoted market bid prices.
- (f) Suncorp Technologies Limited (“Suncorp”) is principally engaged in (i) continued to focus on the sales and marketing of residential telephone products under its licence for the Motorola brand and (ii) processing and trading of used computer-related components business. The audited profit attributable to shareholders of Suncorp for the year ended 31 December 2015 was approximately HK\$50,919,000 and the audited net assets attributable to shareholders of Suncorp as at 31 December 2015 was approximately HK\$623,644,000. The fair value of the investment in Suncorp is based on quoted market bid prices.

- (g) China Wan Yan Healthcare Limited (“China Wan Yan”) is principally engaged in (i) healthcare and well-being business and (ii) asset management business. The audited loss attributable to shareholders of China Wan Yan for the year ended 31 December 2015 was approximately HK\$436,503,000 and the audited net assets attributable to shareholders of China Wan Yan as at 31 December 2015 was approximately HK\$378,190,000. The fair value of the investment in China Wan Yan is based on quoted market bid prices.
- (h) Hydra Capital SPC (“Hydra Capital”) is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands established for the purpose of making investments on behalf of its portfolio holders. Hydra Capital has engaged a manager to make day-to-day decisions regarding the management of its investments. The manager has appointed an investment manager to manage and invest the assets of the investment portfolio on a discretionary basis. The investment manager is a company incorporated in Hong Kong with limited liability principally engaged in the provision of investment advisory, funds dealing, introducing brokers and asset management service. The investment portfolio of Hydra Capital is currently focused on making investments in internet-related and mobile-applications-related industries. The fair value of the investment in Hydra Capital is stated as net asset value.
- (i) SBI China M&A Opportunities Fund SPC (“SBI China M&A”) is a spin-off from SBI China Capital M&A Fund LP (“SBI China Capital Fund”) where it is a segregated portfolio company registered with limited partnership under the laws of the Cayman Islands for the purpose of conducting investment in financial securities. The fund principally engaged in pre-IPO investments and is under the management of SBI China Capital, which owns extensive work experience in the research, IPO sponsorship and underwriting and financial advisers. The fair value of the investment in SBI China M&A is stated as net asset value.
- (j) Sense Key Design Holdings Limited (“Sense Key”) is principally engaged in provision of custom interior design services for residential and commercial projects in a broad range of styles and sensibilities. The fair value of the investment in Sense Key is stated as recent arm’s length market transactions.

PARTICULARS OF 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
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, Ground Floor Block 3, Kent Court 137 Boundary Street Kowloon Tong, Kowloon Hong Kong

(b) Profiles of Directors*Executive Directors*

Mr. GU Xu (“**Mr. Gu**”), aged 51, 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 20 years’ experience in asset management, investment and financial management in both financial conglomerate and private company. From October 2006 to May 2008, Mr. Gu was the president and partner of 上海格雷特投資管理有限公司 (Create Capital Co., Ltd.) and he was responsible for the management and investment

decision making of a fund in the PRC. Since July 2009, Mr. Gu has been acting as the director of 河南農開投資基金管理有限責任公司 (Henan Agriculture Development Investment Fund Management Limited) and is responsible for the management and supervision of a fund named 河南農業開發產業投資基金 (Henan Agriculture Development Investment Fund). Since August 2010, Mr. Gu has been serving as the general manager of 上海宏華文化創業投資有限責任公司 (Shanghai Honghua Cultural Venture Investment Company Limited) (the “Honghua Fund”), a fund company targeting investment in culture industry in China. He is also the general manager and director of the investment manager of the Honghua Fund. Mr. Gu is also the chairman of the board of 上海東晟投資管理有限公司 (Shanghai Dongsheng Investment Management Co., Ltd.). Mr. Gu is currently the supervisor of 中海集裝箱股份有限公司 (China Shipping Container Lines Company Limited). He is also the president of 河南中原聯創投資基金管理有限責任公司 (Henan Zhong Yuan Lian Chuang Investment Fund Management Company Limited) and independent supervisor of 蘇州金融租賃股份有限公司 (Suzhou Financial Leasing Company Limited).

Mr. CHAN Cheong Yee (“Mr. Chan”), aged 52, was appointed as an executive Director since 1 June 2013. Mr. Chan is one of the responsible officers of the Investment Manager. Mr. Chan is currently a licensed person to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading) and type 9 (asset management) regulated activities under the SFO. Mr. Chan obtained a Bachelor of Science degree from the College of Business Administration of The University of South Florida in the United States of America. Mr. Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules.

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

Independent non-executive Directors

Mr. LAM Chun Ho (“Mr. Lam”), aged 34, graduated from Hong Kong Baptist University with a bachelor degree of Business Administration in Accounting. Mr. Lam is an associate member of the Hong Kong Institute of Certificate Public Accountants and he has over 9 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 Renji Medical Group Ltd (648. HK), a company listed on the main board of the Stock Exchange.

Mr. AYOUB Faris Ibrahim Taha (“Mr. Ayoub”), aged 36, was appointed as an independent non-executive Director since 1 February 2014. He is a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Ayoub holds a Master of Arts (Hons) in Economics & Political Science from University of Edinburgh. He has over 14 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 specializing in lower middle-market companies across Asia.

Mr. PUN Tit Shan (“Mr. Pun”), aged 55, has been appointed as an independent nonexecutive Director since 8 April 2016. He is a member of the Audit Committee, Nomination Committee and the Remuneration Committee of the Company. Mr. Pun is currently the chief executive officer of Asia Wealth Securities Limited and an independent non-executive director of Convoy Global Holdings Limited (1019.HK) since 9th May 2016, who 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), type 2 (dealing in futures contracts) and type 9 (asset management) regulated activities under the SFO. He has over 31 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. From 1984 to 1989, Mr. Pun was a chief trader and dealing room manager of legacy Po Sang Bank Ltd., Hong Kong and was a vice president and senior dealer of Credit Suisse, Hong Kong from 1989 to 1993, both focusing on foreign exchange and precious metals trading. From 1993 to 1994, he was a manager of Po Sang Financial Investment Services Co., Ltd. From 1994 to 1996, he was appointed as directors of Po Sang Futures Ltd. and Chung Mao Commodities & Futures Ltd. From 1996 to 2003, he acted as vice president of Bank of China International Securities Ltd. looking after the stock options and the financial derivatives and the brokerage sales department. From 2003 to 2008, he was the responsible officer and director of Southwest Securities (HK) Brokerage Ltd. (formerly known as Tanrich Securities Co. Ltd.), Southwest Securities (HK) Asset Management Ltd. (formerly known as Tanrich Asset Management Ltd.), and Southwest Securities (HK) Futures Ltd. (formerly known as Tanrich Futures Ltd.). From 2008 to 2015, he was the responsible officer of Haitong International Securities Co. Ltd, Haitong International Futures Ltd., and

in the years of 2008 to 2014, he was also the responsible officer of Haitong International Assets Management Ltd. In January 2015 to September 2015, he was also the responsible officer of Haitong International Consultants Ltd of which the principal activities were engaged in asset management. From November 2015 to July 2016, He was the chief investment officer of Astrum Capital Management Limited. Currently, he is the vice-chairman of Institute of Financial Analyst and Professional Commentator; a member of Lions Club of Hong Kong Shouson Hill and the honorary consultant of Hong Kong Ningxia Youth Association (香港寧夏青年會) since 2015. Mr. Pun was previously a board director of Hong Kong Futures Exchange Ltd. (1995–1999); aboard director of Hong Kong Stock Exchange Options Clearing House Ltd. (1997–2000); a membership committee member of Hong Kong Securities Institute (1998–2002); a panel member of Derivatives Market Consultative Panel (2000–2003); and a committee member of Hong Kong Securities Institute Professional Education Committee (2002–2004).

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. Cheung Pang To	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Mr. So Hin Pong	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Mr. Ho Chi Ho
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 is the Director of China Everbright Securities (HK) Limited. He joined China Everbright Securities (HK) Limited on 13 October 2014. Mr. Li holds several degrees including a Master of Arts from New York University. Mr. Li started 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 also holds the CFA and FRM designation.

So Hin Pong

Mr. So is the Director and the Head of Customer Services of China Everbright Securities (HK) Limited. He joined China Everbright Securities (HK) Limited on 12 June 2001. Mr. So attained Diploma in Finance awarded by the Chinese University of Hong Kong. Mr. So has 30 years of working experience in Hong Kong financial industry. Mr. So is the Responsible Officer of China Everbright Securities (HK) Limited and its associates holding licence for carrying on types 1, 2, 3, 4, 5, 6 and 9 regulated activities pursuant to the SFO.

Cheung Pang To

Mr. Cheung is the Managing Director and the Head of Sales of China Everbright Securities (HK) Limited. He joined China Everbright Securities (HK) Limited on 11 June 2001. Mr. Cheung attained Bachelor of Business Administration in 1988 and a Master's degree in Business Administration in 1996. Mr. Cheung has over 22 years of working experience in the Hong Kong financial industry. Mr. Cheung is the Responsible Officer of China Everbright Securities (HK) Limited and its associates holding licence for carrying on types 1, 2, 3, 4, 5 and 9 regulated activities pursuant to the SFO. Before joining China Everbright Securities (HK) Limited, he worked for Sun Hung Kai & Co., Ltd. for over 12 years.

Ho Chi Ho

Mr. Ho is the Director of China Everbright Capital Limited and China Everbright Securities (HK) Limited. He joined China Everbright Capital Limited on 20 June 2005. Mr. Ho graduated from the Chinese University of Hong Kong in 1996 with a bachelor degree in Business Administration. Mr. Ho has been in the corporate finance industry for

over 16 years. Mr. Ho is the Principal and the Responsible Officer for carrying on types 1, 4, 6 regulated activities pursuant to the SFO of China Everbright Capital Limited and China Everbright Securities (HK) Limited. Prior to joining China Everbright Capital Limited, Mr. Ho worked for Guotai Junan Capital Limited and First Shanghai Capital Limited as their senior management.

- (c) None of the Directors, the directors of the Investment Manager, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the Company, or any re-allowance of other types on purchases charged to the Company.
- (d) On 18 December 2013, the Company has entered into the agreement (the “**Investment Management Agreement**”) with the Investment Manager, pursuant to which the Investment Manager has agreed to provide non-discretionary investment management services to the Company for a period of three years from 1 January 2014 to 31 December 2016.

The maximum aggregate 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 non-discretionary 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.

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 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.

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.

INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS

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

Investment Objectives

The Company may invest its funds (including but not limited to surplus funds, funds or not designated for specific purpose, or any funds realised from realization of any investment) (collectively the "**Company's Funds**") in such forms and terms in compliance with this investment policy and considered by the Board or any delegates of the Board to be appropriate through investing the Company's Funds in diversified portfolio of investments products including listed or unlisted securities, unit trust funds, derivatives, futures, warrants, options, bonds or such other investments as the Board, or such committees or person as the Board may authorize, 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 authorize from time to time, consider to be of high growth potential or to be with significant potential return, and where appropriate and necessary, to invest in such Investment Tools issued by any listed or unlisted companies in such a variety of industries with a view to maintain a balance in the Company's exposure to different industry sectors in order to minimise the impact on the Company in respect of any downturn in any particular sector in which the Company has investments; where it is not to the benefit of the Company to realise such investments and the market conditions are favourable, the Company may package such investments into equity and/or equity-related products to hedge against unfavourable conditions;
- (iii) **Factors to be considered in making particular investment:** The Company's Funds shall normally be invested in enterprises which are established in their respective fields and in which the Board, the research and operation team of the Company, the Investment Manager, or such committees or person as the Board may authorize from time to time, believes there are potential prospects for possible growth. In particular, the Company shall seek to identify enterprises with competitive products and concepts, strong management, high level of technical expertise and research and development capabilities, large potential markets, as well as management commitment to the long-term growth;
- (iv) **Investment in entities in recovery situation:** The Company's Funds may also be invested in companies or other entities which are considered by the Board, or such committees or person as the Board may authorize from time to time, as being special or in recovery situations on a case-by-case basis, such as companies in the course of recovery situations or the shares of which are trading below their net asset value per share, which may have potential to attain growth within the foreseeable future which may provide attractive returns to the Company;
- (v) **Additional factor in making investment decision:** Where possible (but not compulsory), the Company's Funds shall be invested in entities where there is a certain degree of synergy with other investee entities and where co-operation between such companies would be of mutual benefit to each other;

- (vi) **Term of investment:** The actual holding period of the Investment Tools shall be dependent on the return from investment, the prospect of the investee entities, and/or the potential of being listed on the Stock Exchange or other internationally recognised stock exchanges. The Company may, however, realise investments where the Board, the research and operation team of the Company, the Investment Manager, or such committees or person as the Board may authorize from time to time, believes that such realisation would be in the best interests of the Company and its shareholders as a whole or where the terms on which such realisation can be made are considered by the Board to be particularly favourable to the Company; and
- (vii) **Preservation of Company's Funds:** Before suitable investments are identified, the Company may seek to protect the capital value of the Company's Funds by placing the funds not deployed on deposits in Hong Kong Dollars or any currency with financial institutions in Hong Kong or investing in debt securities, money market instruments, bonds, treasury securities or other instruments denominated in any currency. The Company may also engage in transactions in options and futures which are traded on recognised securities exchanges, futures exchanges or other over-the-counter markets.

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

Investment Restriction

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

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

- (iii) save in respect of cash deposits awaiting investment, the value of the Company's holding of investments issued by any one company or body shall not exceed 20% of the net asset value of the Company at the time the investment is made.

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

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

BORROWING POWER

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.

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.

CAPITAL MANAGEMENT POLICY

As a result of the ability to issue and repurchase shares, the capital of the Company can vary depending on subscriptions to the Company and repurchases by the Company. The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to invest the capital in investments meeting the description and risk exposure indicated in the Company's prospectus. The Investment Manager manages the capital of the Company in accordance with the Company's investment objectives and policies. The Company is not subject to externally imposed capital requirements.

The Company did not have any borrowing as at 31 December 2015.

FOREIGN EXCHANGE POLICY

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

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

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

TAXATION**General**

The taxation of income and capital gains of the Company and its subsidiaries are subject to the fiscal law and practice of Hong Kong. The following summary of the anticipated tax treatment generally applicable to the Company and its subsidiary 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 and its subsidiaries will be subject to tax in Hong Kong if they carry on business in Hong Kong and derive Hong Kong sourced profits from such business. In that case, they 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 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.

The PRC

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

Income Tax

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

Business Tax

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

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 (the “**Meeting**”) of China New Economy Fund Limited (the “**Company**”) will be held at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong on Thursday, 22 September 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon, among others, the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of the listing of, and permission to deal in, the issued ordinary shares of the Company consolidated in the manner as set out in paragraph (a) of this resolution below (the “**Share Consolidation**”):

- (a) with effect from the day immediately following the date on which this resolution is passed, being a day on which shares are traded on the Stock Exchange, every five (5) ordinary shares of HK\$0.10 each in the issued and unissued share capital of the Company be consolidated into one (1) share of HK\$0.50 (each a “**Consolidated Share**”), such Consolidated Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the foregoing arrangement for the Share Consolidation.”

By order of the Board

China New Economy Fund Limited

Gu Xu

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 29 August 2016

Registered office:

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

Principal place of business:

Room 707, 7/F,
New World Tower 1,
16–18 Queen’s Road Central,
Hong Kong

NOTICE OF EGM

Notes:

- (1) The resolution at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (2) A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
- (3) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the form of proxy shall be deemed to be revoked.
- (4) As at the date of this circular, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors, Mr. LAM Chun Ho, Mr. PUN Tit Shan and Mr. Faris Ibrahim Taha AYOUB as independent non-executive Directors.
- (5) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.