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## **CHINA NEW ECONOMY FUND LIMITED**

### **中國新經濟投資有限公司**

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

**(Stock code: 80)**

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(2) PROPOSED RIGHTS ISSUE OF 333,784,800 RIGHTS SHARES ON  
THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY  
TWO (2) EXISTING SHARES HELD ON THE RECORD DATE WITH  
BONUS ISSUE ON THE BASIS OF TWO (2) BONUS SHARES  
FOR EVERY THREE RIGHTS SHARES TAKEN UP  
UNDER THE RIGHTS ISSUE;  
AND  
(3) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

**UNDERWRITER TO THE RIGHTS ISSUE**



**中國建信金融服務有限公司**  
**China Jianxin Financial Services Limited**

#### **(1) PROPOSED AUTHORISED SHARE CAPITAL INCREASE**

The Board proposes to increase the Company's authorised share capital from HK\$200,000,000 divided into 400,000,000 Shares to HK\$1,000,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,600,000,000 unissued Shares. The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

## **(2) PROPOSED RIGHTS ISSUE WITH BONUS ISSUE**

The Company proposes to raise approximately HK\$166.9 million before expenses, by way of Rights Issue of 333,784,800 Rights Shares at the Subscription Price of HK\$0.50 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date and payable in full on acceptance with Bonus Issue on the basis of two (2) Bonus Shares for every three (3) Rights Shares taken up under the Rights Issue. The Company will provisionally allot to the Qualifying Shareholders three (3) Rights Shares in nil-paid form for every two (2) Shares in issue and held on the Record Date. The Rights Issue will not be available to the Prohibited Shareholders.

To qualify for the Rights Issue, all transfers of Shares must be lodged for registration with the Registrar by 4:30 p.m. on Monday, 19 December 2016. The register of members of the Company will be closed from Tuesday, 20 December 2016 to Thursday, 22 December 2016, both dates inclusive, to determine the eligibility of the Rights Issue.

The Underwriter has conditionally agreed to underwrite the Rights Shares which have not been taken up. Accordingly, the Rights Issue is fully underwritten.

The estimated net proceeds from the Rights Issue will be approximately HK\$159 million. The Board intends to apply such proceeds from the Rights Issue, as to approximately HK\$150 million for the repayment of margin payables to a securities broker and as to the remaining balance as general working capital of the Company.

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 two (2) Bonus Shares for every three (3) Rights Shares under the Rights Issue.

On the basis of 333,784,800 Rights Shares to be issued under the Rights Issue, 222,523,200 Bonus Shares will be issued.

### **Warning Of The Risk Of Dealings In The 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-entitlement basis commencing from Friday, 16 December 2016 and that dealing in Shares will take place 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 Monday, 16 January 2017), 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.**

The Company will send the Prospectus Documents to the Qualifying Shareholders and, the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders as soon as practicable.

### **(3) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

In order to give effect to the Bonus Issue as proposed, the Company proposes to put forward a special resolution to the Shareholders for approval at the EGM to amend the Articles of Association such that all resolutions to approve the declaration, making or payment of a distribution or dividend to the Shareholders can be declared, made or paid otherwise than pro rata to their respective shareholdings upon the capitalisation of any part of the Company's reserves or undivided profits.

The Directors consider that such amendments would facilitate the issue of the Bonus Shares under the Rights Issue and to provide the Company with flexibility in raising capital.

#### **Implications Under The Listing Rules**

Pursuant to Rule 7.24 of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue and the Bonus Issue at the EGM. No Shareholder is required to abstain from voting at the EGM in respect of Authorised Share Capital Increase and the amendments of Articles of Association.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Bonus Issue are fair and reasonable and whether the Rights Issue and the Bonus Issue are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of an independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Rights Issue and the Bonus Issue are fair and reasonable.

## **General**

A circular containing, among other things, further details of the Authorised Share Capital Increase, the Rights Issue, the Bonus Issue, the proposed amendments to Articles of Association and a notice convening the EGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **PROPOSED AUTHORISED SHARE CAPITAL INCREASE**

The Board proposes to increase the Company's authorised share capital from HK\$200,000,000 divided into 400,000,000 Shares to HK\$1,000,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,600,000,000 unissued Shares. The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM. As none of the Shareholder has any material interest in the Authorised Share Capital Increase, no Shareholder is required to abstain from voting for this resolution at the EGM.

## **PROPOSED RIGHTS ISSUE WITH BONUS ISSUE**

### **Issue statistics**

Basis of the Rights Issue with Bonus Issue:	Three (3) Rights Shares for every two (2) existing Shares held on the Record Date and payable in full on acceptance, together with two (2) Bonus Shares for every three (3) Rights Shares taken up. The aggregate effect of the Rights Issue and the Bonus Issue would be for every two (2) existing Shares held on Record Date, five (5) 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 this announcement:	222,523,200 Shares
Number of Rights Shares:	333,784,800 Rights Shares
Number of Bonus Shares:	up to 222,523,200 Bonus Shares to be issued to the Qualifying Shareholders, who elect to take up the Rights Issue, on the basis of two (2) Bonus Shares for every three (3) Rights Shares under the Rights Issue
Number of Rights Shares underwritten by the Underwriter:	333,784,800 Rights Shares, being the total number of the Rights Shares under the Rights Issue

Number of Shares in issue up to 778,831,200 Shares  
upon completion of the  
Rights Issue with Bonus  
Issue:

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 date of this announcement. The Company has no intention to issue or grant any warrants, options and/or convertible securities on or before the Record Date.

### **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 two (2) Bonus Shares for every three (3) Rights Shares taken up under the Rights Issue.

On the basis of 333,784,800 Rights Shares to be issued under the Rights Issue, 222,523,200 Bonus Shares will be issued.

### **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. 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 a Prohibited Shareholder.

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 Monday, 19 December 2016. 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 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 Tuesday, 20 December 2016 to Thursday, 22 December 2016, both dates inclusive, to determine the eligibility of the Rights Issue and the Bonus Issue. The register of members of the Company will be closed from Tuesday, 13 December 2016 to Wednesday, 14 December 2016, both dates inclusive, to determine the eligibility of the Shareholders to vote at the EGM. No transfer of Shares will be registered during this period.

## **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\$0.30 per Right Share. The Subscription Price represents:

- (i) a premium of approximately 14.9% over the closing price of HK\$0.435 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 47.5% over the theoretical ex-entitlement price of approximately HK\$0.339 per Share after the Rights Issue with Bonus Issue based on the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 12.1% over the average closing price of HK\$0.446 per Share for the last five consecutive trading days including and up to the Last Trading Day; and
- (iv) a discount of approximately 78.0% to the latest unaudited net asset value attributable to the Shareholders per Share of approximately HK\$2.27 as at 30 September 2016.

The Effective Subscription Price of HK\$0.30 represents:

- (i) a discount of approximately 31.0% to the closing price of HK\$0.435 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.5% to the theoretical ex-entitlement price of approximately HK\$0.339 per Share after the Rights Issue with Bonus Issue based on the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on the Last Trading Day;



- (iii) a discount of approximately 32.7% to the average closing price of HK\$0.446 per Share for the last five consecutive trading days including and up to the Last Trading Day; and
- (iv) a discount of approximately 86.8% to the latest unaudited net asset value attributable to the Shareholders per Share of approximately HK\$2.27 as at 30 September 2016.

The theoretical ex-entitlement price per Share after completion of the Rights Issue and Bonus Issue is approximately HK\$0.339 and this is calculated based on the following formula:

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

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 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. Taking into consideration of the prevailing trading prices of each Share which are below its par value and the availability of the Bonus Shares, the Directors (excluding the independent non-executive Directors who will express their view after taking into consideration of the advises of the independent financial adviser to be appointed by the Company) consider that the Subscription Price, which represents a premium over the market price of each Share, is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company. The Directors (excluding the independent non-executive Directors who will express their view after taking into consideration of the advises of the independent financial adviser to be appointed by the Company) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Board considers that the issue of Bonus Shares in combination with the Rights Issue would increase the attractiveness of the Rights Issue to Shareholders and 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 is based on the par value of the Shares of HK\$0.50 per Share, as the companies law applicable to the Company prohibits the issue of Shares at a price which is below the par value of the Shares.

## **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) 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 Thursday, 12 January 2017.

## **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 Monday, 23 January 2017 to those entitled thereto by ordinary post at their own risk.

## **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.

## **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.

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 Monday, 19 December 2016.

### **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).

## **UNDERWRITING ARRANGEMENT**

### **Underwriting Agreement**

Date:	4 November 2016 (after trading hours)
Underwriter:	China Jianxin Financial Services 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 “ <b>Untaken Shares</b> ”). Accordingly, the Rights Issue is fully underwritten.

The Company will pay the Underwriter an underwriting commission of 3.5% of the aggregate Subscription Price in respect of the 333,784,800 underwritten Rights Shares for which the Underwriter has agreed to subscribe or procure subscription, and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The Directors (excluding the independent non-executive Directors who shall provide their view after considering the advice from the independent financial advisers) 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 third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates (as defined in the Listing Rules); 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 date of this announcement, the Underwriter is not beneficially interested in any Shares in its own capacity but one client of the Underwriter has approximately 6.3 million Shares in the clients account with the Underwriter. As at the date of this announcement, 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 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
- (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 this 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 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 Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (2) 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;
- (3) 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;
- (4) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (5) the amendments to the Articles of Association becoming effective;
- (6) the Authorised Share Capital Increase becoming effective;

- (7) the passing of the necessary resolution(s) at the EGM to approve the Rights Issue and Bonus Issue (including but not limited to the allotment and issue of the Rights Shares and the Bonus Shares) by the Independent Shareholders, the Authorised Share Capital Increase and amendments to the Articles of Association by the Shareholders and the transactions contemplated thereunder; and
- (8) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement.

Neither of the Company nor the Underwriter may waive conditions (1) to (7) stated above. The Underwriter may waive the condition stated in (8) 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.

### **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\$159 million. The net proceeds of the Rights Issue would be applied as to HK\$150 million for the repayment of margin payables to a securities broker and as to the remaining balance as general working capital of the Company.

The margin payable is due to a securities broker of the Company as a result of trading in various listed securities through the securities broker's margin account. As at the date of this announcement, the margin payable to this securities broker is approximately HK\$154 million and that the repayment of this margin payable could significantly reduce the interest expenses of the Company. The repayment of the margin payables would take place as soon as the Rights Issue is completed and currently there is no set timeframe with regards to the utilisation of the general working capital of the Company. Other than the HK\$150 million margin repayment, the Company is obliged to redeem the note (the "Note") issued to Pitta Income Fund up to an amount of HK\$8 million by October 2017. Further information on the Note is set out in the announcement of the Company dated 21 September 2016.

The Company has no plan to apply the funding of the Rights Issue for the repayment of the Note as the redemption date of the Note is not until October 2017. 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, the Company may consider other funding methods to finance such investment.

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\$7.6 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, 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.**

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 considers that disposal of investments in the Company to the extent required to fund the current funding needs of the Company would involve the disposal of a significant amount of the Company's current investment portfolio and it would have a significant detrimental impact on the future earnings and returns of the Company. The Board considered that disposal of investments would not be in the best interests of the Company and Shareholders for the purpose of raising funds to meet the Company's current funding needs.

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 attractiveness of the Rights Issue with Bonus Issue and the par value of the Shares, considers that the current structure and the terms of the Rights 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 approached five financial institutions including the Underwriter concerning the Rights Issue with Bonus Issue based on the current proposed structure. Out of the five firms, two have indicated that they are not interested in participating in underwriting the Rights Issue and the other two firms quoted underwriting commission that is higher than the one offered by the Underwriter. Furthermore, the Underwriter was the underwriter to the rights issue of the Company completed in January this year and hence the Underwriter has a proven track record of successfully underwriting shares for the Company in the past.

The Directors (excluding the independent non-executive Directors who will express their view after taking into consideration of the advises of the independent financial adviser to be appointed by the Company) 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.

### **THE PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

In order to give effect to the Bonus Issue as proposed, the Company proposes to amend the Articles of Association such that all resolutions to approve the declaration, making or payment of a distribution or dividend to the Shareholders can be declared, made or paid otherwise than pro rata to their respective shareholdings upon the capitalisation of any part of the Company's reserves or undivided profits.

The Directors consider that such amendments would facilitate the issue of the Bonus Shares under the Rights Issue and to provide the Company with flexibility in raising capital.

The proposed amendments to the Articles of Association are subject to and conditional upon the passing of a special resolution by the Shareholders approving the proposed amendments to the Articles of Association at the EGM.

#### **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 Tuesday, 24 January 2017 to Tuesday, 14 February 2017 (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.

### **EXPECTED TIMETABLE OF THE RIGHTS ISSUE AND THE BONUS ISSUE**

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

Despatch date of circular with notice and form of  
proxy for the EGM..... Monday, 21 November 2016

Latest time for lodging transfer of shares to qualify for  
attendance and voting at EGM ..... 4:30 p.m. on  
Monday 12 December 2016

Latest time for lodging forms of proxy for the purpose of the EGM.....	4:30 p.m. on Monday 12 December 2016
Closure of register of members of the Company (both days inclusive) .....	Tuesday, 13 December to Wednesday 14 December 2016
Expected date and time of the EGM.....	10:00 a.m. on Wednesday, 14 December 2016
Announcement of poll results of EGM .....	Wednesday, 14 December 2016
Effective date of the Authorised Share Capital Increase and amendments of Articles of Association .....	Wednesday, 14 December 2016
Last day of dealings in shares on cum-rights basis.....	Thursday, 15 December 2016
First day of dealings in shares on ex-rights basis .....	Friday, 16 December 2016
Latest time for the Shareholders to lodging transfer of shares in order to qualify for the Rights Issue and Bonus Issue.....	4:30 p.m. on Monday, 19 December 2016
Closure of register of members of the Company (both days inclusive) .....	Tuesday, 20 December to Thursday 22 December 2016
Record Date and time for determining entitlements to the Rights Issue.....	4:30 p.m. on Thursday, 22 December 2016
Despatch of Prospectus Documents.....	Friday, 23 December 2016
First day of dealings in nil-paid Rights Shares.....	9:00 a.m. on Thursday, 29 December 2016
Latest time for splitting nil-paid Rights Shares.....	4:30 p.m. on Wednesday, 4 January 2017
Last day of dealings in nil-paid Rights Shares .....	Monday, 9 January 2017
Latest time for acceptance of, and payment for, the Rights Shares .....	4:00 p.m. on Thursday, 12 January 2017
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional .....	5:00 p.m. on Monday, 16 January 2017
Announcement of results of the Rights Issue.....	Friday, 20 January 2017

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.....Monday, 23 January 2017

Certificates for fully paid Rights Shares and Bonus Issue to be despatched on or before .....Monday, 23 January 2017

Designated broker starts to stand in the market to provide matching services for odd lots of Shares..... Tuesday, 24 January 2017

Commencement of dealings in fully-paid Rights Shares and Bonus Issue ..... 9:00 a.m. on Tuesday, 24 January 2017

Last day for the designated broker to provide for odd lot matching..... Tuesday, 14 February 2017

All times stated in this announcement refer to Hong Kong times. Dates stated in this announcement 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.

## 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 date of this announcement		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	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
The Underwriter and its sub-underwriter(s) and subscriber(s) procured by the Underwriter (if any) ( <i>Note 1</i> )	—	—	556,308,000	71.43	—	—
Public Shareholders	222,523,200	100.00	222,523,200	28.57	778,831,200	100.00
<b>Total</b>	<b>222,523,200</b>	<b>100.00</b>	<b>778,831,200</b>	<b>100.00</b>	<b>778,831,200</b>	<b>100.00</b>

*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 third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates (as defined in the Listing Rules); 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.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to Rule 7.24 of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue and the Bonus Issue at the EGM. No Shareholder is required to abstain from voting at the EGM in respect of the Authorised Share Capital Increase and the amendments of Articles of Association.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Bonus Issue are fair and reasonable and whether the Rights Issue and the Bonus Issue are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Rights Issue and the Bonus Issue are fair and reasonable.

The Authorised Share Capital Increase, the Rights Issue, the Bonus Issue and the proposed amendments to the Articles of Association are subject to, among other matters, the approval of the Shareholders or the Independent Shareholders (as the case may be) at the EGM.

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

On 23 November 2015, the Company announced a rights issue of 309,060,000 rights shares on the basis of one rights share for every two shares held and this rights issue became unconditional on 8 January 2016. The approximate amount of fund raised net of expenses was HK\$70 million. As at the date of this announcement, all the proceeds of this rights issue have been used for investment in the publicly listed enterprises in information technology, creative culture and healthcare sectors as intended.

On 13 June 2016, the Company announced a share placement of up to 185,436,000 Shares at the price of HK\$0.14 per Share under the general mandate of the Company. The approximate amount of fund raised net of expenses was HK\$25.1 million. As at the date of this announcement, all the proceeds from this placing of shares have been used for investment in the publicly listed enterprises in consumer food, financial services and healthcare as well as creative culture sectors as intended.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months from the date of this announcement.

## **GENERAL**

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.

A circular containing, among other things, further details of the Authorised Share Capital Increase, the Rights Issue, the Bonus Issue, and the proposed amendments to the Articles of Association, and a notice convening the EGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

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

**The Shares will be dealt in on an ex-rights basis from Friday, 16 December 2016. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 29 December 2016 to Monday, 9 January 2017 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form who is in any doubt about his/her/its position is recommended to consult his/her/its professional adviser. Any Shareholder or other person dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any person dealing in the nil-paid Rights Shares during the period from Thursday, 29 December 2016 to Monday, 9 January 2017 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.**

### **Terms and definitions**

“Articles of Association”	the Articles of Association of the Company
“associates”	has the meaning ascribed to this term under the Listing Rules
“Authorised Share Capital Increase”	the proposed increase in the authorised share capital of the Company from HK\$200,000,000 divided into 400,000,000 Shares to HK\$1,000,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,600,000,000 unissued Shares
“Board”	the board of Directors
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement

“Bonus Shares”	the bonus Shares to be issued (for no additional payment) to the Qualifying Shareholders, who elect to take up Rights Shares, on the basis of two (2) Bonus Shares for every three (3) Rights Shares taken up under the Rights Issue subject to the terms and upon conditions as set out in the Underwriting Agreement
“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 and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) for the excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve the Authorised Share Capital Increase, the Rights Issue, the Bonus Issue, and the proposed amendments to the Articles of Association and the transactions contemplated thereunder
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Directors (excluding independent non-executive Directors) and chief executive and their respective associates
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Last Trading Day”	4 November 2016, being the last trading day for the Shares before the release of this announcement
“Latest Lodging Time”	4:30 p.m. on Monday, 19 December 2016 as the latest time for lodging transfer of Shares in order to qualify for the Rights Issue



“Latest Time for Acceptance”	4:00 p.m. on Thursday, 12 January 2017 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 second 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
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholders”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares
“Prohibited Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, 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 offer the Rights Shares and Bonus Shares to them
“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”	Friday, 23 December 2016 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	Thursday, 22 December 2016, being the date by reference to which entitlements to the Rights Issue will be determined

“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of Rights Issue to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein
“Rights Share(s)”	333,784,800 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date and payable in full on acceptance pursuant to the Rights Issue
“Share(s)”	existing 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 Jianxin Financial Services Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 4 November 2016 and 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.

By Order of the Board  
**China New Economy Fund Limited**  
**GU Xu**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 4 November 2016

*As at the date of this announcement, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors; Mr. LAM Chun Ho, Mr. Faris Ibrahim Taha AYOUB and Mr. PUN Tit Shan as independent non-executive Directors.*