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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, 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 the Prospectus Documents to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in Appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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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)**

## RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

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

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 prospectus. 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.

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 that there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly. There is no minimum amount which must be raised in order for the Rights Issue to proceed. Pursuant to the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue.

Shareholders should note that the Consolidated Shares have been dealt in on an ex-rights basis 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.

The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Thursday, 7 May 2020. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 10 to 11 of this prospectus.

21 April 2020

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the Rights Issue and the associated trading arrangement:

2020

First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Thursday, 23 April
Original counter for trading in the Consolidated Shares in board lots of 10,000 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 . . . . .	4:30 p.m. on 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
Temporary counter for trading in the Consolidated Shares in board lots of 5,000 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
Refund cheques, if any, to be despatched if the Rights Issue is terminated or in respect of wholly or partially unsuccessful applications for excess Rights Shares on or before . . . . .	Friday, 15 May

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## EXPECTED TIMETABLE

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2020

Certificates for fully paid Rights Shares to be despatched  
on or before . . . . . Friday, 15 May

Designated broker starts to stand in the market to provide  
matching services for odd lots of Shares . . . . . Monday, 18 May

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

Last day for the designated broker to provide for odd lot  
matching . . . . . Monday, 8 June

*All times stated in this prospectus refer to Hong Kong times. Dates stated in the Prospectus Documents 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.*

### **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 prospectus, unless the context otherwise requires, the following terms shall have the following meanings:*

“Announcement”	the announcement of the Company dated 3 March 2020 in relation to, among other things, 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
“Circular”	the circular of the Company dated 16 March 2020 in relation to, among other things, the Share Consolidation and the Rights Issue
“Company”	China New Economy Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability (stock code: 80), the issued shares of which are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company immediately following the Share Consolidation having becoming effective on 7 April 2020
“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
“EGM”	the extraordinary general meeting of the Company held on 3 April 2020 at which, among other things, the Share Consolidation and the Rights Issue have been approved

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## DEFINITIONS

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“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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Latest Practicable Date”	15 April 2020, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“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

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## DEFINITIONS

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“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) issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China (which, for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan)
“Prospectus”	this prospectus
“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
“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 and summarised herein
“Rights Share(s)”	new Consolidated Share(s) to be allotted and issued pursuant to the Rights Issue

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the consolidation of every four (4) issued and unissued ordinary shares of HK\$0.01 each of the Company into one (1) Consolidated Share of HK\$0.04, which has become effective on 7 April 2020
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company before the Share Consolidation becoming effective, 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, Umland House

South Church Street

George Town

Grand Cayman KY1-1104

Cayman Islands

##### *Head office and principal place of business in Hong Kong:*

Unit 702, 7/F.

135 Bonham Strand Trade Centre

135 Bonham Strand

Sheung Wan

Hong Kong

21 April 2020

*To the Qualifying Shareholders and, for information only, the Excluded Shareholders*

Dear Sir or Madam,

### **RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

#### **INTRODUCTION**

Reference is made to the Announcement and the Circular in relation to, among other things, the Rights Issue. The Company proposes to raise a maximum of approximately HK\$55.5 million before expenses, by way of Rights Issue of up to 347,061,698 Rights Shares at the Subscription Price of HK\$0.16 per Rights Share on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance. The Company will provisionally allot to the Qualifying Shareholders one (1) Rights Share in nil-paid form for every one (1) Consolidated Share in issue and held on the Record Date.

The Share Consolidation and the Rights Issue were approved by the Shareholders at the EGM. The Share Consolidation became effective on 7 April 2020.

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## LETTER FROM THE BOARD

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The purpose of this prospectus is to provide you with further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to you and application for excess Rights Shares, together with the financial and other information of the Company.

### RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance
Subscription Price	:	HK\$0.16 per Rights Share
Underwriter	:	Nil
Number of Shares in issue as at the Latest Practicable Date	:	347,061,698 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 347,061,698 Rights Shares
Number of Shares in issue upon completion of the Rights Issue	:	up to 694,123,396 Consolidated Shares

As at the Latest Practicable Date, the Company had 347,061,698 Consolidated Shares in issue and which will remain the same on the Record Date. The maximum of 347,061,698 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 100% of the total number of issued Shares and 50% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

As at the Latest Practicable Date, there are outstanding share options for subscription of an aggregate of 10,411,850 Consolidated Shares under the share option scheme adopted by the Company on 28 May 2015. None of the Share options had been exercised before the Latest Lodging Time. Since the register of members of the Company to determine the entitlement of Rights Issue has closed from Tuesday, 14 April 2020 to Monday, 20 April 2020, issue of new Shares (if any) pursuant to the exercise of the share options after the Latest Lodging Time shall have no impact to the Rights Issue.

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,

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## LETTER FROM THE BOARD

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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.

The Board has not received any information or irrevocable undertakings from any substantial Shareholders of their intention to take up the securities of the Company to be offered to them under the Rights Issue as at the Latest Practicable Date.

### 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 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 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 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 Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a premium of approximately 33.3% over the net asset value of the Company of approximately HK\$0.12 per Consolidated Share based on the unaudited net asset value per Share of HK\$0.03 as at 31 March 2020; and
- (vi) a discount of 1.23% to the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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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:

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

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 or when aggregated with the fund-raising activities of the Company in the past 12 months, as there had been no such fund-raising activities. 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 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 29 February 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

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## LETTER FROM THE BOARD

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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.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders but will only send the Prospectus (without the PAL and the EAF), for information only, to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must, on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be an Excluded Shareholder.

### **Excluded Shareholders**

The Company will send this prospectus only (without PAL and EAF) to the Excluded Shareholders (if any) for their information. Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

### **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.

### **Rights of the Overseas Shareholders**

The Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there was no Overseas Shareholder.

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## LETTER FROM THE BOARD

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### **Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares**

Qualifying Shareholders should find enclosed with this prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Thursday, 7 May 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**China New Economy Fund Limited – Rights Issue A/C**” and crossed “**Account Payee Only**”.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Thursday, 7 May 2020, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the other Qualifying Shareholders. The Company may at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Monday, 27 April 2020 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier’s orders accompanying completed PALs

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## LETTER FROM THE BOARD

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will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No receipt will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Friday, 15 May 2020.

### **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) 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 and signing the EAF (in accordance with the instructions printed therein) for excess Rights Shares and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 7 May 2020. The Company will allocate the excess Rights Shares 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

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## LETTER FROM THE BOARD

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- (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 (or which are held in CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Directors note unusual patterns of excess Rights Shares applications, the Directors will review those applications and if the Directors have reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Directors.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 7 May 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to **“China New Economy Fund Limited – Excess Application A/C”** and crossed **“Account Payee Only”**.

If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, the remittance tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post at his/her/its own risk by the Registrar on or before Friday, 15 May 2020. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies is also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post to his/her/its registered address at his own risk by the Registrar on or before Friday, 15 May 2020.

All cheques or cashier’s orders accompanying completed EAFs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a



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## LETTER FROM THE BOARD

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cheque or a cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be sent by ordinary post at the risk of the person(s) entitled thereto to their registered addresses as at the Record Date by the Registrar on the respective despatch dates. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving a copy of the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty and representation from such Qualifying Shareholder(s) to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any application thereunder, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Friday, 15 May 2020.

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

The Rights Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. 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.

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## LETTER FROM THE BOARD

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### **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 listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms).

Dealings in the Rights Shares (both in nil paid and fully paid forms) on the Stock Exchange will be subject to the payment of stamp duty (if any), Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Rights Shares (both in nil paid and fully paid forms) on the Stock Exchange, the Rights Shares (both in 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 date of dealings in the Rights 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares (both in nil paid and fully paid forms) to be admitted into CCASS. Both nil-paid Rights Shares and fully paid Rights Shares will be traded in board lots of 10,000 Shares.

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

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## LETTER FROM THE BOARD

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### **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 Director of the Corporate Finance Division of the Securities and Futures Commission 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 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;

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- (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, conditions (1) to (4) above have 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.

In the year ended 31 December 2019 (the “Year”), even though China–United States trade war seems cooling down during the year, several natural disasters and serious diseases appeared in China, all of them made the economy ups and downs all over the year. The above gave a big impact to economy and the slowdown of gross domestic product (“GDP”) growth. According to the National Bureau of Statistics, China’s GDP recorded an increase of 6.1% in 2019, met the expected target of 6%-6.5% by the China Government in the beginning of 2019. The government has indicated that the national economy in 2019 has sustained the general stable momentum by pursuing progress while ensuring stability. However, the global economic and trade growth is slowing down, the instability sources and risk factors are increasing, the structural, systematic and cyclical problems at home are intertwined and the economy is facing with mounting downward pressure.

Market confidence was generally impacted by uncertainty on macroeconomic outlook and multiple protests in different countries for various issues led the global stock market volatile. The securities markets in China and Hong Kong have been full of ups and downs throughout 2019. The benchmark Shanghai Composite Index and Hang Seng Index raised by 22.3% and 9.07% in 2019 respectively. During the Year, the Company adopted a timely and appropriate investment approach in response to the volatile market sentiment and complicated government policies. The Company will continue to implement its comprehensive risk management strategy with an aim to achieve growing returns on investments for our shareholders.

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As global economy and politics are facing more risk, although the China–United States trade war seems to be cooled down after China’s Vice Premier Liu He and United States President Donald Trump signed the China-United States Phase One trade deal in Washington DC on 15th January this year, lots of uncertainties remain in different aspects between both of them. In the second half year of 2019, the global and domestic economy slowed down its growth not only due to ongoing China–United States trade argument, but lots of social movements happened all over the world, especially in Hong Kong. Since June 2019, protests against Hong Kong extradition bill became serious, due to these complicated political factors, it brought a deep impact to the domestic economy. The Company will exercise risk management control to prevent the potential risk to the portfolio. The US Federal Reserve reduced interest rate for 3 times to interest rate target between 1.50% to 1.75% before the end of 2019. The Company expects that the US Federal Reserve will be more cautious to raise interest rate regarding its inflation rate and expects no hike by the end of 2020. In addition, by concluding different aspects of factors, we predict the China 2020 GDP growth target at around 6% to 6.1%. However, since the outbreak of Coronavirus Disease 2019 (the “COVID-19”) in December 2019, the COVID-19 spread to all provinces of China and all over the world. It may deeply decay the economic growth like Severe Acute Respiratory Syndrome (SARS) epidemic in 2003. Therefore, the Company remains cautious on the prospects of securities market in China and Hong Kong.

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 Year, the Company has further invested in several listed companies in Hong Kong and the largest one is Kin Pang Holdings Limited (1722.HK) which is principally engaged in provision of building and ancillary services.

Even though the Company had no new private equity investment in last year, the Company believes private equity investments shall diversify the risk of investments and will potentially bring greater return in long terms with the upcoming reform alongside with listed investments in portfolio. In the near future, the Company will continue to look for further investment opportunities in private equities focusing in health care (including High-Technology and Online Medical) as well as telecommunication (including Internet of Things) sectors.

The Company is well aware of the challenges ahead and explored investment opportunities emerging from the sectors benefiting from the economic transformation in China. 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

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## LETTER FROM THE BOARD

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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\$46.9 million, being approximately 86.0% 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.

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

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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\$46.9 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\$46.9 million to be sufficient for fund mobilisation in the event that any investment opportunities arise based on the historical investment trends of the Company.

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

The Company intends to apply approximately HK\$2.2 million, being approximately 4.0% 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. As at the Latest Practicable Date, the Company has margin payable to securities brokers of approximately HK\$2.1 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

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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 86.0% 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.

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



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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 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, 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**

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## LETTER FROM THE BOARD

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take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

### Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Rights Issue, the Company has appointed Gransing Securities Company Limited as an agent to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares during the period from Monday, 18 May 2020 to Monday, 8 June 2020 (both dates inclusive). Shareholders who wish to take advantage of this service should contact Gransing Securities Company Limited at Unit 2508, 25/F, Cosco Tower, 183 Queen's Road Central, Hong Kong or at telephone number (852) 3162 6888 during office hours (i.e. 9:00 a.m. to 5:00 p.m.) of such period. Shareholders should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Shareholders who are in doubt about this service are recommended to consult their professional advisors.

### EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structures of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue are set out below:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Shareholders have taken up the Rights Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Public Shareholders	<u>347,061,698</u>	<u>100.00</u>	<u>694,123,396</u>	<u>100.00</u>
Total	<u><u>347,061,698</u></u>	<u><u>100.00</u></u>	<u><u>694,123,396</u></u>	<u><u>100.00</u></u>

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon the completion of the Rights Issue in compliance with Rule 8.08(1)(a) of the Listing Rules.

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 Shares. No Shareholder was required to abstain from voting in favour of the resolution to approve the Rights Issue at the EGM and no Director was required to 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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### **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.

### **ADJUSTMENTS RELATING TO OUTSTANDING SHARE OPTIONS**

As at the Latest Practicable Date, there are outstanding share options for subscription of an aggregate of 10,411,850 Consolidated Shares under the share option scheme adopted by the Company on 28 May 2015. As a result of the Rights Issue, there may be adjustments to the exercise prices and/or the number of Shares 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.

### **WARNING OF THE RISK OF DEALINGS IN THE 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 have been dealt in on an ex-rights basis 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.**

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

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

**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 unaudited financial information of the Company for the year ended 31 December 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 annual results announcement of the Company for the year ended 31 December 2019, which were published on 24 April 2017, 24 April 2018, 24 April 2019 and 30 March 2020 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 prospectus, 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 prospectus in the absence of unforeseen circumstances.

**D. MATERIAL ADVERSE CHANGE**

Save as disclosed in the annual results announcement of the Company for the year ended 31 December 2019 dated 30 March 2020 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 31 December 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 31 December 2019 or any future date; or (ii) the net tangible assets per Share of the Company as at 31 December 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 31 December 2019, as extracted from the published annual results announcement of the Company for the year ended 31 December 2019, and is adjusted for the effect of the Share Consolidation and the Rights Issue described below.

			Unaudited pro forma adjusted net tangible assets of the Company as at 31 December 2019	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 and the Rights Issue
Unaudited net tangible assets of the Company as at 31 December 2019	Add: Estimated net proceeds from the Rights Issue		immediately upon completion of the Rights Issue	Completion of the Share Consolidation	Completion of the Share Consolidation	Completion of the Share Consolidation and the Rights Issue
HK\$'000 (Note 1)	HK\$'000 (Note 2)		HK\$'000	HK\$ (Note 3)	HK\$ (Note 4)	HK\$ (Note 5)
Based on the issue of 347,061,698 Rights Shares						
61,441	54,629		116,070	0.044	0.177	0.167

*Notes:*

- The unaudited net tangible assets of the Company as at 31 December 2019 of approximately HK\$61,441,000 is extracted from the published annual results announcement of the Company for the year ended 31 December 2019.

2. 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.
3. The calculation is determined based on the unaudited net tangible assets of the Company as at 31 December 2019 of approximately HK\$61,441,000 divided by the number of Shares in issue of 1,388,246,794 as at 31 December 2019 (the “**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**”).
4. The calculation is determined based on the unaudited net tangible assets of the Company as at 31 December 2019 of approximately HK\$61,441,000 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 31 December 2019.
5. 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 31 December 2019.
6. 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. 31 December 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 prospectus, 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 (the “**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 31 December 2019, and related notes (“**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II to the Company's prospectus dated 21 April 2020 (the “**Prospectus**”). 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 Prospectus.

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 Prospectus) on the net tangible assets of the Company as if the Share Consolidation and the Rights Issue had taken place at 31 December 2019. As part of this process, information about the Company's financial position has been extracted by the Directors from the Company's annual results announcement for the year ended 31 December 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 prospectus 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 31 December 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, 21 April 2020

**1. RESPONSIBILITY STATEMENT**

This prospectus, 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 prospectus 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 prospectus misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately upon completion of the Rights Issue are set out as follows:

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

<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>		
<u>347,061,698</u>	Consolidated Shares	<u>13,882,467.92</u>

**(ii) Immediately after completion of the Rights Issue assuming all the Rights Shares are taken up**

<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>		
347,061,698	Consolidated Shares	13,882,467.92
<u>347,061,698</u>	Rights Shares	<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 10,411,850 Consolidated 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, so far as was known to the Directors, the following persons (other than the Directors and the chief executive of the Company) had, or were 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:

*Long positions in the Shares*

Name of Shareholder	Nature of interest	Nature of Shares held (Note)	Approximately percentage or attributable percentage of shareholding
Wang Xin	Beneficial owner	33,796,657	9.74% (L)
Quasar Investment Management (Cayman) Limited	Investment manager	33,135,000	9.55% (L)
Choi Koon Shum	Interest of controlled corporation	29,420,000	8.47% (L)
Festival Developments Limited	Interest of controlled corporation	29,420,000	8.47% (L)
Kingsway Lion Spur Technology Limited	Beneficial owner	29,420,000	8.47% (L)
Sunwah Kingsway Capital Holdings Limited	Interest of controlled corporation	29,420,000	8.47% (L)

(L): denotes long position

*Note:* Based on the notices of disclosure of interest filed by the relevant Shareholder, as adjusted after the Share Consolidation became effective on 7 April 2020.

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.

**4. DIRECTORS' INTERESTS IN CONTRACT AND ASSETS**

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 a contract 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, proposed 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 prospectus or has given opinions, letter or advice contained in this prospectus:

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

As at the Latest Practicable Date, the above expert did not have any 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 prospectus, 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, Ugland 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> 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>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
<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
<i>Independent Non-executive Directors</i>	
Mr. LEUNG Wai Lim	Unit 702, 7/F. 135 Bonham Strand Trade Centre 135 Bonham Strand, Sheung Wan Hong Kong

Name	Address
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. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed “Expert and Consent” in this appendix, have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C 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, funds or 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 31 December 2019 respectively are as follows:

## At 31 December 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 loss recognised	Net asset/ (liability) attributable to the Company	Dividend received/ receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(a) Kin Pang Holdings Limited	The Cayman Islands	49,820,000 ordinary shares of HK\$0.01 each	4.98%	19,852	10,263	(9,589)	MOP11.40 million	–	14.24
(b) Hanvey Group Holdings Limited	The Cayman Islands	49,710,000 ordinary shares of HK\$0.01 each	4.97%	9,830	8,948	(882)	HK\$3.13 million	–	12.41
(c) Power Financial Group Limited	Bermuda	75,420,000 ordinary shares of HK\$0.01 each	2.71%	15,159	6,863	(8,296)	HK\$39.75 million	–	9.52
(d) Century Ginwa Retail Holdings Limited	Bermuda	22,412,000 ordinary shares of HK\$0.10 each	1.95%	6,697	4,953	(1,744)	RMB71.08 million	–	6.87
(e) Town Health International Medical Group Limited	Bermuda	29,114,000 ordinary shares of HK\$0.01 each	0.39%	41,835	3,173	(38,662)	HK\$15.66 million	73	4.40
(f) InvesTech Holdings Limited	The Cayman Islands	15,216,000 ordinary shares of US\$0.02 each	1.08%	3,167	2,754	(413)	RMB7.86 million	–	3.82

*Listed Equity Securities – Australia*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised loss recognised	Net asset/ (liability) attributable to the Company	Dividend received/ receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(g) Dongfang Modern Agriculture Holding Group Limited	Australia	803,000 ordinary shares	0.19%	3,961	2,219	(1,742)	RMB5.40 million	–	3.08
(h) Crater Gold Mining Limited	Australia	35,000,000 ordinary shares	2.85%	2,669	2,105	(564)	AUD(0.03) million	–	2.92



*Private Equity – British Virgin Islands*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised loss recognised	Net assets attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	Company	HK\$'000	Company
(i) Gransing Financial Group Limited	British Virgin Islands	48 shares of USD1 each	15.53%	42,799	17,133	(25,666)	HK\$23.53 million	–	23.77

*Private Equity – Hong Kong*

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised loss recognised	Net assets attributable to the Company	Dividend received/receivable during the Year	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	Company	HK\$'000	Company
(j) Help U Credit Finance Limited	Hong Kong	37,000 shares	19.95%	19,000	6,530	(12,470)	HK\$14.46 million	–	9.06

**At 31 December 2018 (the “Period”)***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) recognised	Net assets attributable to the Company	Dividend received/receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	Company	HK\$'000	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
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

Name of investee	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised gain/(loss) recognised	Net assets attributable to the Company	Dividend received/ receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	Company	HK\$'000	Company
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	Market value	Unrealised gain/(loss) recognised	Net assets attributable to the Company	Dividend received/ receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	Company	HK\$'000	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	Market value	Unrealised gain/(loss) recognised	Net assets attributable to the Company	Dividend received/ receivable during the Period	% of gross assets of the Company
				HK\$'000	HK\$'000	HK\$'000	Company	HK\$'000	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 financial year ended 31 December 2019 was approximately MOP14,242,000 and the audited net assets attributable to shareholders of Kin Pang as at 31 December 2019 was approximately MOP228,922,000. Due to the outbreak of COVID-19, Kin Pang expects that may slow down market development in Hong Kong

until the situation resumes relatively stable. Progress of the projects in Macau has been extended due to shortage of workers. The tenders from both public and private sectors may be postponed or suspended. It lead less projects awarded during 2020 and may have negative impact on Kin Pang's financial performance. The fair value of the investment in Kin Pang is based on quoted market bid prices.

- (b) Hanvey Group Holdings Limited (“**Hanvey Group**”) is principally engaged in the design and development, manufacturing and distribution of watch products. The unaudited loss attributable to shareholders of Hanvey Group for the financial year ended 31 December 2019 was approximately HK\$14,548,000 and the unaudited net assets attributable to shareholders of Hanvey Group as at 31 December 2019 was approximately HK\$62,977,000. Hanvey Group intends to continue focusing on the core business, take efforts in strengthening the product design and development capability in order to maximise the long term returns of its shareholders. Hanvey Group will consider the opportunities associated with the COVID-19 global outbreak and explore actively while cautiously what the Hanvey Group is capable of doing to combat this global incident. The fair value of the investment in Hanvey Group is based on quoted market bid prices.
- (c) Power Financial Group Limited (“**Power Financial**”) is principally engaged in financial services businesses. The unaudited profit 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. Thus, Power Financial will be more prudent in the allocation of resources to identify and seize appropriate securities/fund/bond investment opportunities. The fair value of the investment in Power Financial is based on quoted market bid prices.
- (d) Century Ginwa Retail Holdings Limited (“**Century Ginwa**”) is a Hong Kong-based investment holding company principally engaged in store operation. Century Ginwa operates through two segments. Department Stores and Shopping Malls segment operates five department stores and a shopping mall. Supermarkets segment operates seven supermarkets. Century Ginwa mainly operates businesses in the west regions of China. The unaudited loss attributable to shareholders of Century Ginwa for the six months ended 30 September 2019 was approximately RMB289,733,000 and the unaudited net assets attributable to shareholders of Century Ginwa as at 30 September 2019 was approximately RMB3,645,081,000. Century Ginwa will make full use of the successful practice and experience, integrate and optimise existing businesses and utilise various forms including light asset output, management output and goodwill output to increase the coverage of second-tier cities in Shaanxi to achieve healthy growth of scale. The fair value of the investment in Century Ginwa is based on quoted market bid prices.

- (e) 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 loss attributable to shareholders of Town Health for the financial year ended 31 December 2019 was approximately HK\$8,414,000 and the audited net assets attributable to shareholders of Town Health as at 31 December 2019 was approximately HK\$4,015,547,000. The trading of shares of Town Health has been suspended since 27 November 2017. Business of Town Health is anticipated to be adversely impacted in the short-term, and the results for the first half of the year was dragged down by COVID-19 global outbreak. After the outbreak is over, Town Health expects medical demand will be gradually released, the demand for quality medical services is always with high rigidity and expects to maintain a steady development. The fair value of the investment in Town Health is based on valuation by independent valuer.
- (f) InvesTech Holdings Limited (“**InvesTech**”), is an investment holding company principally engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and mobile internet software of mobile office automation software business, the network equipment rental business, the trading of telecommunications equipment and money lending business. The audited loss attributable to shareholders of InvesTech for the financial year ended 31 December 2019 was approximately RMB21,096,000 and the audited net assets attributable to shareholders of InvesTech as at 31 December 2019 was approximately RMB728,093,000. InvesTech will develops and upgrades its mobile office automation (the “**OA**”) software continuously, actively explores new business application and solutions, and enhance its competitiveness and accelerate the distribution channel of OA software. The fair value of the investment in InvesTech is based on quoted market bid prices.
- (g) Dongfang Modern Agriculture Holding Group Limited (“**Dongfang Modern**”) is a holding company which carries on business of cultivation and sales of navel oranges, pomelos, tangerines and camellia located in the Ghanzhou in China. The audited profit attributable to shareholders of Dongfang Modern for the financial 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. Chinese consumption of citrus products and camellia continue to increase. Dongfang Modern has 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 valuation by independent valuer.
- (h) Crater Gold Mining Limited (“**Crater Gold Mining**”) is a company engaged in producing gold and developing gold and base metal projects in Papua New Guinea and Australia. The unaudited loss attributable to shareholders of Crater Gold Mining for the six months ended 31 December 2019 was approximately AUD2,515,356 and the

unaudited net liabilities attributable to shareholders of Crater Gold Mining as at 31 December 2019 was approximately AUD1,022,537. Crater Gold Mining targets transformational increase in gold resources. Crater Gold Mining drills to increase epithermal gold resources to multi million ounces to plan larger scale gold production. Drilling outside existing resources targets confirmation of central zone of copper-gold porphyry. The fair value of the investment in Grater 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 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 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 Year are summarised as below:

**Top three realised gain for the Year**

<b>Name of investment</b>	<b>Realised gain</b> <i>HK\$'000</i>
Noble Engineering Group Holdings Limited	1,008
Xi'an Haitian Antenna Technologies Co., Ltd	108
Century Ginwa Retail Holdings Limited	79

**Top three realised loss for the Year**

<b>Name of investment</b>	<b>Realised loss</b> <i>HK\$'000</i>
Hydra Capital Spc	37,500
Power Financial Group Limited	7,357
China Creative Digital Entertainment Limited (Formerly known as HVM Digital China Group Limited)	6,262

**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 may therefore be 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 type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities.



- (b) The full names, addresses and descriptions of the directors of the Investment Manager are 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.

- (a) 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.
- (b) On 20 December 2019, the Company entered into an 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, has ceased to provide its service to the Company 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 is 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 prospectus 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 on 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 for a period of 14 days from the date of this prospectus:

- (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;
- (c) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in appendix II of this prospectus;
- (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;
- (f) the Circular; and
- (g) the Prospectus Documents.