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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



THE PLACING

On 28 April 2021 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 120,029,845 Placing Shares to the Placees who and whose ultimate beneficial owners will be Independent Third Parties at a price of HK\$0.18 per Placing Share.

The Placing Price of HK\$0.18 per Placing Share represents (i) a discount of 11.8% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of 12.0% to the average of the closing prices per Share of HK\$0.2046 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day.

The maximum Placing Shares of 120,029,845 Shares represent approximately 20% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the Placing.

The Placing Shares are to be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 29 May 2020.

The maximum gross proceeds from the Placing will be approximately HK\$21.61 million. The net proceeds, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK\$21.21 million, representing a net issue price of approximately HK\$0.177 per Placing Share.

The Company intends to use the net proceeds arising from the Placing for future investments and business development pursuant to the investment objectives of the Company and the general working capital of the Company.

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the condition set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

28 April 2021

Issuer

The Company

Placing Agent

Sorrento Securities Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties. The Placing Agent will charge the Company a placing commission of 0.5% of the aggregate Placing Price for the Placing Shares. The Placing commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the prevailing commission rate charged by other placing agents and the size of the Placing. The Directors consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Placees

The Placing Shares will be placed to not less than six (6) Placees which shall be Professional Investors and Independent Third Parties. Upon Completion, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after Completion, further announcement will be made by the Company.

Number of Placing Shares

The maximum Placing Shares of 120,029,845 Shares represent approximately 20% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the Placing. The maximum nominal value of the Placing Shares under the Placing will be HK\$4,801,194.

Placing Price

The Placing Price of HK\$0.18 per Placing Share represents (i) a discount of 11.8% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of 12.0% to the average of the closing prices per Share of HK\$0.2046 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day.

The Placing Price was determined and negotiated on an arm's length basis between the Company and the Placing Agent with reference to the recent market prices of the Shares. Given the size of the Placing Shares involved, the Directors consider that the Placing Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of Placing Shares

The Placing Shares shall rank pari passu in all respects among themselves and with the existing issued Shares on the date of allotment and issue of the Placing Shares.

Condition of the Placing

The Placing is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Placing Shares. If the above condition is not fulfilled by 31 May 2021 (or such other date as may be agreed by the parties thereto), the Placing Agreement will be terminated forthwith and cease to have any effect and neither party shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may have accrued under the Placing Agreement prior to such termination.

Completion

The Placing shall complete on the third business day after the satisfaction of the condition set out above (or such later date as may be agreed by the parties thereto).

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

General Mandate to issue the Placing Shares

The issue of the Placing Shares is not subject to Shareholders' approval.

The Placing Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 29 May 2020, subject to the limit up to 120,029,845 Shares (representing approximately 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). The 120,029,845 Placing Shares to be allotted and issued under the Placing utilises all of the General Mandate. As at the date of this announcement, the Company has not utilised the General Mandate.

Termination

The Placing Agent shall be entitled by notice to the Company given prior to 6:00 p.m. on the day immediately preceding the date of Completion to terminate the Placing Agreement if:

- (i) any Specified Event or force majeure event comes to the notice of the Placing Agent; or
- (ii) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the reasonable opinion of the Placing Agent and in its reasonable discretion may materially and adversely affect the business or financial condition or prospects of the Company as a whole; or
 - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the reasonable opinion of the Placing Agent and in its reasonable discretion will, or may be expected to, have a material adverse effect on the Placing; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the reasonable opinion of the Placing Agent and in its reasonable discretion has or may have a material adverse effect on the Placing; or

(iii) there is any adverse change in the business or in the financial or trading position of the Company taken as a whole which being unaware of by the Placing Agent and in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Placing.

If notice is given pursuant to the above, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any rights or obligations which may have accrued under the Placing Agreement prior to such termination.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The changes of the shareholding structure of the Company as a result of the Placing are as follows:

Shareholders	As at the date of this announcement		Immediately after Completion assuming all the Placing Shares have been placed out	
	Number of Shares	Approximate percentage of shareholding %	Number of Shares	Approximate percentage of shareholding %
Kingsway Lion Spur Technology Limited (Note 1)	69,715,000	11.61	69,715,000	9.68
<i>Director</i>				
Wang Dingben	68,330,000	11.39	68,330,000	9.49
<i>Public Shareholders</i>				
Other Public Shareholders	462,104,228	77.00	462,104,228	64.16
Places	—	—	120,029,845	16.67
Total	600,149,228	100.00	720,179,073	100.00

Note:

- To the best information, knowledge and belief of the Directors, Kingsway Lion Spur Technology Limited (“KLSTL”), which owns 69,715,000 shares of the Company, is a wholly owned subsidiary of Festival Developments Limited (“FDL”). FDL is wholly owned by Sunwah Kingsway Capital Holdings Limited (“SKCHL”). Mr. Choi Koon Shum (“Mr. Choi”) is holding 54.83% of the issued share capital of SKCHL.

REASONS FOR THE PLACING AND USE OF PROCEEDS

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

The Board considers that the Placing represents a good opportunity to raise additional funds to strengthen the Company's financial position and to meet its financial obligations. It will also widen the Company's shareholder base and hopefully improve the liquidity of the Shares. The Board also considers that the terms of the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming all the Placing Shares have been placed out, the maximum gross proceeds from the Placing will be approximately HK\$21.61 million. The net proceeds, after the deduction of the placing commission and other related expenses, are estimated to be approximately HK\$21.21 million, representing a net issue price of approximately HK\$0.177 per Placing Share.

The Company intends to use the net proceeds arising from the Placing as to 90% for future investments and business development pursuant to the investment objectives of the Company and as to 10% for the general working capital of the Company to meet the running expenses of the Company such as rental and staff costs. It is the present intention of the Board that the funds shall be invested in new economy industries including but not limited to e-commerce and e-payment sectors subject to further evaluation and advice from the Company's investment manager.

FUND-RAISING ACTIVITY OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company had not conducted any fund-raising activities involving issue of its securities in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds and intended use of proceeds	Actual use of net proceeds
16 March 2020	Rights issue on the basis of one rights share for every one consolidated share held on the record date at the subscription price of HK\$0.16 per rights share	Approximately HK\$33.7 million for investment in line with its ordinary course of business, approximately HK\$3.7 million for working capital of the Company and approximately HK\$2.2 million, for repayment of margin payable to a broker and settlement of interest expenses	repayment of margin payable to a broker and settlement of interest expenses in its entirety and the remaining sum will be applied for investment and working capital of the Company

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associates”	has the meaning ascribed thereunder the Listing Rules
“Board”	the board of Directors
“Company”	China New Economy Fund Limited (stock code: 80), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange

“Completion”	completion of the placing of the Placing Shares in accordance with the terms and conditions as set out in the Placing Agreement
“connected persons”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 29 May 2020, pursuant to which a maximum of 120,029,845 new Shares may fall to be allotted and issued as at the date of this announcement
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive and substantial Shareholders of the Company or their respective associates
“Last Trading Day”	28 April 2021, being the last trading day for the Shares prior to the issue of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any Professional Investors procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing, on a best efforts basis, of up to 120,029,845 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Sorrento Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 28 April 2021 and entered into between the Company and the Placing Agent in relation to the Placing

“Placing Price”	HK\$0.18 per Placing Share
“Placing Shares”	up to 120,029,845 new Shares to be placed under the Placing
“Professional Investor”	has the meaning as ascribed thereto in Part 1 of Schedule 1 to the SFO and any rules made thereunder
“SFO”	the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Share(s)”	ordinary issued share(s) of HK\$0.04 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specified Event”	means an event occurring or matter arising on or after the date of the Placing Agreement and prior to the date of Completion which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of the undertakings, warranties and representations given by the Company in the Placing Agreement untrue or incorrect and such would have an adverse impact/effect on the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the Board
China New Economy Fund Limited
GU Xu

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 April 2021

As at the date of this announcement, the Board comprises Mr. GU Xu and Mr. CHAN Cheong Yee as executive Directors; Mr. WANG Dingben and Mr. CHOW Yeung Tuen Richard as non-executive Directors; Mr. LEUNG Wai Lim, Mr. SUN Boquan and Mr. CHONG Ching Hoi as independent non-executive Directors.