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**If you have sold or transferred** all your shares in China New Economy Fund Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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## **CHINA NEW ECONOMY FUND LIMITED**

**中國新經濟投資有限公司**

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

**(Stock code: 80)**

### **PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A letter from the Board is set out on pages 3 to 10 of this circular.

A notice convening the extraordinary general meeting (“EGM”) of China New Economy Fund Limited to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 9 March 2015 at 10:00 a.m., at which the above proposals will be considered, is set out in this circular. Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shop 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM if you so wish.

18 February 2015

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## DEFINITIONS

“Announcement”	the announcement of the Company dated 28 January 2015 in relation to (i) the Subscription and the transactions contemplated thereunder; and (ii) the Specific Mandate;
“Board”	the board of Directors;
“Company”	China New Economy Fund Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the Subscription in accordance with the Subscription Agreement;
“Completion Date”	the date which is second business day after satisfaction of the last of the conditions precedent under the Subscription Agreement or such other date as may otherwise be agreed by the Subscriber and the Company in writing;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 9 March 2015 at 10:00 a.m. for the purpose of approving, among others, the entering into of the Subscription Agreement and the transactions contemplated thereunder, and the granting of the Specific Mandate;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Last Trading Day”	28 January 2015, being the date of the Subscription Agreement;
“Latest Practicable Date”	16 February 2015, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China;

## DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Specific Mandate”	the mandate to allot and issue the Subscription Shares to be sought from the Shareholders at the EGM to authorise the Directors to issue the Subscription Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Kingwin International Capital Management Limited, a company incorporated in the British Virgin Islands on 3 September 2013 and Mr. Wang Ping is its ultimate beneficial shareholder;
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement;
“Subscription Agreement”	a subscription agreement dated 28 January 2015 entered into between the Company and the Subscriber;
“Subscription Price”	a subscription price of HK\$0.35 per Subscription Share;
“Subscription Shares”	51,510,000 new Shares to be subscribed by the Subscriber pursuant to the terms of the Subscription Agreement; and
“%”	per cent.

**LETTER FROM THE BOARD**

**CHINA NEW ECONOMY FUND LIMITED**

**中國新經濟投資有限公司**

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

**(Stock code: 80)**

**Board of Directors**

*Executive Directors*

Mr. LINDSAY, Craig Blaser

*(Chairman and Chief Executive Officer)*

Mr. GU, Xu

Mr. CHAN, Cheong Yee

*Independent Non-executive Directors*

Mr. LAM, Chun Ho

Mr. DALLY, Doyle Ainsworth

Mr. AYOUB, Faris Ibrahim Taha

*Registered Office*

PO Box 309, Umland House,

South Church Street,

George Town, Grand Cayman KY1-1104

Cayman Islands

*Principal Place of Business*

Room 707, 7/F,

New World Tower 1,

16–18 Queen's Road Central,

Central,

Hong Kong

18 February 2015

*To the Shareholders*

Dear Sir/Madam,

**PROPOSED SUBSCRIPTION OF NEW SHARES**

**UNDER SPECIFIC MANDATE**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement. The Board announced that on 28 January 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.35 per Share.

The Subscription Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate for the allotment and issue of the Subscription Shares are subject to Shareholders' approval at the EGM.

The purpose of this circular is to provide you with, among others, (i) further information on the Subscription; (ii) the Specific Mandate; (iii) the notice of the EGM; and (iv) other information as required under the Listing Rules.

## **LETTER FROM THE BOARD**

### **THE SUBSCRIPTION AGREEMENT**

On 28 January 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.35 per Subscription Share. The aggregate nominal value of the amount of the Subscription Shares to be issued is approximately HK\$5.15 million. Major terms of the Subscription Agreement are set out below:

#### **Subscription Agreement**

##### **Date**

28 January 2015 (after trading hours)

##### **Parties**

- (1) the Company; and
- (2) the Subscriber.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

#### **Subscription Shares**

The Subscription Shares comprise 51,510,000 new Shares, representing 10% of the existing issued share capital of the Company as at the date of this circular and approximately 9.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Upon completion of the Subscription, the Subscriber will hold approximately 9.09% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming no change in the issued Shares of the Company prior to completion of Subscription).

Details of the shareholding of the Company are set out in the paragraph headed “Changes to the shareholding in the Company as a result of the issue of the Subscription Shares” of this circular.

#### **Conditions precedent to the Subscription**

Completion is conditional upon the satisfaction of the following conditions:

- (a) no change (or changes in the aggregate), condition, event or occurrence, which, in either case, in the aggregate, is or could reasonably be expected to be, material and adverse to the business, operations, assets, cash flow, liabilities, prospects or financial condition of the Company;

## LETTER FROM THE BOARD

- (b) the approval of the Subscription Agreement and the transactions contemplated thereunder and the allotment and issue of the Subscription Shares by the shareholders of the Company at the EGM; and
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Subscription Shares.

If any of the conditions precedent above is not fulfilled on or before the second business day immediately after the EGM to be held for approving the transactions herein (or such other date that the parties hereto may agree in writing), the Subscription Agreement shall lapse and become null and void and the parties to the Subscription Agreement shall automatically be released from all obligations hereunder, save for any liability arising out of any antecedent breaches of the Subscription Agreement.

### **Termination**

The Subscription Agreement may be terminated by either the Company or the Subscriber giving a termination notice at any time prior to the issue of the Subscription Shares at Completion if:

- (i) any representation and warranty given under the Subscription Agreement is or proves to be untrue, incorrect or inaccurate in any material respect;
- (ii) failure to perform any of its respective obligations under the Subscription Agreement;
- (iii) any of the conditions precedent is not satisfied or waived (if applicable) by the Subscriber at Completion; and/or
- (iv) if there shall occur any change (or changes in the aggregate), condition, event or occurrence, which, in either case, in the aggregate, is or could reasonably be expected to be, material and adverse to the business, operations, assets, cash flow, liabilities, prospects or financial condition of the Company.

### **Completion of the Subscription**

The Completion will take place on the Completion Date in accordance with the terms of the Subscription Agreement.

### **Subscription Price**

The Subscription Price represents:

- (a) a discount of approximately 4.11% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the date of the Last Trading Day;
- (b) a premium of approximately 0.29% to the average closing price of approximately HK\$0.349 per Share for the last five consecutive trading days immediately prior to the Last Trading Day;

## LETTER FROM THE BOARD

- (c) a premium of approximately 1.3% to the average closing price of approximately HK\$0.3455 per Share for the last ten consecutive trading days immediately prior to the Last Trading Day; and
- (d) a discount of approximately 60.23% of the net asset value per Share of HK\$0.88 based on the unaudited net asset value of the Company as at 31 December 2014.

The net proceeds from the Subscription is estimated to be approximately HK\$17.6 million. The net subscription price per Subscription Share is approximately HK\$0.34.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares. The Directors consider that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The aggregate subscription price for the Subscription amounted to HK\$18.0 million, respectively. The aggregate Subscription Price for the Subscription Shares is payable in cash by the Subscriber upon the Completion Date.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### **Lock-up Period**

Within a period of six months after the date on which dealings in the Subscription Shares first commence on the Stock Exchange, the Subscriber undertakes to the Company that it shall not, and procure its beneficial owners not to, sell, dispose of or otherwise deal with or create any options, rights, interests or encumbrances in respect of (or to enter into any agreement to sell, dispose of or otherwise deal with or create any options, rights, interests or encumbrances in respect of) the whole or any part of the Subscription Shares or any of its interests therein.

### **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **Specific Mandate for the issue of the Subscription Shares**

The Subscription Shares will be allotted and issued by the Company pursuant to the Specific Mandate proposed to be sought from the Shareholders at the EGM.



## **LETTER FROM THE BOARD**

### **INFORMATION ON THE COMPANY AND THE SUBSCRIBER**

The Company is a closed-ended investment company established on 1 February 2010. By investing in both private and public enterprises supported by the new economies of Greater China, the Company is devoted to achieving long-term capital appreciation for professional investors.

The Subscriber was incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Ping. To the knowledge of the Directors, Mr. Wang Ping is a highly and well recognised investor with 20 years of experience in the private equity industry. The Subscriber is principally engaged in capital and equity investment focused on Greater China and overseas markets. To the knowledge of the Directors, the Subscriber is a professional investor as defined in Schedule 1 of the Securities and Futures Ordinance (Cap. 571).

To the best knowledge of the Directors, the Subscriber does not have any existing or prior business relationship with the Company or its directors.

### **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS**

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

The Board considers that the Subscription represents an opportunity to raise additional funds for the Company while broadening the capital base of the Company. The total gross proceeds from the Subscription will be approximately HK\$18.0 million. The net proceeds, after the deduction of the related expenses, are estimated to be approximately HK\$17.6 million, representing a net issue price of approximately HK\$0.34 per Subscription Share.

The Company intends to use the net proceeds arising from the Subscription for investment in line with its ordinary course of business. The Company intends to invest in the enterprises engaged in information technology, creative culture, environmental and healthcare sectors in the PRC as they will continue to benefit from the transformation of the PRC economy in light of the new measures from PRC government and increasing disposable income of the PRC middle-class. The Company is expected to make such investments in the next 12 months. As at the Latest Practicable Date, no investment opportunities or agreements have been identified or entered by the Group.

The Subscriber has been referred to the Company by an independent third party due to the Subscriber's interests in the growth and business prospect of the Company. The Subscription Agreement has been entered into after arm's length negotiations between the Company and the Subscriber.

## LETTER FROM THE BOARD

The Directors consider that the Subscription Agreement is entered into on normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

### EQUITY FUND RAISING EXERCISE OF THE COMPANY IN THE LAST TWELVE MONTHS

On 12 August 2014, the Company announced a rights issue of 151,500,000 rights Shares to the qualifying Shareholders at a subscription price of HK\$0.28 per rights Share on the basis of one rights Share for every two Shares held on the record date. As at the date of this circular, the net proceeds from the rights issue of approximately HK\$41.1 million, HK\$26.1 million and HK\$15.0 million was used for new investment of the Company in listed securities in Hong Kong and private equity fund incorporated in the Cayman Islands respectively.

On 11 November 2014, the Company announced a placing of up to 60,600,000 Shares at the placing price at HK\$0.35 per Share under the general mandate granted to the Directors at the annual general meeting on 28 May 2014. As at the date of this circular, the net proceeds from the placing of approximately HK\$20.3 million and all HK\$20.3 million was used for new investment of the Company in listed securities in Hong Kong.

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

### CHANGES TO THE SHAREHOLDING IN THE COMPANY AS A RESULT OF THE ISSUE OF THE SUBSCRIPTION SHARES

The following table sets out the shareholding structure of the Company (based on the best knowledge of the Directors) (i) as at the date of this circular and (ii) immediately after completion of the Subscription (assuming that there is no other change in the issued share capital of the Company):

	<b>As at the date of this circular</b>		<b>Immediately after Completion of the Subscription</b>	
	<i>No. of Shares</i>	<i>Approximate percentage of shareholding %</i>	<i>No. of Shares</i>	<i>Approximate percentage of shareholding %</i>
Public Shareholders	515,100,000	100.00	515,100,000	90.91
Subscriber	—	—	51,510,000	9.09
<b>Total:</b>	<b><u>515,100,000</u></b>	<b><u>100.00</u></b>	<b><u>566,610,000</u></b>	<b><u>100.00</u></b>

## **LETTER FROM THE BOARD**

### **VARIATION OF TERMS OF SUBSCRIPTION AGREEMENT**

As at the Latest Practicable Date, the Company and, to the best knowledge of the Directors, the Subscriber had no intention to materially vary the terms of the Subscription Agreement. In the unlikely event that material variation shall be made, the Company will re-comply with the Listing Rules requirements, including, among others, the Shareholders' approval.

### **SPECIFIC MANDATE**

The Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 9 March 2015 at 10:00 a.m. is set out on pages 11 to 12 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions as set out therein. An announcement will be made by the Company on the results of the EGM.

In the event that the Subscriber and its associates held any Share in the Company, the Subscriber and its associates will be required to abstain from voting at the EGM in respect of the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Subscriber and its associates held any Share as of the Latest Practicable Date. Accordingly, no Shareholders will be required to abstain from voting at the EGM in respect of the Subscription Agreement, the transactions contemplated thereunder and the Specific Mandate.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

### **CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY**

The register of members of the Company will be closed from Thursday, 5 March 2015 to Monday, 9 March 2015 (both days inclusive) during which period no transfer of Share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and

## LETTER FROM THE BOARD

transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 4 March 2015.

### RECOMMENDATION

The Directors consider that (i) the terms of Subscription Agreement (including the Subscription Price); and (ii) the Specific Mandate are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed as set out in the notice of the EGM.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors 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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,  
By Order of the Board  
**China New Economy Fund Limited**  
**Craig Blaser LINDSAY**  
*Chairman, Chief Executive Officer and Executive Director*

## NOTICE OF EGM

### CHINA NEW ECONOMY FUND LIMITED

### 中國新經濟投資有限公司

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

**(Stock code: 80)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**EGM**”) of China New Economy Fund Limited (the “**Company**”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 9 March 2015 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the subscription agreement dated 28 January 2015 (the “**Subscription Agreement**”) (a copy of which is marked “**A**” now produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) entered into between the Company and Kingwin International Capital Management Limited (the “**Subscriber**”) in respect of the issue of 51,510,000 new shares (the “**Subscription Shares**”) of the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to fulfilment of the conditions precedent set out in the Subscription Agreement, the allotment and issue of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (c) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement, the Subscription Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The specific mandate is in addition to, and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

## NOTICE OF EGM

- (d) any one director of the Company, or any one director and the company secretary of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary or desirable in connection with the matters contemplated in and for completion of the Subscription Agreement.”

Yours faithfully,  
By Order of the Board  
**China New Economy Fund Limited**  
**Craig Blaser LINDSAY**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 18 February 2015

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the office of the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited's registered office at Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.
3. All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
4. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.