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CHINA NEW ECONOMY FUND LIMITED

中國新經濟投資有限公司

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

(Stock Code: 80)

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

The Company proposes to implement the Capital Reduction involving the reduction of the par value of each issued Shares from HK\$0.50 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.49 per issued Ordinary Share so that following such reduction, each issued Ordinary Share with a par value of HK\$0.50 in the share capital of the Company shall become one New Ordinary Share. The credit arising from the Capital Reduction will be applied towards offsetting the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company. The balance of credit (if any) will be transferred to the distributable reserve account of the Company which may be utilised by the Directors as a distributable reserve.

Immediately following the Capital Reduction becoming effective, each authorised but unissued Ordinary Share will be sub-divided into 50 unissued New Ordinary Shares with a par value of HK\$0.01 each.

As at the date of this announcement, 1,168,246,794 Ordinary Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 1,168,246,794 issued Ordinary Shares will be reduced from HK\$0.50 to HK\$0.01 per issued Ordinary Share by cancelling the paid up share capital to the extent of HK\$0.49 per issued Ordinary Share by way of a reduction of capital, so as to form issued New Ordinary Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$584,123,397 will be reduced by HK\$572,440,929.06 to HK\$11,682,467.94.

The Capital Reduction and the Sub-division are conditional upon fulfillment of the conditions contained in the section headed "Conditions of the Capital Reduction and the Sub-division" in this announcement.

A circular containing, among other matters, details of the Capital Reduction and the Sub-division, together with a notice of EGM and the related proxy form, will be sent to the Shareholders on or before 21 August 2018.

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 2,000,000,000 Ordinary Shares, of which 1,168,246,794 Ordinary Shares have been issued and are fully paid or credited as fully paid. The Board proposes the Capital Reduction and the Sub-division to be implemented in the following manner:

- (i) the par value of each of the issued Ordinary Shares be reduced from HK\$0.50 to HK\$0.01 per issued Ordinary Share by cancelling the paid up share capital to the extent of HK\$0.49 per issued Ordinary Share by way of a reduction of capital, so as to form issued New Ordinary Shares with par value of HK\$0.01 each;
- (ii) the credit arising from the Capital Reduction be applied towards offsetting the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company. The balance of credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate;
- (iii) immediately following the Capital Reduction, each of the authorised but unissued Ordinary Shares with par value of HK\$0.50 each be subdivided into 50 New Ordinary Shares with par value of HK\$0.01 each; and
- (iv) each of the New Ordinary Shares arising from the Capital Reduction and Sub-division shall rank pari passu in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reduction and the Sub-division become effective, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Capital Reduction and the Sub-division becoming effective
Par value per Share	HK\$0.50	HK\$0.01
Amount of the authorised share capital		
– <i>Ordinary Shares</i>	HK\$1,000,000,000	HK\$1,000,000,000
Number of authorised shares		
– <i>Ordinary Shares</i>	2,000,000,000 Ordinary Shares	100,000,000,000 New Ordinary Shares
Amount of the issued share capital	HK\$584,123,397	HK\$11,682,467.94
Number of issued shares	1,168,246,794 Ordinary Shares	1,168,246,794 New Ordinary Shares

The size of each board lot of the New Ordinary Shares will remain the same as that of the Shares, being 20,000 New Ordinary Shares per board lot. The New Ordinary Shares will rank pari passu in all respects with each other.

As at the date of this announcement, 1,168,246,794 Ordinary Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 1,168,246,794 issued Ordinary Shares will be reduced from HK\$0.50 to HK\$0.01 per issued Ordinary Share by cancelling the paid up share capital to the extent of HK\$0.49 per issued Ordinary Share by way of a reduction of capital, so as to form issued New Ordinary Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$584,123,397 will be reduced by HK\$572,440,929.06 to HK\$11,682,467.94.

As at the date of this announcement, the Company has no outstanding share options, warrants or convertible bonds.

Reasons for and Effects of the Capital Reduction and the Sub-division

The proposed Capital Reduction and Sub-division will enable the par value of the Shares to be reduced from HK\$0.50 to HK\$0.01 each. The credit arising from the Capital Reduction will be applied towards offsetting the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company. The balance of

credit (if any) will be transferred to the distributable reserve account of the Company which may be utilised by the Directors as a distributable reserve.

The Board is of the opinion that the proposed Capital Reduction will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future. In addition, the Board considers that the Capital Reduction and Sub-division will enable the nominal or par value of the Shares to be reduced from HK\$0.50 to HK\$0.01 each, thus giving greater flexibility to the Company to issue new Shares in the future given that the Company is not permitted, without order of the Court, to issue new Shares below their nominal or par value. It is important for Shareholders to note that, at this stage, there can be no assurance that any dividends will be declared or paid in the future, or that the Company will issue New Ordinary Shares, even if the Capital Reduction and the Sub-division take effect.

As such, the Directors are of the view that the Capital Reduction and the Sub-division are in the best interests of the Company and its Shareholders as a whole.

Save for applying the credit arising from the Capital Reduction towards offsetting the accumulated loss of the Company and the expenses to be incurred in relation to the Capital Reduction and the Sub-division, the Directors consider that the Capital Reduction and the Sub-division will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

Conditions of the Capital Reduction and the Sub-division

The Capital Reduction and the Sub-division are conditional on the following conditions being fulfilled:

- (i) the Shareholders' approval by way of special resolution at the EGM to be convened and held to consider and, if thought fit, approve, among other things, the Capital Reduction and the Sub-division;
- (ii) an order being made by the Court confirming the Capital Reduction;
- (iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction; and
- (v) the Listing Committee granting the listing of, and permission to deal in, the New Ordinary Shares arising from the Capital Reduction and the Sub-division.

The Capital Reduction and the Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction and the Sub-division at the EGM, the legal advisors to the Company (as to the Cayman Islands Law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed.

Listing and Dealings

Application will be made to the Listing Committee for the listing of, and permission to deal in, the New Ordinary Shares arising from the Capital Reduction and the Sub-division.

The New Ordinary Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the New Ordinary Shares on the Stock Exchange, the New Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Ordinary Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free Exchange of Certificates for New Ordinary Shares

As the Court hearing date(s) has yet to be fixed, the effective date of the Capital Reduction is not ascertainable at present. Should the Capital Reduction and the Sub-division become effective, Shareholders may submit existing certificates for the Ordinary Shares to the registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for exchange, at the expense of the Company, within one month from the effective date of the Capital Reduction and the Sub-division, for certificates for the New Ordinary Shares. Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reduction and the Sub-division is ascertained.

All existing certificates of the Ordinary Shares will continue to be evidence of title to such Ordinary Shares and be valid for delivery, trading and settlement purpose.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other matters, the Capital Reduction and the Sub-division. A circular containing, among other things, further details of the Capital Reduction and the Sub-division, together with a notice convening the EGM and the related proxy form, will be despatched by the Company to the Shareholders on or before 21 August 2018.

As no Shareholders have a material interest in the Capital Reduction and the Sub-division, no Shareholders will be required to abstain from voting on the resolutions to approve the Capital Reduction and the Sub-division.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below.

“Board”	the board of the Directors
“Capital Reduction”	the reduction of the issued share capital of the Company by reducing the par value of each issued Ordinary Share from HK\$0.50 to HK\$0.01 by cancelling the paid up share capital to the extent of HK\$0.49 per issued Ordinary Share
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	China New Economy Fund Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 80)
“Court”	The Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Capital Reduction and the Sub-division
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	has the meaning attributed to that term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Ordinary Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction and the Sub-division becoming effective
“Ordinary Share(s)”	ordinary share(s) with par value of HK\$0.50 each in the share capital of the Company prior to the Capital Reduction and the Sub-division becoming effective
“Share(s)”	Ordinary Share(s)
“Shareholder(s)”	holder(s) of the Ordinary Share(s) or the New Ordinary Share(s), as case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-division”	the sub-division of each authorised but unissued Ordinary Share into 50 unissued New Ordinary Shares
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

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

Hong Kong, 1 August 2018

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