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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China New Economy Fund Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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**CHINA NEW ECONOMY FUND LIMITED**

**中國新經濟投資有限公司**

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

**(Stock Code: 80)**

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE  
HELD ON THE RECORD DATE; AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at Room 4608, 46/F., The Center, 99 Queen’s Road Central, Hong Kong on Friday, 3 April 2020 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.

Shareholders and potential investors should note that the Rights Issue is conditional upon the fulfillment of the conditions referred to in the section headed “Conditions of the Rights Issue” in this circular). Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 8 April 2020 and that dealing in the Rights Shares in the nil-paid form will take place from Thursday, 23 April 2020 to Monday, 4 May 2020 (both days inclusive). Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Friday, 8 May 2020), will accordingly bear the risk that the Rights 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.

16 March 2020

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## EXPECTED TIMETABLE

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Set out below is the expected timetable of the Share Consolidation, the Change in Board Lot Size and the Rights Issue:

2020

Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Monday, 30 March
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive) . . . . .	Tuesday, 31 March to Friday, 3 April
Latest time for lodging forms of proxy for the purpose of the EGM . . . . .	10:00 a.m. on Wednesday, 1 April
Record date for attendance and voting at the EGM . . . . .	Friday, 3 April
Date and time of the EGM . . . . .	10:00 a.m. on Friday, 3 April
Publication of the poll results announcement . . . . .	Friday, 3 April
Register of members re-opens . . . . .	Monday, 6 April
Effective date of the Share Consolidation . . . . .	Tuesday, 7 April
Commencement of dealings in the Consolidated Shares . . . . .	9:00 a.m. on Tuesday, 7 April
Original counter for trading in Existing Shares in board lots of 20,000 Shares (in the form of existing share certificates) temporarily closes . . . . .	9:00 a.m. on Tuesday, 7 April
Temporary counter for trading in the Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Tuesday, 7 April
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares . . . . .	9:00 a.m. on Tuesday, 7 April
Last day of dealings in the Consolidated Shares on a cum-entitlement basis relating to the Rights Issue . . . . .	Tuesday, 7 April
First day of dealing in the Consolidated Shares on an ex-entitlement basis relating to the Rights Issue . . . . .	Wednesday, 8 April

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## EXPECTED TIMETABLE

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2020

Latest time for Shareholders to lodge transfer documents of the Consolidated Shares in order to be qualified for the Rights Issue. . . . .	4:30 p.m. on Thursday, 9 April
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive) . . . . .	Tuesday, 14 April to Monday, 20 April
Record date for the Rights Issue . . . . .	Monday, 20 April
Register of members of the Company re-opens. . . . .	Tuesday, 21 April
Despatch of the Prospectus Documents (including the PAL, EAF and Prospectus) (in case of the Excluded Shareholders, the Prospectus only). . . . .	Tuesday, 21 April
First day of dealings in nil-paid Rights Shares . . . . .	Thursday, 23 April
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates) reopens. . . . .	9:00 a.m. on Thursday, 23 April
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences . . . . .	9:00 a.m. on Thursday, 23 April
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares . . . . .	9:00 a.m. on Thursday, 23 April
Latest time for splitting the PAL. . . . .	Monday, 27 April
Last day of dealings in nil-paid Rights Shares. . . . .	Monday, 4 May
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares . . . . .	4:00 p.m. on Thursday, 7 May
Latest time for the Rights Issue to become unconditional. . . . .	4:00 p.m. on Friday, 8 May
Announcement of allotment results of the Rights Issue . . . . .	Monday, 11 May

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## EXPECTED TIMETABLE

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2020

Temporary counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates) closes . . . . . 4:10 p.m. on Friday, 15 May

Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends . . . . . 4:10 p.m. on Friday, 15 May

Designated broker ceases to provide matching services for odd lots of the Consolidated Shares . . . . . 4:10 p.m. on Friday, 15 May

Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any) in relation to wholly or partially unsuccessful applications for excess Rights Shares . . . . . Friday, 15 May

Commencement of dealings in fully-paid Rights Shares . . . . . 9:00 a.m. on Monday, 18 May

Latest time for free exchange of existing share certificates for new share certificates . . . . . 4:30 p.m. on Tuesday, 19 May

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

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

1. a tropical cyclone warning signal number 8 or above; or
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
  - (i) is in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - (ii) is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as possible.

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 3 March 2020 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size and the Rights Issue
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“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 for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares
“Company”	China New Economy Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability (stock code: 80), the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company immediately following the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders or transferees of the nil-paid Rights Shares who wish to apply for excess Rights Shares

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held at Room 4608, 46/F., The Center, 99 Queen’s Road Central, Hong Kong on Friday, 3 April 2020 at 10:00 a.m. to consider the ordinary resolutions to be proposed to approve the Share Consolidation and the Rights Issue
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) 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
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person(s) or company(ies) who or which is/are independent of, not acting in concert with (within the meaning of the Takeovers Code) and not connected with the Company, any of the Directors, chief executive or substantial shareholder(s) of the Company or any of their respective associates
“Investment Manager”	China Everbright Securities (HK) Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
“Last Trading Day”	3 March 2020, being the last trading day for the Shares before the publication of the Announcement
“Latest Lodging Time”	4:30 p.m. on Thursday, 9 April 2020 as the latest time for lodging transfer of Shares in order to qualify for the Rights Issue



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## DEFINITIONS

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“Latest Practicable Date”	12 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 7 May 2020 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares
“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 Excluded Shareholders (if any) explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong, if any
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China (which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan)
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Tuesday, 21 April 2020 (or such other date as may be determined by the Company), being the date of despatch of: (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus for information only to the Excluded Shareholders, if any

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## DEFINITIONS

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“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 20 April 2020, being the record date for the determination of entitlements under the Rights Issue
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every one (1) Consolidated Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions to be set out in the Prospectus Documents
“Rights Share(s)”	new Share(s) to be allotted and issued pursuant to the Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the consolidation of every four (4) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.04
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.16 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**CHINA NEW ECONOMY FUND LIMITED**

**中國新經濟投資有限公司**

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

**(Stock Code: 80)**

**Board of Directors**

*Executive Directors:*

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

Mr. CHAN Cheong Yee

*Independent non-executive Directors:*

Mr. LEUNG Wai Lim

Mr. SUN Boquan

Mr. CHONG Ching Hoi

*Registered office:*

P.O. Box 309

Ugland House

South Church Street

George Town

Grand Cayman KY1-1104

Cayman Islands

*Head office and principal*

*place of business:*

Unit 702, 7/F.

135 Bonham Strand Trade Centre

135 Bonham Strand

Sheung Wan

Hong Kong

16 March 2020

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

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE  
HELD ON THE RECORD DATE**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other matters, the Share Consolidation, the Change in Board Lot Size and the Rights Issue.

The purpose of this circular is to provide you with further details of the Share Consolidation, the Change in Board Lot Size and the Rights Issue and a notice convening the EGM.

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## LETTER FROM THE BOARD

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### **PROPOSED SHARE CONSOLIDATION**

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every four (4) issued and unissued Existing Shares into one (1) Consolidated Share. As none of the Shareholders or their respective associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following:

- (i) the passing of the ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the Listing Rules to effect the Share Consolidation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on the second Business Day immediately following the fulfillment of the above conditions. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

### **Effects of the Share Consolidation**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,000,000,000 divided into 100,000,000,000 Existing Shares of HK\$0.01 each, of which 1,388,246,794 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$1,000,000,000 divided into 25,000,000,000 Consolidated Shares of HK\$0.04 each, of which 347,061,698 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank pari passu in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares will be issued by the Company to the Shareholders. Any fractional entitlements of Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire

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## LETTER FROM THE BOARD

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shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

### **Adjustments in relation to the other securities of the Company**

As at the Latest Practicable Date, there are outstanding share options for subscription of an aggregate of 41,647,401 Existing Shares under the share option scheme adopted by the Company on 28 May 2015. The Share Consolidation may lead to adjustments to the exercise price and/or the number of Consolidated Shares falling to be issued upon exercise of the outstanding share options pursuant to the terms and conditions of the share option scheme and the Listing Rules. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save for the aforementioned share options, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares as at the Latest Practicable Date. The Company also has no intention to issue or grant any convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares on or before the Record Date.

### **Odd lots arrangements and matching services**

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will procure an arrangement with an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

### **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share

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## LETTER FROM THE BOARD

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certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in red colour in order to distinguish them from the existing share certificates in green colour.

### **Listing and Dealings**

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS. The Share Consolidation will be conducted in accordance with the provisions of the articles of association of the Company.

No part of the securities of the Company is listed or dealt in on any other stock exchange, or on which listing or permission to deal is being or is proposed to be sought.

Shareholders should take note that the Share Consolidation is conditional upon satisfaction of the conditions set out in the section headed “Conditions of the Share Consolidation”. Therefore, the Share Consolidation may or may not proceed.

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

### **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective. Based on the closing price of HK\$0.05 per Existing Share (equivalent to the theoretical closing price of HK\$0.2 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK\$1,000; (ii) the estimated value of each existing board lot of Consolidated Shares would be HK\$4,000 assuming the Share Consolidation has become effective; and (iii) the estimated value per board lot of 10,000 Consolidated Shares would be HK\$2,000 assuming that the Change in Board Lot Size had also been effective. The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

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## LETTER FROM THE BOARD

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

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.05, with a board lot size of 20,000 Existing Shares, the Existing Shares are trading under HK\$1,000 per board lot.

The Existing Shares have been constantly traded below HK\$1.00 for the past few years. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation and the Change in Board Lot Size. It is expected that the Share Consolidation and the Change in Board Lot Size will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000. The Board believes the Share Consolidation and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

### PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Share Consolidation having become effective, with the terms set out as follows:

#### Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.16 per Rights Share
Underwriter	:	Nil
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.157 per Rights Share

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## LETTER FROM THE BOARD

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Number of Shares in issue as at the Latest Practicable Date	:	1,388,246,794 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	347,061,698 Consolidated Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 347,061,698 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date); or up to 357,473,548 Rights Shares (assuming (i) the full exercise of all outstanding exercisable share options carrying the right to subscribe for a total number of 41,647,401 Existing Shares as at the Latest Practicable Date, and the consolidation of such Existing Shares into 10,411,850 Consolidated Shares on or before the Record Date; and (ii) no other Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	up to HK\$13,882,467.92 (assuming no Shares are issued or repurchased on or before the Record Date); or up to HK\$14,298,941.92 (assuming (i) the full exercise of all outstanding exercisable share options carrying the right to subscribe for a total number of 41,647,401 Existing Shares as at the Latest Practicable Date, and the consolidation of such Existing Shares into 10,411,850 Consolidated Shares on or before the Record Date; and (ii) no other new Shares are issued and no repurchase of Shares on or before the Record Date)



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## LETTER FROM THE BOARD

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- Total number of Consolidated Shares in issue upon completion of the Rights Issue : 694,123,396 Consolidated Shares (assuming no Shares are issued or repurchased on or before the Record Date and all Rights Shares have been taken up in full); or 714,947,096 Consolidated Shares (assuming (i) the full exercise of all outstanding exercisable share options carrying the right to subscribe for a total number of 41,647,401 Existing Shares as at the Latest Practicable Date, and the consolidation of such Existing Shares into 10,411,850 Consolidated Shares on or before the Record Date; (ii) no other Shares are issued or repurchased on or before the Record Date; and (iii) all Rights Shares have been taken up in full)
- Gross proceeds from the Rights Issue : Approximately HK\$55.5 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date and all Rights Shares have been taken up in full); or approximately HK\$57.2 million before expenses (assuming (i) the full exercise of all outstanding exercisable share options carrying the right to subscribe for a total number of 41,647,401 Existing Shares as at the Latest Practicable Date, and the consolidation of such Existing Shares into 10,411,850 Consolidated Shares on or before the Record Date; (ii) no other Shares are issued or repurchased on or before the Record Date; and (iii) all Rights Shares have been taken up in full)
- Right of excess application : Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

Assuming no Shares are issued or repurchased on or before the Record Date and all Rights Shares have been taken up in full, the 347,061,698 Rights Shares (or the 357,473,548 Rights Shares if all outstanding exercisable share options have been exercised in full on or before the Record Date) to be issued pursuant to the terms of the Rights Issue represent 100% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and 50% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares.

### Undertakings

The Company has not received any information or irrevocable undertaking from any substantial shareholder of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Subscription Price

The Subscription Price is HK\$0.16 per Rights Share, payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 27.3% to the theoretical closing price of HK\$0.220 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 25.7% to the theoretical closing price of HK\$0.215 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 27.3% to the average theoretical closing price of approximately HK\$0.220 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.055 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 15.8% to the theoretical ex-rights price of approximately HK\$0.19 per Consolidated Share (taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) the net asset value of the Company of approximately HK\$0.16 per Consolidated Share based on the unaudited net asset value per Share of HK\$0.04 as at 29 February 2020 and 347,061,698 Consolidated Shares assuming the Share Consolidation has become effective; and
- (vi) a discount of 20% over the closing price of HK\$0.2 per Share (taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on the Latest Practicable Date.

The theoretical ex-entitlement price per Share after completion of the Rights Issue is approximately HK\$0.19 and this is calculated based on the following formula:

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

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## LETTER FROM THE BOARD

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The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules and taking into account the Share Consolidation) for the Rights Issue are approximately HK\$0.19 per Share, HK\$0.215 per Share and 12.8%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Taking into account (i) the prevailing downward trend in the trading prices of the Shares, the net asset value was considered a more appropriate reference for determining the Subscription Price for the Rights Shares; (ii) the financial position of the Company which has been adversely affected by the market sentiment and uncertainties in the financial market in Hong Kong over the past year; (iii) the funding and capital needs of the Company as discussed in the paragraph headed “Reasons for the Rights Issue and use of proceeds”; (iv) the outbreak of novel coronavirus pneumonia intensifying the current uncertainties and market sentiment in the financial market in Hong Kong and contributing to the decline in the investment trends among investors; (v) the other recent rights issues conducted in the market were also with subscription prices at a discount to the prevailing market prices of the respective companies; and (vi) the overall costs and benefits of the Rights Issue being more appealing than the fund-raising methods considered by the Board as discussed in the paragraph headed “Reasons for and benefits of the Rights Issue and use of proceeds”, the Board considered it appropriate to set the Subscription Price at a price equivalent to the net asset value of the Company of approximately HK\$0.16 per Consolidated Share based on the unaudited net asset value per Share of HK\$0.04 as at 31 January 2020 and at a discount to the recent closing prices of the Shares prior to the Last Trading Day in order to lower the further investment cost of the Shareholders so as to incentivise them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising the dilution impact on their shareholdings.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent value and the market price of the Shares and conduct the Rights Issue on terms which are favourable to the Company and its Shareholders. Given that (i) each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date; (ii) the Subscription Price has been set at a discount to the recent closing prices per Share as quoted on the Stock Exchange with an objective to lower the further investment costs of the existing Shareholders to encourage them to take up their entitlements under the Rights Issue and to participate in the potential growth of the Company; and (iii) the proceeds from the Rights Issue can reduce the gearing ratio of the Company, the Directors consider that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. Subject to the Share Consolidation having become effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus only (without the PAL and the EAF), for information only, to the Excluded Shareholders (if any). To qualify for the Rights Issue, a Shareholder must, at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be an Excluded 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. (Hong Kong time) on Thursday, 9 April 2020. The address of the Registrar is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 7 April 2020, and the Consolidated Shares will be dealt with on an ex-rights basis from Wednesday, 8 April 2020.

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Based on the register of members of the Company as at the Latest Practicable Date, there was no Overseas Shareholder. The Board will comply with Rule 13.36(2)(a) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

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## LETTER FROM THE BOARD

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Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

### **Fractional entitlements to the Rights Shares**

On the basis of the entitlement to subscribe one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements of the Consolidated Shares to the Rights Shares will arise from the Rights Issue.

### **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 31 March 2020 to Friday, 3 April 2020, both dates inclusive, to determine the eligibility of the Shareholders to vote at the EGM. The register of members of the Company will be closed from Tuesday, 14 April 2020 to Monday, 20 April 2020, both dates inclusive, to determine the eligibility of the Rights Issue. No transfer of Shares will be registered during the above periods.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Consolidated Share 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 duly completing a PAL and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares accepted for with the Registrar by the Latest Time for Acceptance.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be

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## LETTER FROM THE BOARD

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declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Certificates of the Rights Shares and refund cheques**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Friday, 15 May 2020 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Friday, 15 May 2020 by ordinary post to the applicants, at their own risk, to their registered addresses.

### **Application for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply for (i) the Rights Shares representing the entitlement of the Excluded 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 representing the unsold entitlement of the Excluded Shareholders. Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate cheque or a banker's cashier order 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, 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

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## LETTER FROM THE BOARD

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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 Thursday, 9 April 2020.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

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

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 10,000 Consolidated Shares. Dealing in the Rights Shares will be subject to the payment of the stamp duty and other applicable fees and charges in Hong Kong.

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services during Thursday, 23 April 2020 to Friday, 15 May 2020 (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.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded

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## LETTER FROM THE BOARD

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Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, any unsubscribed Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive has been obtained. Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for his entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, (i) the Share Consolidation; and (ii) the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms) on or before the Prospectus Posting Date;
- (2) the Share Consolidation having become effective by no later than the Prospectus Posting Date;
- (3) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the



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## LETTER FROM THE BOARD

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Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;

- (4) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded 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; and
- (5) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms).

The conditions precedent set out in paragraphs (1) to (5) are incapable of being waived by the Company. If the conditions precedent set out in the above paragraphs are not satisfied by the Latest Time for Acceptance, the Rights Issue will not proceed.

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

### **BUSINESS REVIEW, FINANCIAL AND TRADING PROSPECT OF THE COMPANY**

The Company is an investment company listed under Chapter 21 of the Listing Rules. The investment objective of the Company is to achieve long-term capital appreciation through investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong, Macau and Taiwan.

During the six months ended 30 June 2019 (the “**Period**”), factors such as the escalating China-U.S. trade frictions resulted in major fluctuations of the Chinese economy, which grew at a slower pace. Nevertheless, the overall national economy remained stable and progressive, running within its reasonable range. According to the data of the National Bureau of Statistics of China, the gross domestic product (the “**GDP**”) of China in the first half of 2019 increased by RMB45,093.3 billion over the corresponding period, which represents an increase of 6.3% compared with the first half of 2018. The GDP of the second quarter of 2019 went up by 6.2% on a year-to-year basis.

Hang Seng Index raised 10.4% in the first half of 2019. At the same time, Hang Seng Chinese Enterprises Index, which raised 7.5%, performed worse than Hang Seng Index. On the other hand, the U.S. Federal Reserve Board cut interest rates in July’s meetings and the tension of China-U.S. trade war keeps weighing on the market sentiment. Even though the negotiation between China and the U.S. resumed at the end of July, there were lots of uncertainties in the market. The Company believes that the change in global monetary policies will escalate the volatility in global equity market. Therefore, the Company remains cautiously optimistic on the prospects of securities market in China and Hong Kong.

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## LETTER FROM THE BOARD

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The main focus of the Company is to invest in listed securities in short to medium terms and will continue to seek opportunities to invest in listed companies with high potential. During the Period, the Company has invested two new equities which listed in Australian Securities Exchange. Dongfang Modern Agriculture Holding Group Limited is principally engaged in supplying premier quality, fresh fruit and camellia in Eastern China. Crater Gold Mining Limited is principally engaged in producing gold and developing gold and base metal projects in Papua New Guinea and Australia.

The Company believes private equity investments will diversify the risk of investments and will potentially bring greater return in long terms with the upcoming reform alongside with listed investments in portfolio. However, the Company had no new private equity investment in the Period. The Company will continue to look for further investment opportunities in private equities and other unlisted investments to benefit our investors and shareholders.

The Company will continue to deploy an investment strategy focusing on Greater China and other global major markets. With our professional investment and risk management team, we are confident to capture valuable investment opportunities to maximise profit for our shareholders.

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

Assuming that there is no change in the number of issued Shares on or before the Record Date (i.e. no share options will be exercised) and all Rights Shares to be issued under the Rights Issue have been taken up in full, the gross proceeds from the Rights Issue will be approximately HK\$55.5 million. The net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$0.9 million) are estimated to be approximately HK\$54.6 million (assuming no further issue or repurchase of Shares on or before the Record Date), which are intended to be applied in following manner:

*Investment in line with its ordinary course of business:*

The Company intends to apply approximately HK\$42.3 million, being approximately 77.5% of the net proceeds, for investment (including but not limited to the medical and telecommunication sectors) in line with its ordinary course of business.

The medical and telecommunication sectors are identified as industries with high growth potential in the future, in view of the up-coming fifth-generation wireless broadband technology (5G) and the outbreak of novel coronavirus pneumonia. Further, these sectors have been receiving funding and support from the Chinese government. The Board considers these sectors to have highly promising prospects and that it would be in the best interest of the Company and its Shareholders as a whole for the Company to further expand and diversify its investments in these sectors in its investment portfolio and adjust its risk exposure by adapting to the market trends and any industries with good prospects.

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## LETTER FROM THE BOARD

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The proposed use of proceeds for investments does not focus solely on the medical and telecommunication sectors but simply take into account that the Board considers these sectors to have promising prospects and would look out for any investment opportunities in these sectors in identifying attractive investment targets, as well as other sectors which may present an attractive entry into the market to the Board.

As the Company is an investment company listed under Chapter 21 of the Listing Rules, the principal business activity of the Company is the making of investments and the investment objective of the Company is to achieve long-term returns through capital appreciation and dividend. It is the priority of the Company to ensure that it has sufficient funds for investment in the event that any attractive investment opportunities arise.

In view of the outbreak of novel coronavirus pneumonia in Wuhan which has spread to different parts of the world and intensified the current uncertainties and market sentiment in the financial market in Hong Kong after the political conflicts, the Board is of the view that it would be in the best interest of the Company to prepare and raise sufficient funds at this time to capture any investment opportunities as and when they arise because downward volatility can often present good entry points to invest in good quality investments at attractive low prices. The Board considered that when the outbreak of the novel coronavirus pneumonia is eventually brought under control, a good entry point to invest would present itself. As there is an approximately two-month lead time for the Company to raise funds, the Company would not be able to raise funds in time to capture such investment opportunities if the fund-raising exercise is conducted in two to three months' time.

The Company had cash and cash equivalents of less than HK\$1 million as at 29 February 2020, such cash position does not allow the Company to have sufficient funds to capture any potential attractive investment opportunities, without a fund-raising exercise. In the event that any such attractive investment opportunities arise in the near future, the Company may miss out on the good entry points in the market to reap the benefits of these investment opportunities in the long term.

For the six months ended 30 June 2019, payments for purchase of financial assets at fair value through profit or loss of the Company were approximately HK\$38 million, illustrating that the proposed allocation of HK\$42.3 million for the use of proceeds of making prospective investments is within a reasonable range with the amount of funds historically applied by the Company in making investments and in line with the budgeted sum for investments of the Company in a half-year.

At present, the Board has not identified any particular potential investments or opportunities nor is it in negotiation in relation thereof, but considers the proposed allocation of the net proceeds in the amount of approximately HK\$42.3 million to be sufficient for fund mobilisation in the event that any investment opportunities arise based on the historical investment trends of the Company.

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## LETTER FROM THE BOARD

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### *Repayment of margin payable to a broker and settlement of interest expenses:*

The Company intends to apply approximately HK\$6.8 million, being approximately 12.5% of the net proceeds, for repayment of margin payable to a broker and settlement of interest expenses. The margin payable was borrowed for the purpose of capturing investment opportunities in listed equity securities in the construction and telecommunication industries as the Company had insufficient cash at the time. The margin payable to the broker is unguaranteed and secured by certain pledges over assets of the Company and with a 12% annual interest rate.

It is not uncommon for the Company to finance its funding needs by the borrowing of margins but this fund-raising method often incurs high interest expenses and is not practicable in catering to the long term and larger fund-raising needs of the Company. Since the publication of the interim report of the Company for the six months ended 30 June 2019, the Company has realised a portion of its investments to make repayment of the amount due to brokers of HK\$13 million and as at the Latest Practicable Date, the remaining amount due was approximately HK\$6.8 million.

### *General working capital of the Company:*

The Company intends to apply approximately HK\$5.5 million, being approximately 10% of the net proceeds, for general working capital of the Company, such as administrative and other expenses, including but not limited to office rent, salaries and allowances and legal and professional fees. The proposed use of net proceeds of approximately HK\$5.5 million towards administrative and other expenses and legal and professional fees is budgeted to maintain liquidity in the working capital.

### **Expected timeline for use of proceeds from the proposed Rights Issue**

As the Rights Issue will be on a non-underwritten basis, the actual amount of the net proceeds of the Rights Issue cannot be ascertained at this point. In the event that the Rights Issue is not fully subscribed, the actual amount of the net proceeds will in any event be first applied towards repayment of margin payable to a broker and settlement of interest expenses in its entirety (if sufficient to do so) and any remaining sum available will be applied towards investment in line with the ordinary course of business of the Company or its working capital on a pro-rata basis proportional to the proposed allocation, i.e. approximately 77.5% of the remaining proceeds for investment and approximately 10% of the remaining proceeds for working capital purposes.

Based on the financial budget, the net proceeds are expected to be utilised for the abovementioned proposed uses within 12 months. The intended uses of proceeds set out above will be adjusted on a pro rata basis according to the actual amount of the net proceeds received from the Rights Issue.

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## LETTER FROM THE BOARD

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If the maximum number of Rights Shares to be allotted and issued under the Rights Issue are subscribed for and taken up in full, the net proceeds from the Rights Issue would satisfy the expected funding needs of the Company for the next 12 months, including the imminent funding needs of the Company for repayment of margin payable to a broker and settlement of interest expenses.

As at the Latest Practicable Date, save for the Rights Issue, the Company does not have any plan to conduct further rights issue or other fund-raising activities. However, should any other funding needs or any potential investment opportunities or any change of the Company's current circumstances and existing business plans arise in the next 12 months, the Company may consider other funding methods to finance any such funding needs.

### **Alternative fund-raising methods considered**

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 the option of placing of new Shares, but taking into account (i) the engagement of a placing agent which would incur additional costs and expenses on the part of the Company; and (ii) the dilution of the interests of Shareholders without giving them the opportunity to take part in the exercise, it was not considered by the Board to be the most suitable fund-raising method for the Company. Further, the Board considered that a rights issue would be more favourable and attractive to the Shareholders than an open offer because it would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

The Company has approached several financial institutions to explore the possibility of engaging them as underwriter for the Rights Issue but was met with proposed commission rates for the proposed underwriting arrangement which far exceeded the expectation of the Board. As there is always a possibility that any fund-raising exercise (including initial public offering) may not proceed to completion, even on a fully-underwritten basis, after calculating the expenses involved in the different fund-raising arrangements and the proposed commission fees for underwriting arrangement, the Board considered that it would be more economical to proceed with the proposed Rights Issue on a non-underwriting basis under the current market situation.

As the Company is an investment company listed under Chapter 21 of the Listing Rules, the investment objective of the Company is to achieve long-term returns through capital appreciation and dividend. Accordingly, the Directors do not consider realising the

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## LETTER FROM THE BOARD

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existing investments of the Company to satisfy its funding needs to be a priority when considering the various options of fund-raising methods. Further, in view of the outbreak of novel coronavirus pneumonia in Wuhan, which has intensified the current uncertainties and market sentiment in the financial market in Hong Kong after the political conflicts, the Board has encountered difficulties in seizing favourable opportunities to realise the investments held by the Company. However, in the event that any opportunity to realise the investments at favourable rates arise, the Board would give due consideration to the option of divestment.

Upon discussion with the investment manager of the Company, the Board considers that from a commercial perspective, this would not be an ideal time to realise the investments of the Company as it would be difficult to realise investments at prices favourable to the Company given the current market sentiment.

On the contrary, 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 Directors consider the Rights Issue to be a more suitable fund-raising method in the interests of the Company and its Shareholders as a whole as it would allow the Company to strengthen its capital structure without incurring debt financing cost, improve the financial position and provide additional financial resources for capturing suitable business expansion and opportunities to make investments at relatively low prices in order to yield long term appreciation when they arise.

The Rights Issue, when compared with other forms of equity fund raising, would offer the existing Shareholders the opportunity to subscribe for Rights Shares in proportion to their existing shareholdings in the Company without having their relative shareholdings being diluted. After assessing the costs and benefits of these fund-raising methods and the expenses involved, the Board considers that the proposed Rights Issue on a non-underwritten basis would be the most economical method to achieve the purpose of raising funds and reaping the benefits of offering the existing Shareholders the opportunity to participate in the future growth of the Company while maintaining their respective pro-rata shareholding interests and improving the capital base and gearing ratio of the Company without incurring additional costs and expenses on the engagement of a placing agent and/or an underwriter, and therefore considers that the terms of the Rights Issue are fair and reasonable and in the best interest of the Shareholders as a whole. The Qualifying Shareholders are also able to further increase their interests in the Company through excess applications. **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.**

## LETTER FROM THE BOARD

### EFFECTS ON SHAREHOLDING STRUCTURE

**(i) Assuming no exercise of the outstanding exercisable share options or further issue or repurchase of Shares on or before the Record Date**

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective; and (iii) immediately after completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Immediately after completion of the Rights Issue assuming all Shareholders have taken up the Rights Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
	Public Shareholders	1,388,246,794	100.00	347,061,698	100.00	694,123,396
<b>Total</b>	<b>1,388,246,794</b>	<b>100.00</b>	<b>347,061,698</b>	<b>100.00</b>	<b>694,123,396</b>	<b>100.00</b>

**(ii) Assuming full exercise of the outstanding exercisable share options but no further issue or repurchase of Shares on or before the Record Date**

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective (assuming full exercise of the outstanding exercisable share options but no further issue or repurchase of Shares on or before the Record Date); and (iii) immediately after completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Immediately after completion of the Rights Issue assuming all Shareholders have taken up the Rights Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
	Public Shareholders	1,388,246,794	100.00	357,473,548	100.00	714,947,096
<b>Total</b>	<b>1,388,246,794</b>	<b>100.00</b>	<b>357,473,548</b>	<b>100.00</b>	<b>714,947,096</b>	<b>100.00</b>

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## LETTER FROM THE BOARD

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

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

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

**Shareholders and potential investors should note that the Rights Issue is conditional upon the conditions set out in the paragraph headed “Conditions of the Rights Issue” including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed.**

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

**Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 8 April 2020 and that dealing in the Rights Shares in the nil-paid form will take place from Thursday, 23 April 2020 to Monday, 4 May 2020 (both days inclusive) while the conditions to which the Rights Issue 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 is subject are fulfilled (which is expected to be on Friday, 8 May 2020), will accordingly bear the risk that the Rights 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.**

### **LISTING RULES IMPLICATIONS**

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any controlling shareholder and none of the Directors and the chief executive of the Company and their respective associates holds any Existing Shares. Accordingly, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.



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## LETTER FROM THE BOARD

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### EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue. A notice convening the EGM to be held at Room 4608, 46/F., The Center, 99 Queen's Road Central, Hong Kong on Friday, 3 April 2020 at 10:00 a.m. is enclosed with this circular.

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

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

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

### RECOMMENDATION

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

### ADDITIONAL INFORMATION

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

Yours faithfully

For and on behalf of the Board

**China New Economy Fund Limited**

**Gu Xu**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 16 March 2020

**A. FINANCIAL INFORMATION OF THE COMPANY**

The audited financial information of the Company for each of the three years ended 31 December 2016, 2017, and 2018 and the six months ended 30 June 2019 can be referred to the annual reports of the Company for the years ended 31 December 2016 (pages 59 to 131), 2017 (pages 61 to 139) and 2018 (pages 66 to 159) and the interim report of the Company for the six months ended 30 June 2019 (pages 40 to 92), which were published on 24 April 2017, 24 April 2018, 24 April 2019 and 23 September 2019 respectively. The above-mentioned financial information is available on the website of the Company at [www.chinaneweconomyfund.com](http://www.chinaneweconomyfund.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The auditors of the Company have not issued any qualified opinion on the Company's financial statements for the financial years ended 31 December 2016, 2017, and 2018.

**B. STATEMENT OF INDEBTEDNESS**

As at the close of business on 29 February 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Company had outstanding borrowings comprise the following:

**Securities margin borrowings**

The total carrying amounts of the Company's outstanding secured securities margin borrowings as at 29 February 2020 were approximately HK\$7,426,000. Securities margin borrowings as at 29 February 2020 were unguaranteed and secured by the Company's listed equity securities investments.

At the close of business on 29 February 2020, except as disclosed in this section, the Company did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, finance lease obligations, mortgages or charges, guarantees or other material contingent liabilities.

**C. WORKING CAPITAL STATEMENT**

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

**D. MATERIAL ADVERSE CHANGE**

Save as disclosed in the interim report of the Company for the six months ended 30 June 2019 which recorded a loss making position, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

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

The following is the unaudited pro forma statement of adjusted net tangible assets of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effects of the Share Consolidation and the Rights Issue on the unaudited net tangible assets of the Company as if the Share Consolidation and the Rights Issue had taken place on 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Company as at 30 June 2019 or any future date; or (ii) the net tangible assets per Share of the Company as at 30 June 2019 or any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited net tangible assets of the Company as at 30 June 2019, as extracted from the published interim report of the Company for the six months ended 30 June 2019, and is adjusted for the effect of the Share Consolidation and the Rights Issue described below.

**(1) Assuming no outstanding share options having been exercised on or before the  
Record Date**

	Unaudited net tangible assets of the Company as at 30 June 2019 <i>HK\$'000</i> <i>(Note 1)</i>	Add: Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets of the Company as at 30 June 2019 immediately upon completion of the Rights Issue <i>HK\$'000</i>	Unaudited net tangible assets of the Company per Share before completion of the Share Consolidation <i>HK\$</i> <i>(Note 3)</i>	Unaudited net tangible assets of the Company per Share upon completion of the Share Consolidation <i>HK\$</i> <i>(Note 4)</i>	Unaudited pro forma adjusted net tangible assets of the Company per Share upon completion of the Share Consolidation and the Rights Issue <i>HK\$</i> <i>(Note 5)</i>
Based on the issue of 347,061,698 Rights Shares	81,606	54,629	136,235	0.059	0.236	0.196

## (2) Assuming full exercise of the outstanding share options by the option holders on or before the Record Date

	Unaudited net tangible assets of the Company as at 30 June 2019	Add: Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted net tangible assets of the Company as at 30 June 2019 immediately upon completion of the Rights Issue	Unaudited net tangible assets of the Company per Share before completion of the Share Consolidation	Unaudited net tangible assets of the Company per Share upon completion of the Share Consolidation	Unaudited pro forma adjusted net tangible assets of the Company per Share upon completion of the Share Consolidation
	HK\$'000 (Note 1)	HK\$'000 (Note 6)	HK\$'000	HK\$ (Note 3)	HK\$ (Note 4)	HK\$ (Note 7)
Based on the issue of 357,473,548 Rights Shares	81,606	56,296	137,902	0.059	0.236	0.193

## Notes:

- The unaudited net tangible assets of the Company as at 30 June 2019 of approximately HK\$81,606,000 is extracted from the published interim report of the Company for the six months ended 30 June 2019.
- The estimated net proceeds from the Rights Issue of approximately HK\$54,629,000 are based on the proceeds of approximately HK\$55,529,000 from the issue of 347,061,698 Rights Shares at the Subscription Price of HK\$0.16 per Rights Share after deduction of the estimated related expenses of approximately HK\$900,000.
- The calculation is determined based on the unaudited net tangible assets of the Company as at 30 June 2019 of approximately HK\$81,606,000 divided by the number of Shares in issue of 1,388,246,794 as at 30 June 2019 (“Existing Shares”) without taking into account of consolidation of every four (4) issued and unissued Existing Shares of HK\$0.01 each into one Consolidated Share of HK\$0.04 (the “Share Consolidation”).
- The calculation is determined based on the unaudited net tangible assets of the Company as at 30 June 2019 of approximately HK\$81,606,000 divided by the number of Shares in issue of 347,061,698 Consolidated Shares as at the Latest Practicable Date and immediately before completion of the Rights Issue, as if the Share Consolidation had been completed on 30 June 2019.
- The unaudited net tangible assets of the Company per Share upon completion of the Share Consolidation and the Rights Issue is arrived at on the basis that (i) 347,061,698 Consolidated Shares in issue as at the Latest Practicable Date (as adjusted taking into account the Share Consolidation) and (ii) 347,061,698 Rights Shares to be issued upon completion of the Rights Issue, as if the Share Consolidation and Rights Issue had been completed on 30 June 2019.

6. The estimated net proceeds from the Rights Issue of approximately HK\$56,296,000 are based on the proceeds of approximately HK\$57,196,000 from the issue of 357,473,548 Rights Shares at the Subscription Price of HK\$0.16 per Rights Share after deduction of the estimated related expenses of approximately HK\$900,000.
7. The unaudited net tangible assets of the Company per Share upon completion of the Share Consolidation and the Rights Issue is arrived at on the basis that (i) 357,473,548 Consolidated Shares in issue as at the Latest Practicable Date (as adjusted taking into account the Share Consolidation) and (ii) 357,473,548 Rights Shares to be issued upon completion of the Rights Issue, as if the Share Consolidation and the Rights Issue had been completed on 30 June 2019.
8. The pro forma financial information does not take account of any trading or other transactions subsequent to the date of the financial statements included in the Unaudited Pro Forma Financial Information (i.e. 30 June 2019).

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

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



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

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

TO THE DIRECTORS OF CHINA NEW ECONOMY FUND LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China New Economy Fund Limited (the “**Company**”) by the directors of the Company (“**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible assets of the Company as at 30 June 2019, and related notes (“**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II to the Company's circular dated 16 March 2020 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed Share Consolidation and the proposed Rights Issue (as defined in the Circular) on the net tangible assets of the Company as if the Share Consolidation and the Rights Issue had taken place at 30 June 2019. As part of this process, information about the Company's financial position has been extracted by the Directors from the Company's condensed interim financial statements for the six months ended 30 June 2019, on which no audit or review report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

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

**Our Independence and Quality Control**

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

**Reporting Accountants' Responsibilities**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.



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

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

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

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

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

### **Opinion**

In our opinion:

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

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

Hong Kong, 16 March 2020

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation and the Change in Board Lot Size having become effective (assuming no other change in the number of issued Shares); and (iii) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

**(i) As at the Latest Practicable Date**

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Shares	<u>1,000,000,000.00</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>1,388,246,794</u>	Shares	<u>13,882,467.94</u>

**(ii) Immediately following the Share Consolidation and the Change in Board Lot Size having become effective (assuming no other change in the number of issued Shares)**

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Consolidated Shares	<u>1,000,000,000.00</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>347,061,698</u>	Consolidated Shares	<u>13,882,467.92</u>

- (iii) Immediately following the Share Consolidation and the Change in Board Lot Size having become effective (assuming full exercise of the outstanding exercisable share options and no other change in the number of issued Shares)

*Authorised:* *HK\$*

<u>25,000,000,000</u>	Consolidated Shares	<u>1,000,000,000.00</u>
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*Issued and fully paid:* *HK\$*

<u>357,473,548</u>	Consolidated Shares	<u>14,298,941.92</u>
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- (iv) Immediately after completion of the Rights Issue (assuming full exercise of the outstanding exercisable share options on or before Record Date and no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)

*Authorised:* *HK\$*

<u>25,000,000,000</u>	Consolidated Shares	<u>1,000,000,000.00</u>
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*Issued and fully paid:* *HK\$*

<u>347,061,698</u>	Consolidated Shares immediately following the Share Consolidation having become effective	<u>13,882,467.92</u>
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10,411,850	Consolidated Shares upon full exercise of the outstanding exercisable share options	416,474.00
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<u>357,473,548</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>14,298,941.92</u>
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<u>714,947,096</u>	Consolidated Shares in issue immediately upon completion of the Rights Issue	<u>28,597,883.84</u>
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- (v) **Immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)**

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Consolidated Shares	<u>1,000,000,000.00</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>347,061,698</u>	Consolidated Shares immediately following the Share Consolidation having become effective	<u>13,882,467.92</u>
<u>347,061,698</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>13,882,467.92</u>
<u>694,123,396</u>	Consolidated Shares in issue immediately upon completion of the Rights Issue	<u>27,764,935.84</u>

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

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

As at the Latest Practicable Date, there are outstanding share options for subscription of an aggregate of 41,647,401 Existing Shares under the share option scheme adopted by the Company on 28 May 2015. Save as disclosed, the Company did not have any outstanding warrants, options or securities convertible into Shares.

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

### 3. DISCLOSURE OF INTERESTS

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

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

#### Interests and short positions of substantial shareholders

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

#### *Long positions in the Shares*

Name of Shareholder	Nature of interest	Number of Shares held	Approximately percentage or attributable percentage of shareholding
Kwok Shun Tim	Interest of controlled corporation	137,599,664	9.91% (L)
Morris Global Capital Limited	Beneficial owner	137,599,664	9.91% (L)
Wang Xin	Beneficial owner	135,186,628	9.74% (L)
Quasar Global Selection SPC Fund-Shenzhen Qianhai Glory Fund SP	Beneficial owner	132,540,000	9.54% (L)
Quasar Investment Management (Cayman) Limited	Investment manager	132,540,000	9.54% (L)

(L): denotes long position

*Note:* Morris Global Capital Limited is wholly owned by Kwok Shun Tim.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares. As at the Latest Practicable Date, none of the Directors is a director or employee of any of the substantial shareholders of the Company.

#### **4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET**

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to the Company, or were proposed to be acquired or disposed of by or leased to the Company. As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Company.

#### **5. DIRECTORS' SERVICE CONTRACTS**

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

#### **6. MATERIAL CONTRACT**

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

- a placing agreement dated 18 February 2019 and entered into between the Company and RaffAello Securities (HK) Limited in relation to the placing of up to 233,640,000 shares of HK0.01 each in the Company at a price of HK\$0.1 per share on a best efforts basis.

#### **7. LITIGATION**

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

**8. COMPETING INTERESTS**

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

**9. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, the above expert had no shareholding, directly or indirectly, in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

As at the Latest Practicable Date, the above expert had no interest, direct or indirect, in the promotion of, or in any assets which since 31 December 2018, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company.

The above expert has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

## 10. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

<b>Board of Directors</b>	Mr. GU Xu Mr. CHAN Cheong Yee Mr. LEUNG Wai Lim Mr. SUN Boquan Mr. CHONG Ching Hoi
<b>Head office and principal place of business</b>	Unit 702, 7/F. 135 Bonham Strand Trade Centre 135 Bonham Strand, Sheung Wan Hong Kong
<b>Registered office</b>	P.O. Box 309, Uglund House South Church Street, George Town Grand Cayman KY1-1104 Cayman Islands
<b>Legal advisers to the Company as to Hong Kong Law</b>	<b>Michael Li &amp; Co.</b> 19/F, Prosperity Tower No. 39 Queen's Road Central Central Hong Kong
<b>Auditors</b>	<b>HLB Hodgson Impey Cheng Limited</b> <i>(Certified Public Accountants)</i> 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central Hong Kong
<b>Principal banker</b>	<b>DBS Bank (Hong Kong) Limited</b> 73/F, The Center 99 Queen's Road Central Hong Kong
<b>Hong Kong share registrar and transfer office</b>	<b>Computershare Hong Kong Investor Services Limited</b> Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong



<b>Investment manager</b>	<b>China Everbright Securities (HK) Limited</b> 24/F., Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
<b>Custodian</b>	<b>Bank of Communications Trustee Limited</b> 1/F., Far East Consortium Building 121 Des Voeux Road Central Hong Kong
<b>Administrator</b>	<b>Amicorp Hong Kong Limited</b> Rooms 2103–4 21/F Wing On Centre 111 Connaught Road Central Hong Kong
<b>Authorised representatives</b>	Mr. CHAN Cheong Yee Unit 702, 7/F. 135 Bonham Strand Trade Centre 135 Bonham Strand, Sheung Wan Hong Kong  Mr. TAI Man Hin Tony Unit 702, 7/F. 135 Bonham Strand Trade Centre 135 Bonham Strand, Sheung Wan Hong Kong
<b>Company secretary</b>	Mr. TAI Man Hin Tony (CPA, ACA, FCCA)

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

<b>Name</b>	<b>Address</b>
<i>Executive Directors</i>	
Mr. GU Xu	Unit 702, 7/F. 135 Bonham Strand Trade Centre 135 Bonham Strand, Sheung Wan Hong Kong

Mr. CHAN Cheong Yee  
Unit 702, 7/F.  
135 Bonham Strand Trade Centre  
135 Bonham Strand, Sheung Wan  
Hong Kong

*Independent Non-executive Directors*

Mr. LEUNG Wai Lim  
Unit 702, 7/F.  
135 Bonham Strand Trade Centre  
135 Bonham Strand, Sheung Wan  
Hong Kong

Mr. SUN Boquan  
Unit 702, 7/F.  
135 Bonham Strand Trade Centre  
135 Bonham Strand, Sheung Wan  
Hong Kong

Mr. CHONG Ching Hoi  
Unit 702, 7/F.  
135 Bonham Strand Trade Centre  
135 Bonham Strand, Sheung Wan  
Hong Kong

**(b) Profiles of Directors**

*Executive Directors*

**Mr. GU Xu (“Mr. Gu”)**, aged 55, Chairman and Chief Executive Officer of the Company, is responsible for the provision of leadership to the Board and the Company’s business development and daily management generally. Mr. Gu was appointed as Chairman and Chief Executive Officer on 28 May 2015 and has been appointed as executive Director since 25 November 2010. Mr. Gu completed a bachelor’s degree majoring in Economics from Shanghai University of Finance and Economics 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 and The University of Hong Kong in 2003. Mr. Gu has accumulated 24 years’ experience in asset management, investment and financial management in both financial conglomerate and private company. He is the chairman of 上海東晟投資管理有限公司 (Shanghai Dongsheng Investment Management Co., Ltd.). Mr. Gu has been appointed as independent supervisor of 蘇州金融租賃股份有限公司 (Suzhou Financial Leasing Co., Ltd) in May 2016. Mr. Gu has also been appointed as independent non-executive director of COSCO SHIPPING Development Co., Ltd. (2866.HK), a company listed both in Hong Kong and Shanghai, subsequent to his resignation as independent supervisor in March

2018. Furthermore, Mr. Gu was the president of Henan Zhong Yuan Lian Chuang Investment Fund Management Company Limited from October 2015 to December 2018.

**Mr. CHAN Cheong Yee (“Mr. Chan”)**, aged 56, has been appointed as an executive Director since 1 June 2013. Mr. Chan is one of the responsible officers of China Everbright Securities (HK) Limited. Mr. Chan is currently a licensed person to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading) and type 9 (asset management) regulated activities under the SFO. Mr. Chan obtained a Bachelor of Science degree from the College of Business Administration of The University of South Florida in the United States of America. Mr. Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules. Mr. Chan is currently as an executive director of China Innovation Investment Limited (1217.HK), China Investment and Finance Group Limited (1226.HK), China Investment Development Limited (204.HK), Capital VC Limited (2324.HK) and National Investments Fund Limited (1227.HK), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan is also as an executive director of China Trend Holdings Limited (8171.HK), a company listed on the GEM of the Stock Exchange. He was an independent non-executive director of Agritrade Resources Limited (1131.HK) from June 2010 to October 2015. He was an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange, from May 2013 to April 2018. Mr. Chan was appointed as an independent non-executive director of Bingo Group Holdings Limited (8220.HK) in August 2007, and redesignated as an executive director from April 2009 to September 2018.

*Independent Non-executive Directors*

**Mr. LEUNG Wai Lim (“Mr. Leung”)**, aged 47, has been appointed as an independent non-executive Director since 10 October 2018. He is the Chairman of the Nomination Committee as well as a member of the Audit Committee and Remuneration Committee of the Company. Mr. Leung obtained a bachelor’s degree in law from University of Wales in United Kingdom in July 1995. He was admitted to practise law as a solicitor in Hong Kong in August 1999 and in England and Wales in April 2001. Mr. Leung is currently an independent non-executive director of Shun Wo Group Holdings Limited (1591.HK), and Yield Go Holdings Ltd. (1796.HK), both shares of which are listed on the Main Board of the Stock Exchange. He is an adjudicator appointed to the Panel of Adjudicators (Control of Obscene and Indecent Articles) (established under the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)) and a member of the Board of Review (Inland Revenue Ordinance) in Hong Kong. He is also a panel member appointed by the Secretary for Transport and Housing to the Transport Tribunals’ Panel and a member of the Transportation and Logistics Committee (co-option) of the Law Society of Hong Kong SAR. Mr. Leung has over 21 years of law related working experience.

He has been a partner of Howse Williams Bowers since May 2015. He was employed by DLA Piper from February 2001 to April 2009 at which his last position was partner. He was then employed by Eversheds from May 2009 to April 2015 at which his last position was partner.

**Mr. SUN Boquan (“Mr. Sun”)**, aged 68, has been appointed as an independent non-executive Director since 5 June 2019. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He has obtained a master degree in business administration from Nan Kai University (南開大學), the People’s Republic of China in 2005. He was the deputy bureau head of Tianjin Public Utility Bureau (天津市公用局) in September 1997, and was subsequently appointed as the chairman of 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited) in July 2000. During the period from August 2004 to September 2011, Mr. Sun acted as a non-executive director of Tianjin Tianlian Public Utilities Company Limited (currently known as Tianjin Jinran Public Utilities Company Limited), a company now listed on the Main Board of the Stock Exchange (Stock Code: 1265). Mr. Sun was the chairman of 天津燃氣協會 (Tianjin Gas Society) and the vice chairman of 中國燃氣學會 (China Gas Society) from 2011 to 2013. Mr. Sun was an independent non-executive director of Ming Hing Holdings Limited (currently known as Peace Map Holding Limited), a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 402), for the period from October 2006 to March 2009.

**Mr. CHONG Ching Hoi (“Mr. Chong”)**, aged 37, has been appointed as an independent non-executive Director since 22 December 2017. He is the chairman of each of the Audit Committee and Remuneration Committee as well as a member of the Nomination Committee of the Company. Mr. Chong graduated from the Hong Kong University of Science and Technology with a bachelor degree of Business Administration in Accounting in November 2004. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has more than 12 years of experience in audit, accounting, financial reporting and compliance. Mr. Chong is currently the chief financial officer and company secretary of Hao Bai International (Cayman) Limited (“HBIC”), a company listed on the GEM of the Stock Exchange (8431.HK). He has joined HBIC since March 2016 and is responsible for its compliance and corporate governance, preparing group’s consolidated financial statements as well as reviewing and implementing effective financial policies and internal control procedures.

## 11. EXPENSES

The expenses in connection with the Rights Issue, including professional fees payable to lawyers, reporting accountants and financial printer, etc., are estimated to be approximately HK\$0.9 million and will be payable by the Company.

## 12. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

## 13. INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS

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

### **Investment Objectives**

The Company may invest its funds (including but not limited to surplus funds, or funds not designated for specific purpose, or any funds realised from realisation of any investment) (collectively the “**Company’s Funds**”) in such forms and terms in compliance with this investment policy and considered by the Board or any delegates of the Board to be appropriate through investing the Company’s Funds in diversified portfolio of investments products including listed or unlisted securities, unit trust funds, derivatives, futures, warrants, options, bonds or such other investments as the Board, or such committees or person as the Board may authorise, may decide from time to time, so as to achieve capital appreciation.

### **Investment Policy**

The investment policies of the Company shall be as follows:

- (i) **Forms of Investment:** The Company’s Funds may be invested in (i) equity securities, equity-related securities, cash deposits, fixed deposits, trusts, unit trusts, mutual funds, derivatives, futures, warrants, options, bonds or debt instruments (collectively, the “**Investment Tools**”) issued by listed or unlisted enterprises established and/or conducting business in or outside Hong Kong, or (ii) in the form of interests in private companies, establishment of a partnership or participation in unincorporated investments, or (iii) such other types of investments in accordance with the investment objective and policies adopted by the Company from time to time, subject to the requirements of the memorandum and articles of association of the Company and the Listing Rules;

- (ii) **Industries to be invested in:** The Company's Funds shall normally be invested in the Investment Tools issued by any listed or unlisted companies engaged in different industries including, but not limited to, information technology, telecommunications, biological technology, manufacturing, service, property, internet-related business, financial services, entertainment business and hotel catering, which the Board, the research and operation team of the Company, the investment manager of the Company appointed from time to time, or such committees or person as the Board may authorise from time to time, consider to be of high growth potential or to be with significant potential return, and where appropriate and necessary, to invest in such Investment Tools issued by any listed or unlisted companies in such a variety of industries with a view to maintain a balance in the Company's exposure to different industry sectors in order to minimise the impact on the Company in respect of any downturn in any particular sector in which the Company has investments; where it is not to the benefit of the Company to realise such investments and the market conditions are favourable, the Company may package such investments into equity and/or equity-related products to hedge against unfavourable conditions;
- (iii) **Factors to be considered in making particular investment:** The Company's Funds shall normally be invested in enterprises which are established in their respective fields and in which the Board, the research and operation team of the Company, the Investment Manager, or such committees or person as the Board may authorize from time to time, believes there are potential prospects for possible growth. In particular, the Company shall seek to identify enterprises with competitive products and concepts, strong management, high level of technical expertise and research and development capabilities, large potential markets, as well as management commitment to the long-term growth;
- (iv) **Investment in entities in recovery situation:** The Company's Funds may also be invested in companies or other entities which are considered by the Board, or such committees or person as the Board may authorise from time to time, as being special or in recovery situations on a case-by-case basis, such as companies in the course of recovery situations or the shares of which are trading below their net asset value per share, which may have potential to attain growth within the foreseeable future which may provide attractive returns to the Company;
- (v) **Additional factor in making investment decision:** Where possible (but not compulsory), the Company's Funds shall be invested in entities where there is a certain degree of synergy with other investee entities and where co-operation between such companies would be of mutual benefit to each other;
- (vi) **Term of investment:** The actual holding period of the Investment Tools shall be dependent on the return from investment, the prospect of the investee entities, and/or the potential of being listed on the Stock Exchange or other internationally recognised stock exchanges. The Company may, however, realise investments where the Board, the research and operation team of the Company, the Investment Manager, or such committees or person as the Board may

authorise from time to time, believes that such realisation would be in the best interests of the Company and its shareholders as a whole or where the terms on which such realisation can be made are considered by the Board to be particularly favourable to the Company; and

- (vii) **Preservation of Company's Funds:** Before suitable investments are identified, the Company may seek to protect the capital value of the Company's Funds by placing the funds not deployed on deposits in Hong Kong Dollars or any currency with financial institutions in Hong Kong or investing in debt securities, money market instruments, bonds, treasury securities or other instruments denominated in any currency. The Company may also engage in transactions in options and futures which are traded on recognised securities exchanges, futures exchanges or other over-the-counter markets.

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

### **Investment Restriction**

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

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

The Company has to comply with investment restrictions (ii) and (iii) above at all times while it remains as an investment company under Chapter 21 of the Listing Rules. The investment restriction (i) above can be changed by a resolution of the Board without Shareholders' approval. Save for the unlisted securities, as at the Latest Practicable Date, the Company has no present intention to invest in options, warrants, commodities, futures contracts or precious metals.

## 14. INVESTMENT PORTFOLIO

Details of all the Company's financial assets at fair value through profit or loss as at 31 December 2018 and 30 June 2019 respectively are as follows:

**At 30 June 2019****Listed Equity Securities – Hong Kong**

	Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss)	Net assets attributable to the Company	Dividend received/ receivable during the Period	% of gross assets of the Company
					HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(a)	Kin Pang Holdings Limited	The Cayman Islands	36,570,000 ordinary shares of HK\$0.01 each	3.66%	16,295	14,079	(2,216)	MOP7.82 million	–	14.50
(b)	Power Financial Group Limited	Bermuda	88,510,000 ordinary shares of HK\$0.01 each	3.18%	18,776	9,205	(9,571)	HK\$46.64 million	–	9.48
(c)	Evershine Group Holdings Limited	Hong Kong	7,911,000 ordinary shares	0.44%	9,783	6,487	(3,296)	HK\$0.54 million	–	6.68
(d)	Earthasia International Holdings Limited	The Cayman Islands	1,584,000 ordinary shares of HK\$0.01 each	0.33%	6,409	6,209	(200)	HK\$0.30 million	–	6.39
(e)	Century Ginwa Retail Holdings Limited	Bermuda	23,916,000 ordinary shares of HK\$0.10 each	2.08%	7,155	6,099	(1,056)	RMB82.33 million	–	6.28
(f)	Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	3,144	(38,691)	HK\$15.88 million	–	3.24
(g)	Dongfang Modern Agriculture Holding Group Limited	Australia	803,000 ordinary shares	0.19%	3,974	3,612	(362)	RMB5.40 million	–	3.72
(h)	Crater Gold Mining Limited	Australia	35,000,000 ordinary shares	2.85%	2,678	2,304	(374)	AUD(0.27) million	–	2.37



*Private Equity – British Virgin Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Period HK\$'000	% of gross assets of the Company
(i) Gransing Financial Group Limited	British Virgin Islands	48 shares of USD1 each	17.52%	42,799	24,607	(18,192)	HK\$26.92 million	-	25.34

*Private Equity – Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Period HK\$'000	% of gross assets of the Company
(j) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	7,270	(11,730)	HK\$7.19 million	-	7.49

**At 31 December 2018***Listed Equity Securities – Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Year HK\$'000	% of gross assets of the Company
Kin Pang Holdings Limited	The Cayman Islands	34,980,000 ordinary shares of HK\$0.01 each	3.50%	16,314	14,867	(1,447)	MOP7.33 million	-	16.21
Power Financial Group Limited (Formerly known as Jun Yang Financial Holdings Limited)	Bermuda	126,400,000 ordinary shares of HK\$0.01 each	4.54%	27,563	10,744	(16,819)	HK\$65.55 million	-	11.72
Evershine Group Holdings Limited	Hong Kong	4,047,000 ordinary shares	0.22%	5,337	5,099	(238)	HK\$0.31 million	-	5.56

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Year HK\$'000	% of gross assets of the Company
Hanvey Group Holdings Limited	The Cayman Islands	25,960,000 ordinary shares of HK\$0.01 each	2.60%	8,672	4,543	(4,129)	HK\$2.00 million	–	4.95
China Construction Bank Corporation	PRC	520,000 ordinary shares of RMB1 each	–	3,317	3,354	37	RMB4.11 million	–	3.66
China Life Insurance Company Limited	PRC	194,000 ordinary shares of RMB1 each	–	3,194	3,228	34	RMB0.06 million	–	3.52
Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	3,144	(38,691)	HK\$16.03 million	–	3.43
Earthasia International Holdings Limited	The Cayman Islands	500,000 ordinary shares of HK\$0.01 each	0.12%	1,750	2,385	635	HK\$0.16 million	–	2.60

***Private Equity – British Virgin Islands***

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) HK\$'000	Net assets attributable to the Company	Dividend received/receivable during the Year HK\$'000	% of gross assets of the Company
Gransing Financial Group Limited (Formerly known as Morris Global Group Limited)	British Virgin Islands	48 shares of USD1 each	17.52%	42,799	24,607	(18,192)	HK\$26.92 million	–	26.84

*Private Equity – Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised gain/(loss) recognised HK\$'000	Net assets	Dividend	% of gross
							attributable to the Company	received/ receivable during the Year	assets of the Company
Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	7,270	(11,730)	HK\$7.19 million	-	7.93

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

- (a) Kin Pang Holdings Limited (“**Kin Pang**”) is principally engaged in the provision of building and ancillary services. The audited profit attributable to shareholders of Kin Pang for the year ended 31 December 2018 was approximately MOP16,835,000 and the audited net assets attributable to shareholders of Kin Pang as at 31 December 2018 was approximately MOP213,709,000. Kin Pang will be expanding its scale of operation through seeking opportunities in undertaking additional building and ancillary services projects and emergency repair services projects. The fair value of the investment in Kin Pang is based on quoted market bid prices.
- (b) Power Financial Group Limited (“**Power Financial**”) is principally engaged in financial businesses. The unaudited loss attributable to shareholders of Power Financial for the six months ended 30 June 2019 was approximately HK\$2,957,000 and the unaudited net assets attributable to shareholders of Power Financial as at 30 June 2019 was approximately HK\$1,466,681,000. Power Financial will target for high yield bonds with short to medium term maturities that serve as a stable and fixed income base, providing monetary back-up for other business development such as securities/fund/bond investment opportunities. The fair value of the investment in Power Financial is based on quoted market bid prices.
- (c) Evershine Group Holdings Limited (“**Evershine Group**”) is mainly engaged in property development and investment business. The unaudited loss attributable to shareholders of Evershine Group for the six months ended 30 June 2019 was approximately HK\$10,671,000 and the unaudited net assets attributable to shareholders of Evershine Group as at 30 June 2019 was approximately HK\$122,308,000. The property development and investment business will become a significant part of Evershine Group’s business as a whole in its future plan. Evershine Group will continue to make tremendous efforts in attracting potential buyers in China, Hong Kong and Turkey in the future. The fair value of the investment in Evershine Group is based on quoted market bid prices.

- (d) Earthasia International Holdings Limited (“**Earthasia**”) is principally engaged in landscape architecture in Hong Kong, the Mainland China and the Philippines. The audited loss attributable to shareholders of Earthasia for the year ended 31 December 2018 was approximately HK\$36,039,000 and the audited net assets attributable to shareholders of Earthasia as at 31 December 2018 was approximately HK\$91,639,000. Earthasia will continue to explore new business and investment opportunities that may generate additional income to them. As to landscape architecture and catering segment, Earthasia believes their efforts can broaden the revenue streams of Earthasia and will have overall improvements in 2019. The fair value of the investment in Earthasia is based on quoted market bid prices.
- (e) Century Ginwa Retail Holdings Limited (“**Century Ginwa**”) is principally engaged in store operation. The audited loss attributable to shareholders of Century Ginwa for the year ended 31 March 2019 was approximately RMB261,575,000 and the audited net assets attributable to shareholders of Century Ginwa as at 31 March 2019 was approximately RMB3,958,271,000. Based on the successful practice and experience of the trendy department store and the supermarket business of Century Ginwa, Century Ginwa will continue to strive for the healthy growth of scale for coverage of second and third-tier cities. The fair value of the investment in Century Ginwa is based on quoted market bid prices.
- (f) Town Health International Medical Group Limited (“**Town Health**”) is principally engaged in the provision of healthcare and dental services, managed care business and beauty and cosmetic medicine business. The audited profit attributable to shareholders of Town Health for the year ended 31 December 2018 was approximately HK\$64,014,000 and the audited net assets attributable to shareholders of Town Health as at 31 December 2018 was approximately HK\$4,071,271,000. The trading of shares of Town Health has been suspended since 27 November 2017. Town Health will maintain its leading position in the healthcare market of Hong Kong and they will expand its healthcare business in the PRC aiming to become the leading corporation in healthcare industry. The fair value of the investment in Town Health is based on valuation by independent valuer.
- (g) Dongfang Modern Agriculture Holding Group Limited (“**Dongfang Modern**”) is principally engaged in supplying premier quality, fresh fruit and camellia in Eastern China. The audited profit attributable to shareholders of Dongfang Modern for the year ended 31 December 2018 was approximately RMB405,176,000 and the audited net assets attributable to shareholders of Dongfang Modern as at 31 December 2018 was approximately RMB2,843,463,000. The trading of shares of Dongfang Modern has been suspended since 11 June 2019. Dongfang Modern implemented measures to

expand production through increasing plantation yield and efficiency, as well as improving fruit quality. The fair value of the investment in Dongfang Modern is based on quoted market bid prices.

- (h) Crater Gold Mining Limited (“**Crater Gold Mining**”) is principally engaged in producing gold and developing gold and base metal projects in Papua New Guinea and Australia. The audited loss attributable to shareholders of Crater Gold Mining for the six months ended 31 December 2018 was approximately AU\$3,592,899 and the audited net liabilities attributable to shareholders of Crater Gold Mining as at 31 December 2018 was approximately AU\$9,343,842. Crater Gold Mining is well positioned to continue to grow through acquisition and improving the performance of their existing plantations. The fair value of the investment in Crater Gold Mining is based on quoted market bid prices.
- (i) Gransing Financial Group Limited (“**Gransing Financial**”) is principally engaged in provision of quality brokerage, corporate finance, asset management, money lending and financial adviser services to institutional and individual investors in Hong Kong and Mainland China through its subsidiaries. The unaudited loss attributable to shareholders of Gransing Financial for the financial year ended 31 December 2018 was approximately HK\$20,700,000 and the unaudited net assets attributable to shareholders of Gransing Financial as at 31 December 2018 was approximately HK\$153,678,000. Gransing Financial has recently signed co-operative agreement with state-owned enterprises in Mainland China and it has high growth potential with its new business. The fair value of the investment in Gransing Financial is based on valuation by independent valuer.
- (j) Help U Credit Finance Limited (“**Help U**”) is principally engaged in money lending business in Hong Kong. Help U is a licensed money lender and provides secured and unsecured loans to both individuals and corporations. The unaudited loss attributable to shareholders of Help U for the nine months ended 31 December 2018 was approximately HK\$42,550,000 and the unaudited net assets attributable to shareholders of Help U as at 31 December 2018 was approximately HK\$36,049,000. Help U remains cautious with its future outlook due to uncertain economic condition. The fair value of the investment in Help U is based on valuation by independent valuer.

The top three investments with realised gain and loss for the six months ended 30 June 2019 are summarised as below:

**Top three realised gain for the six months ended 30 June 2019**

<b>Name of investment</b>	<b>Realised gain</b> <i>HK\$'000</i>
Noble Engineering Group Holdings Limited	1,570
AMCO United Holding Limited	453
China Life Insurance Company Limited	43

**Top three realised loss for the six months ended 30 June 2019**

<b>Name of investment</b>	<b>Realised loss</b> <i>HK\$'000</i>
Hydra Capital SPC	37,500
Power Financial Group Limited	4,981
Kin Pang Holdings Limited	329

**15. DISTRIBUTION POLICY**

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

**16. FOREIGN EXCHANGE POLICY**

The Company's investments may be denominated in currencies other than Hong Kong dollars. As such, it may receive income, or make payments in foreign currency and is therefore subject to exchange rate fluctuations. The PRC's system of foreign exchange administration imposes significant restrictions on the ability of enterprises located in the PRC to purchase, retain and make outward remittance of foreign currency. The relevant rules governing exchange control relating to the inflow and outflow of foreign exchange are contained primarily in the Regulations of Foreign Exchange Control (as amended) promulgated on 29 January 1996 and effected on 1 April 1996. In summary, all foreign exchange receipts (from capital injection or sales) must be deposited in the foreign exchange account opened with the designated bank approved to operate foreign exchange business by State Administration of Foreign Exchange ("SAFE"). Foreign exchange under current account items (such as dividends and profits) can be remitted abroad upon presentation of necessary documents, including auditor's report, capital

verification report, foreign exchange registration certificate and tax certificates as well as other documents required by SAFE. Foreign exchange under capital account items (such as interest and repatriation of capital) may be remitted abroad upon presentation of necessary documents and subject to approval of SAFE. The Company may also enter into hedging transactions to seek to reduce risk associated with currency exchange rate.

## 17. TAXATION

### General

The taxation of income and capital gains of the Company is subject to the fiscal law and practice of Hong Kong. The following summary of the anticipated tax treatment generally applicable to the Company in Hong Kong is based on current law and practice subject to changes therein and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares or of exercising any rights attached to them under the laws of the jurisdiction in which they are liable to taxation.

### Hong Kong

The Company will be subject to tax in Hong Kong if it carries on business in Hong Kong and derive Hong Kong sourced profits from such business. In that case, the Company will be subject to profits tax, currently imposed at a rate of 16.5% on any profits (including interest) which arise in or are derived from Hong Kong. Capital gains and offshore profits are not taxable. In this regard, profits derived from the offshore disposal of shares listed or registered outside Hong Kong may in certain circumstances be considered as derived from outside Hong Kong and would, therefore, not attract a Hong Kong profits tax liability. Under current law and practice, no tax will be payable by the Company in Hong Kong in respect of dividends paid by the Company. Gains arising on the sale of shares will be subject to profits tax where derived by certain persons carrying on a trade, profession or business of share dealing in Hong Kong. Hong Kong stamp duty, currently at the rate of 0.1% of the consideration or its value will be payable by the buyer on every purchase, and also by the seller on every sale, of shares (that is, a total of 0.2% is currently payable on a typical sale and purchase transaction). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

### Cayman Islands

The government of the Cayman Islands will not, under the existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or the Shareholders. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties. The Company has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 revision) of the Cayman Islands, for a period of 20 years from the

date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, (i) on or in respect of the Shares, debentures or other obligations of the Company, or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Company to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Company. No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### **PRC**

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which was promulgated on 16 March 2007 as amended and effective on 24 February 2017, the income tax for both domestic and foreign-invested enterprises has been at the same rate of 25% effective since 1 January 2008.

## **18. BORROWING POWERS**

Generally, the Company will not exceed aggregate borrowings of 100% of the latest available net asset value of the Company at the time of any borrowing. Subject thereto, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party. Where the Directors believe it is in the best interests of the Company, the above borrowing restrictions may be altered without Shareholders' approval.

## **19. INFORMATION ON THE INVESTMENT MANAGER**

- (a) Set out below is the information of the investment manager of the Company:

**China Everbright Securities (HK) Limited**

24/F., Lee Garden One 33 Hysan Avenue  
Causeway Bay Hong Kong

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



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

<b>Name</b>	<b>Address</b>
Mr. Li Bingtao	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Mr. Sun Yi	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

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

**Li Bingtao (“Mr. Li”)**

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

**Sun Yi (“Mr. Sun”)**

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

- (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 20 December 2019, the Company 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 2020 to 31 December 2022. The maximum aggregate fee payable by the Company to the Investment Manager under the Investment Management Agreement will not exceed HK\$600,000 per annum. The Investment Manager will provide nondiscretionary investment management services to the Company under the Investment Management Agreement including: (i) identifying, reviewing and evaluating investment and divestment opportunities for the Company and negotiating the terms of such investment and divestment for the Company in accordance with the investment policies of the Company and directions from the Investment Committee of the Company; (ii) providing investment recommendations to the Investment Committee and assisting the Investment Committee in structuring acquisitions and disposals; (iii) executing investment and divestment decisions of the Company in accordance with the instructions of the Investment Committee; and (iv) providing general administrative services.

## 21. CUSTODIAN

Bank of Communications Trustee Limited (the “**Custodian**”), whose address is 1/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, was appointed as the custodian in relation to the investments which the Company may from time to time deposit with the custodian on.

The previous custodian of the Company, Deutsche Bank AG, Hong Kong Branch, Deutsche Bank AG Hong Kong Branch, has ceased its service on 15 August 2019 and the Company has entered into the new custodian agreement with the Custodian (the “**Custodian Agreement**”), which will continue to be in force until terminated by either the Company or the Custodian by giving the other party not less than one month’s advance notice in writing.

Pursuant to the Custodian Agreement, a custody fee at 4 bps (0.04%) per annum of the net asset value of the portfolio of the Company at each month end, subject to a minimum of HKD12,500 per month are payable by the Company to the Custodian.

## 22. RISK FACTORS OF INVESTING IN THE COMPANY

The Company is an investment company and its funds will be invested globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong,

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

### **23. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. TAI Man Hin Tony (CPA, ACA, FCCA) who is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

### **24. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours in any weekday (excluding Saturdays, Sundays and public holidays) at the office of the Company at Unit 702, 7/F., 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;
- (c) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in appendix II of this circular;
- (d) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix;
- (e) the material contract referred to in the paragraph headed "Material Contract" in this appendix; and
- (f) this circular.

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## NOTICE OF EGM

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### CHINA NEW ECONOMY FUND LIMITED

### 中國新經濟投資有限公司

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

**(Stock Code: 80)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**EGM**”) of China New Economy Fund Limited (the “**Company**”) will be held at Room 4608, 46/F., The Center, 99 Queen’s Road Central, Hong Kong at 10:00 a.m. on Friday, 3 April 2020 for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 16 March 2020, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited:
  - (a) every four (4) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of HK\$0.04 (each a “**Consolidated Share**”), and such Consolidated Share(s) 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 (the “**Share Consolidation**”);
  - (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”) of the Company may think fit; and
  - (c) any one of the directors (the “**Directors**”) of the Company be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Share Consolidation and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Share Consolidation and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

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## NOTICE OF EGM

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2. **“THAT** conditional upon the passing of the resolution numbered 1 as set out above and subject to the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the circular of the Company dated 16 March 2020:
- (a) the issue by way of rights shares (the **“Rights Issue”**) of up to 357,473,548 Consolidated Shares (the **“Rights Shares”** and each a **“Rights Share”**) at a subscription price of HK\$0.16 per Rights Share to the qualifying shareholders (the **“Qualifying Shareholders”**) of the Company whose names appear on the register of members of the Company on Monday, 20 April 2020 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue (the **“Record Date”**) (other than those shareholders (the **“Excluded Shareholders”**) with registered addresses outside Hong Kong whom the Directors of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of one (1) Rights Share for every one (1) Consolidated Share then held on the Record Date and pursuant to the terms and conditions as set out in the circular issued by the Company dated 16 March 2020 of which this notice convening the EGM forms part, be and is hereby approved;
  - (b) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Excluded Shareholders as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

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## NOTICE OF EGM

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- (c) any one of the Directors be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Rights Issue and the issue of the Rights Shares and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

By order of the Board

**China New Economy Fund Limited**

**Gu Xu**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 16 March 2020

*Registered office:*

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

*Principal place of business:*

Unit 702, 7/F.  
135 Bonham Strand Trade Centre  
135 Bonham Strand, Sheung Wan  
Hong Kong

*Notes:*

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

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## NOTICE OF EGM

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- (6) The register of members of the Company will be closed from Tuesday, 31 March 2020 to Friday, 3 April 2020 both days inclusive, during which period no transfer of shares of the Company can be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 30 March 2020.