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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in National Investments Fund Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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National Investments

National Investments Fund Limited

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1227)

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE
AT HK\$0.035 PER RIGHTS SHARE;
AND
(3) NOTICE OF EGM**

The Joint Underwriters to the Rights Issue



Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular. A letter from the Independent Board Committee is set out on pages 41 to 42 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-30 of this circular.

A notice convening the EGM to be held at Unit 3703, 37/F., 118 Connaught Road West, Hong Kong, on Tuesday, 8 December 2020 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or the adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription in respect of the Rights Issue.

The Shares will be dealt in on an ex-rights basis from Thursday, 10 December 2020. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 23 December 2020 to Tuesday, 5 January 2021 (both dates inclusive). It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in this circular are to be fulfilled on or before 4:00 p.m. on Monday, 11 January 2021. If the conditions referred to in that section are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the Latest Practicable Date and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from Wednesday, 23 December 2020 to Tuesday, 5 January 2021 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its own professional advisers. It should be noted that the Underwriting Agreement contains provisions entitling the Joint Underwriters by notice in writing to the Company at any time prior to 4:00 p.m. on the Monday, 11 January 2021 to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 7 to 9 of this circular.

Upon the delivery of the notice of termination, all obligations of the Joint Underwriters under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Joint Underwriters exercise such right, the Rights Issue will not proceed.

23 November 2020

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 7 July 2020 in relation to, among other things, the Increase in Authorised Share Capital and the Rights Issue
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for business of dealings in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“ChaoShang Securities”	ChaoShang Securities Limited, a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 2 (Dealing in Futures Contracts) regulated activities under the SFO, being one of the joint global coordinators, joint bookrunners and Joint Underwriters of the Rights Issue
“Company”	National Investments Fund Limited, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 1227)
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Despatch Date”	Monday, 21 December 2020 or such later date as may be agreed between the Company and the Joint Underwriters for the despatch of the Prospectus Documents
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Joint Underwriters
“EGM”	the extraordinary general meeting of the Company to be convened and held at 11:00 a.m. on Tuesday, 8 December 2020, in which resolutions will be proposed to consider, and, if thought fit, to approve the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares 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
“Extension Letters”	seven letters dated 27 July, 24 August, 7 and 17 September, 15 October, 5 and 16 November 2020 respectively, which were entered into by the Company and the Joint Underwriters to mutually extend the relevant dates under the Underwriting Agreement dated 7 July 2020 between the Company and the Joint Underwriters in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Final Acceptance Date”	Friday, 8 January 2021 (or such other date as the Joint Underwriters and the Company may agree in writing as the latest date for acceptance of, and payment for, the Rights Shares under the Rights Issue)

DEFINITIONS

“GO obligation”	the obligation to make a general offer under the Takeovers Code
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	an increase in the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by creating an additional 8,000,000,000 unissued Shares
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Joint Underwriters”	collectively, ChaoShang Securities and Solomon Securities
“Last Trading Day”	7 July 2020, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	18 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	A time which is currently expected to be 4:00 p.m. on the Final Acceptance Date, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares

DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on the first Business Day following the Final Acceptance Date, or such later date as the Company and the Joint Underwriters may agree in writing
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Public Float Requirement(s)”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s).
“Record Date”	Friday, 18 December 2020 or such other date as may be agreed between the Company and the Joint Underwriters, being the date for determining entitlements of Shareholders to participate in the Rights Issue

DEFINITIONS

“Registrar”	Tricor Tengis Limited, the branch share registrar and transfer office of the Company, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	up to 4,573,134,820 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Solomon Securities”	Solomon Securities Limited, a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (Asset Management) regulated activities under the SFO, being one of the joint global coordinators, joint bookrunners and Joint Underwriters of the Rights Issue
“Share(s)”	ordinary share(s) in the issued and unissued share capital of the Company of HK\$0.1 each
“Share Option Scheme”	the share option scheme of the Company adopted on 30 June 2017
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	HK\$0.035 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“U.S.” or “United States”	the United States of America
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Joint Underwriters on 7 July 2020 (as amended and supplemented by the Extension Letters) in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	an aggregate of up to 4,573,134,820 Rights Shares to be underwritten by the Joint Underwriters pursuant to the terms of the Underwriting Agreement assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“Winding Up Petitions Announcements”	the eleven announcements of the Company dated 19 and 20 March, 17 June, 22 July, 19 and 20 August, 15 September, 14 and 28 October, 2 November 2020 and 18 November 2020 respectively relating to a winding up petition of the Company
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Joint Underwriters may, in their discretions (acting reasonably), terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company by the Joint Underwriters at any time prior to the Latest Time for Termination with immediate effect if:-

- i. there shall have developed, occurred, happened or come into effect any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting the assets, liabilities, business, operations, general affairs, management, prospects, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole, the effect of which change, development, event or circumstance is, individually or in the aggregate, in the reasonable judgment of the Joint Underwriters, so material and adverse as to make them or likely to make them impracticable or inadvisable or inexpedient to proceed with the Rights Issue or the delivery of the Rights Shares on the terms and in the manner contemplated in the Prospectus or likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
- ii. any breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Joint Underwriters, or there has been a material breach on the part of the Company of any other provision of the Underwriting Agreement; or
- iii. there shall have developed, occurred, happened or come into effect any of the following:
(A) a suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in securities generally on the Stock Exchange; (B) a suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in any securities of the Company listed or quoted on a stock exchange; (C) any downgrading or any notice or announcement of any intended or potential downgrading or of any watch, review or possible change that does not indicate an affirmation or improvement in the rating accorded any securities of or guaranteed by the Company or any other member of the Group by any national or international rating agency; (D) a general moratorium on commercial banking activities declared by relevant authorities in Hong Kong or a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in Hong Kong; (E) any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting any taxation, exchange controls or currency exchange rates in Hong Kong; or (F) any event or circumstance in the nature of force majeure (including, without limitation, any act of

TERMINATION OF THE UNDERWRITING AGREEMENT

government, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in each case, involving or affecting Hong Kong, if the effect of any such event or circumstance specified above, individually or in the aggregate, in the reasonable judgment of the Joint Underwriters, makes them or may make them impracticable or inadvisable or inexpedient to proceed with the Rights Issue or the delivery of the Rights Shares on the terms and in the manner contemplated in the Prospectus or, have or will have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

- iv. any statement contained in any of the Relevant Documents (as defined in the Underwriting Agreement) was or has become materially untrue, incorrect in any material respect or misleading; or
- v. any matter has arisen or been discovered which would, if the Announcement or the Prospectus (or any supplement or amendment thereto) had been issued at that time, constitute a material omission therefrom if it had not been disclosed in the Announcement or the Prospectus (or any supplement or amendment thereto); or
- vi. the permission to deal in and the listing of the Rights Shares (in their nil paid and fully paid forms) has been withdrawn by the Stock Exchange; or
- vii. an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, which in the reasonable judgment of the Joint Underwriters, makes them or may make them impracticable or inadvisable or inexpedient to proceed with the Rights Issue or the delivery of the Rights Shares on the terms and in the manner contemplated in the Prospectus or, have or will have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
- viii. any Director committing any act of fraud or other indictable offense which, in the reasonable judgment of the Joint Underwriters, makes them or may make them impracticable or inadvisable or inexpedient to proceed with the Rights Issue or the delivery of the Rights Shares on the terms and in the manner contemplated in the Prospectus or, have or will have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up.

TERMINATION OF THE UNDERWRITING AGREEMENT

In the event the Joint Underwriters exercise their rights to terminate the Underwriting Agreement prior to the Latest Time for Termination, all obligations of the parties thereto shall cease and terminate and none of the parties thereto shall have any claim against the other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of any antecedent breaches and claims).

If the Joint Underwriters exercise such right, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Joint Underwriters.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this circular shall refer to Hong Kong local time and dates.

Event	Date and/or Time
Expected despatch date of circular with notice and form of proxy for the general meeting	on or before Monday, 23 November 2020
Latest time for lodging transfers of Shares to qualify for attendance and voting at the general meeting	4:30 p.m. on Tuesday, 1 December 2020
Closure of register of members of the Company for attending the general meeting (both days inclusive)	Wednesday, 2 December 2020 to Tuesday, 8 December 2020
Latest time for lodging forms of proxy for the purpose of the general meeting	11:00 a.m. on Sunday, 6 December 2020
Record date for determining attendance and voting at the general meeting.	Tuesday, 8 December 2020
Expected date and time of the general meeting.	11:00 a.m. on Tuesday, 8 December 2020
Announcement of poll results of the general meeting	Tuesday, 8 December 2020
Last day of dealings in Shares on a cum-rights basis	Wednesday, 9 December 2020
First day of dealings in Shares on an ex-rights basis.	Thursday, 10 December 2020
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 11 December 2020

EXPECTED TIMETABLE

Closure of register of members of the Company for the Rights Issue (both dates inclusive)	Monday, 14 December 2020 to Friday, 18 December 2020
Record Date for determining entitlements to the Rights Issue	Friday, 18 December 2020
Register of members of the Company re-opens	Monday, 21 December 2020
Despatch of provisional allotment letters and nil-paid Rights Shares	Monday, 21 December 2020
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 23 December 2020
Latest time for splitting of PAL	4:30 p.m. on Tuesday, 29 December 2020
Latest time of dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 5 January 2021
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares.	4:00 p.m. on Friday, 8 January 2021
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional.	4:00 p.m. on Monday, 11 January 2021
Announcement of results of the Rights Issue	Friday, 15 January 2021
Refund cheques, if any, to be despatched (if the Rights Issue is terminated and in respect of unsuccessful or partially successful application for excess Rights Shares)	Monday, 18 January 2021
Certificates for fully paid Rights Shares to be despatched	Monday, 18 January 2021
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 19 January 2021

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- a. 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
- b. 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 next Business Day which does not have either of abovementioned warnings in force at any time between 9:00 a.m. and 4:00 p.m..

NationalInvestments

National Investments Fund Limited

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1227)

Executive Director:

Mr. Chan Cheong Yee

Non-executive Directors:

Mr. Wang Ning (*Chairman*)

Ms. Xie Xiangrong

Mr. Huang Hu

Independent Non-executive Directors:

Mr. Li Li

Ms. Wu Xiaoxia

Mr. Liao Kai

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

Unit 3703, 37/F.

118 Connaught Road West

Hong Kong

23 November 2020

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE
AT HK\$0.035 PER RIGHTS SHARE;
AND
(3) NOTICE OF EGM**

INTRODUCTION

References are made to (i) the Announcement in relation to, among other things, the Increase in Authorised Share Capital and the Rights Issue. The purpose of this circular is to provide you with (i) further details of the Increase in Authorised Share Capital and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in

LETTER FROM THE BOARD

respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required pursuant to the Listing Rules in relation to the Increase in Authorised Share Capital and the Rights Issue; and (v) a notice convening the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek approval by way of ordinary resolution at the EGM by Shareholders of an increase in its authorized share capital from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by creating an additional 8,000,000,000 unissued Shares.

In order to accommodate growth of the Group and to provide the Company with greater flexibility to raise funds by the Rights Issue, the Board proposed the Increase in Authorised Share Capital. The Board believes the Increase in Authorised Share Capital are in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

Conditional upon the Increase in Authorised Share Capital becoming effective and the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately up to HK\$160.1 million on the basis of Five (5) Rights Shares for every one (1) Share held on the Record Date by issuing up to 4,573,134,820 Rights Shares at the Subscription Price of HK\$0.035 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 7 July 2020 (after trading hours), the Company entered into the Underwriting Agreement with the Joint Underwriters in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.035 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	914,626,964 Shares with an aggregate nominal value of HK\$91,462,696.4

LETTER FROM THE BOARD

Number of Rights Shares	:	up to 4,573,134,820 Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) from the Latest Practicable Date up to the Record Date)
Number of issued Shares of the Company upon completion of the Rights Issue	:	up to 5,487,761,784 Shares (assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) from the Latest Practicable Date up to the Record Date)
Amount to be raised	:	up to approximately HK\$160.1 million before deduction of the costs and expenses which the Company will incur in the Rights Issue
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

In the event the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or otherwise subscribed by the Joint Underwriters or other subscribers procured by them pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

The Rights Issue is not fully underwritten by a person or persons whose ordinary course of business includes underwriting.

As at the Latest Practicable Date, the Company did not have any options outstanding under any Share Option Scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represented 500% of the Company's issued share capital as at the Latest Practicable Date and approximately 83.33% of the Company's issued share capital as enlarged by the

LETTER FROM THE BOARD

allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 December 2020.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the below arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 December 2020.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 2 December 2020 to Tuesday, 8 December 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

The register of members of the Company will be closed from Monday, 14 December 2020 to Friday, 18 December 2020 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be Five (5) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on enquiries made by and legal advice in the relevant jurisdictions obtained by the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus. As at the Latest Practicable Date, there was no Overseas Shareholder.

To the extent reasonably practicable and legally permitted, the Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL and EAF to them.

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 during the period from Wednesday, 23 December 2020 to Tuesday, 5 January 2021 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Excluded Shareholders. In view of

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administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.035 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 41.67% to the closing price of HK\$0.060 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 28.57% to the closing price of HK\$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 6.25% to the theoretical ex-rights price of approximately HK\$0.037 per Share based on the closing price of HK\$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 27.69% to the average of the closing prices of approximately HK\$0.048 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 27.39% to the average of the closing prices of approximately HK\$0.048 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.81%, represented by the theoretical diluted price of approximately HK\$0.037 per Share to the benchmarked price of approximately HK\$0.049 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on

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the Last Trading Day of HK\$0.049 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.048 per Share).

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Joint Underwriters, taking into account, among others, the following factors: (i) the prevailing share price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company.

The Directors (including the members of the Independent Board Committee after considering the advice from the Independent Financial Adviser whose opinion is contained in the section headed "Letter from the Independent Board Committee" in this circular) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

The Directors (including the members of the Independent Board Committee after considering the advice from the Independent Financial Adviser whose opinion is contained in the section headed "Letter from the Independent Board Committee" in this circular) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally.

The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) will be approximately HK\$0.034.

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Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

Fractions of the Rights Shares

The Company will not provisionally allot and will not accept applications for any fraction of Rights Shares (if any). All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefits and interests of the Company and more particularly described in the section headed “Application for excess Rights Shares” below.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on or before Monday, 18 January 2021 by ordinary post to the allottees, 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 posted on or before Monday, 18 January 2021 by ordinary post to the applicants, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

Application for excess Rights Shares

The Qualifying Shareholders may apply, by way of excess application, for:

- (a) any unsold Rights Shares which would have been allotted to the Excluded Shareholders had they been the Qualifying Shareholders;
- (b) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares; and
- (c) any unsold Rights Shares created by aggregating fractions of nil-paid Rights Shares.

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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 an EAF and lodge it with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with a separate cheque or banker's cashier order for the amount payable on application in respect of the excess Rights Shares applied for by no later than Latest Time for Acceptance.

The Directors will, allocate the excess Rights Shares (if any) at their sole discretion on a fair and equitable basis, and as far as practicable according to the principle that any excess Rights Shares will be allocated to the Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for but no reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares in full application. No preference will be given to topping up odd lots to whole board lots.

Investors with their Shares held by a nominee company (or which are deposited 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, the 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. Investors with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own name(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

For investors whose Shares are held by a nominee company (or which are deposited in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for completion of the relevant registration by 4:30 p.m. on Friday, 11 December 2020.

Rights Issue on a best effort underwritten basis

As the Rights Issue will proceed on a best effort basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares and Share Options under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up,

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the application of any Shareholder for his/her/its assured entitlement under the Rights Issue 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 in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 20,000 Shares in one board lot.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates 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. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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

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THE UNDERWRITING AGREEMENT

The Underwriting Agreement

Date:	7 July 2020 (as amended and supplemented by the Extension Letters)
Parties:	The Company as the issuer and Solomon Securities and ChaoShang Securities as the Joint Underwriters and the joint bookrunners
Number of Underwritten Shares:	The Joint Underwriters have agreed to subscribe for, or procure the subscription for the Underwritten Shares not taken up of up to 4,573,134,820 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date) on a best effort basis
Underwriting fees:	3.5% of the aggregate subscription amount in respect of the Rights Shares actually subscribed for through each of the Joint Underwriters and/or its sub-underwriters

Solomon Securities is a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (Asset Management) regulated activities under the SFO and its ordinary course of business includes underwriting of securities. ChaoShang Securities is a licensed corporation to carry on Type 1 (dealing in securities) and Type 2 (Dealing in Futures Contracts) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

The Rights Issue is underwritten by the Joint Underwriters on a best effort basis pursuant to the terms of the Underwriting Agreement. The Rights Issue is not fully underwritten by a person or persons whose ordinary course of business includes underwriting. To the best knowledge and information of the Directors, after reasonable enquiries, each of the Joint Underwriters is independent of and not connected with the Company or its connected persons and each of them has complied with Rule 7.19(1)(a) of the Listing Rules that they are licensed under the SFO for Type 1 regulated activity and their ordinary business includes underwriting of securities.

The Company initially approached four licensed corporation underwriters, which included ChaoShang Securities, Solomon Securities and other two licensed corporations. Due to prevailing poor market conditions, all of the aforesaid four underwriters refused to underwrite the Right

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Shares on a fully underwritten basis. The other two underwriters also further indicated that the Subscription Price was not attractive and they might experience difficulty in procuring subscribers and refused to further negotiate.

The underwriting fee rate (i.e. 3.5% of the aggregate subscription amount in respect of the Rights Shares actually subscribed for through each of the Joint Underwriters and/or its sub-underwriters) was determined after arm's length negotiations between the Company and each of the Joint Underwriters with reference to, among other things, the scale of the Rights Issue, the current and expected market conditions and the underwriting fee rates charged by underwriters in the recent market precedents of rights issue.

In light of the above, the Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement, including the underwriting fees payable by the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.

Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following being fulfilled:

- (i) the Rights Shares being duly issued and provisionally allotted by the authorized representatives of the Board on the terms set out in the Prospectus Documents to the Qualifying Shareholders;
- (ii) the Joint Underwriters receiving from the Company certain documents as specified in the Underwriting Agreement by the times and dates specified therein;
- (iii) the delivery of the Prospectus Documents to the Stock Exchange on the Business Day immediately before the date of the Prospectus and the issue by the Stock Exchange of a certificate of authorization of registration on the Business Day before the date of the Prospectus;
- (iv) the Registrar of Companies in Hong Kong registering the Prospectus Documents and having all the documents required by the provisions of section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on or before the despatch of the Prospectus;

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- (v) the passing of necessary resolution(s) at the EGM to approve the Increase in Authorised Share Capital by the Shareholders and the Rights Issue by the Independent Shareholders;
- (vi) the Increase in Authorised Share Capital of the Company having becoming effective;
- (vii) the grant of listing of and permission to deal in the nil paid rights and the Rights Shares (either unconditional or subject only to allotment and despatch of the share certificates in respect thereof) by the Stock Exchange and dealings in the nil paid rights and the Rights Shares being allowed by the Stock Exchange (and such listing and permission not subsequently being withdrawn or revoked);
- (viii) posting of the Prospectus Documents to the Qualifying Shareholders on or before the Despatch Date (or such later date to be agreed between the Company and the Joint Underwriters) and the posting, to the extent reasonably practicable and legally permitted, of the Prospectus for information purposes only to the Excluded Shareholders; provided that the Prospectus shall not be posted to the Excluded Shareholders who are known by the Company to be resident in the United States; and
- (ix) no matter having arisen prior to the Latest Time for Termination which might reasonably be expected to give rise to a claim under “Termination of the Underwriting Agreement” and which, in any such case, the Joint Underwriters consider in their reasonable discretion, as applicable, to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up or the underwriting of the Rights Issue.

The Company shall use its best efforts to procure the fulfilment of each of the conditions set out above, and shall do all acts and things as may be reasonably required by the Joint Underwriters, the Stock Exchange, the SFC and the Registrar of Companies in Hong Kong and any relevant authority for the purposes of or in connection with the listing of and permission to deal in the Rights Shares and the fulfilment of such conditions as mentioned above.

The Joint Underwriters shall have the right, in its absolute discretion, on or before the last day on which each of the conditions is required to be fulfilled, either: (i) to waive any of the conditions specified above (except the conditions specified in (i), (iii), (iv), (v), (vi), (vii) and (viii) or (ii) to extend the deadline for the fulfilment of any condition by such number of days or in such manner as the Joint Underwriters may determine in which case the Joint Underwriters shall be entitled to extend the other dates or deadlines referred to in the Underwriting Agreement in such manner as it deems appropriate.

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The Underwriting Agreement shall terminate without further act or deed if any of the above conditions to the obligations of the Joint Underwriters thereunder shall not have been satisfied when and as required by the Underwriting Agreement to be satisfied (unless otherwise waived or modified by the Joint Underwriters).

Termination of Underwriting Agreement

Terms in relation to the termination of the Underwriting Agreement are summarized in the section headed "Termination of the Underwriting Agreement" in this circular.

In the event the Joint Underwriters exercise their rights to terminate the Underwriting Agreement prior to the Latest Time for Termination, all obligations of the parties thereto shall cease and terminate and none of the parties thereto shall have any claim against the other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of any antecedent breaches and claims).

If the Joint Underwriters exercise such right, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Joint Underwriters.

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SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 914,626,964 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and the Joint Underwriters take up the Rights Share in full (Note 3)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
		(Note 1)		(Note 1)		(Note 1)
Ms. Xie Xiangrong (Note 2)	60,000	0.01	360,000	0.01	60,000	0.00
The Joint Underwriters (Note 3)	—	—	—	—	4,573,134,820	83.33
Other public shareholders	914,566,964	99.99	5,487,401,784	99.99	914,566,964	16.67
Total	914,626,964	100	5,487,761,784	100	5,487,761,784	100.00

Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. As at the Latest Practicable Date, those Shares were owned by Ms. Xie Xiangrong as beneficial owner, the chairperson and a non-executive Director of the Company.
3. This scenario is for illustrative purpose only. Pursuant to the Underwriting Agreement, the Joint Underwriters undertake with the Company that (i) it shall use all reasonable endeavours to procure that its sub-underwriter and subscribers or purchasers of the Underwritten Shares procured by it under the Underwriting Agreement as well as subscribers or purchasers procured by its sub-underwriter shall be a third party independent of, not acting in concert with and not connected with the Directors, chief executive or substantial shareholders of the

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Company or their respective associates; (ii) it shall, and shall cause its sub-underwriter to, procure independent subscribers or purchasers take up such number of Underwritten Shares (a) as necessary to ensure that the Public Float Requirements under Rule 8.08 of the Listing Rules are complied with by the Company and (b) such that it, its sub-underwriter and the subscribers or purchasers procured by it and by its sub-underwriter shall not, together with party(ies) acting in concert with each of them, become the controlling shareholder (as defined under the Listing Rules) of the Company upon completion of the Rights Issue.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER SPECIFIC MANDATE IN 2019

The Company has conducted a placing under specific mandate during the financial year 2019 (the “**Placing**”) and raised a net proceeds of approximately HK\$83.9 million. As the net proceeds from the Placing was insufficient to satisfy all the then outstanding debts, the Company had prioritized the repayment of certain debts in April 2019 in accordance with the respective urgency. Notwithstanding that some of the promissory note interests had already been due on or before April 2019, taking into account that the promissory note holders had not formally demanded the repayment of outstanding promissory notes interests, the Board considered that it had no pressing need to settle such outstanding sums in April 2019 and expected that the Company would be able to settle such outstanding sums as and when the promissory note holders make formal demand of repayment. Accordingly, as disclosed in the annual report of the Company for the year ended 31 December 2019, as at 31 December 2019, the Group had temporarily reallocated the Placing proceeds of approximately HK\$59.40 million to invest in equity securities of companies listed on the Stock Exchange and recorded a net realized loss of approximately HK\$10.52 million. As to the remaining Placing Proceeds, as at 31 December 2019, (i) approximately HK\$9.2 million was used for repayment of debts; and (ii) approximately HK\$4.8 million was used for general working capital of the Group. Considering the circumstances and reasons as detailed below in the paragraph headed “Reasons for the Rights Issue and use of proceeds — Other Financing Alternatives — (C) Liquidation of investments”, the Board is therefore of the view that divestment of the equity securities investment from the Placing proceeds to repay the Company’s existing outstanding debts is inappropriate for the time being.

Further, the Board was of the view that the temporary re-allocation of the remaining proceeds from Placing to investment in listed companies could facilitate the utilization of idle funds and had allowed the Company to deploy its financial resources more efficiently to provide investment returns based on the then market conditions. Before utilizing the Placing proceeds for investment in listed securities, the Directors had considered other options, including but not limited to,

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retaining the proceeds for loan repayment when the loans fall due, early repayment of the loans before the due dates, or investing in lower risk products, such as time deposits. After due consideration, the Board was of the view that investment in listed securities was the appropriate option for the following reasons:

- (1) as compared to retaining the proceeds and/or early repayment of the loans, temporary reallocation of the proceeds for investment was better utilization of idle funds; and
- (2) based on the then interest rate of approximately 0.13% on deposit offered by Hong Kong banks, making time deposits generates very low interest income, therefore the Board considered that investment in listed securities would maximize the investment returns and thus was in the interest of the Company and Shareholders as a whole.

Considering that some of the outstanding debts had not yet reached the payment period and taking into account the factors stated above the Board agreed, in good faith, that the temporary reallocation of the remaining proceeds to investment in equity securities of companies listed on the Stock Exchange would bring additional returns to finance the Company's day-to-day operations and to enhance the sustainability of the Company and was therefore in the best interest of the Company and its Shareholders as a whole.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Listing Rules. The principal activity of the Company is investment in listed and unlisted companies.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$160.1 million and the estimated net proceeds of the Rights Issue will be approximately HK\$153.3 million. The estimated expenses of the Rights Issue are approximately HK\$6.8 million, which include underwriting commission and professional fees payable to the financial advisers, legal counsels, financial printer and other parties involved in the Rights Issue and will be borne by the Company. The net subscription price per Rights Share is expected to be approximately HK\$0.034. The Company intends to use the net proceeds from the Rights Issue for the following purposes:

- (i) approximately 84.67%, or HK\$129.8 million will be used for repayment of external debts of the Group; and
- (ii) approximately 15.33%, or HK\$23.5 million will be used as the general working capital of the Group.

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As at the Latest Practicable Date, the total estimated external debts of the Company amounted to approximately HK\$129.8 million, which comprised of the total amount of principal amount and interest which will be due and payable by the Company to its creditors for the year ending 31 December 2021.

Set out below are the expected expenditure schedules (the “**Expenditure Schedule**”) of the Group for the year ending 31 December 2021 assuming full subscription under the Rights Issue with an estimated net proceeds of approximately HK\$153.3 million:

Period	Expected amount of expenditure of the Group (approximate)	Remarks
1 January 2021 to 31 March 2021	HK\$135.31 million	The expected expenditure of approximately HK\$135.31 million comprises approximately HK\$125.44 million to be used for repayment of the outstanding loan and promissory notes interest and approximately HK\$9.87 million to be used for the general working capital.
1 April 2021 to 30 June 2021	HK\$6.95 million	The expected expenditure of approximately HK\$6.95 million comprises approximately HK\$2.4 million to be used for repayment of the outstanding loan and promissory notes interest and approximately HK\$4.55 million to be used for the general working capital.
1 July 2021 to 30 September 2021	HK\$6.51 million	The expected expenditure of approximately HK\$6.51 million comprises approximately HK\$2.0 million to be used for repayment of the outstanding loan and promissory notes interest and approximately HK\$4.51 million to be used for the general working capital.
1 October 2021 to 31 December 2021	HK\$4.53 million	The expected expenditure of approximately HK\$4.53 million to be used for the general working capital.
Total	<u>HK\$153.3 million</u>	

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In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will first be utilised to settle the outstanding loan and promissory notes to the greatest extent possible taking into account of the respective maturity dates, interest rates and the amount overdue and the remaining part of proceeds (if any) will be utilised as the general working capital of the Company. The Company undertakes that it shall deposit the proceeds from the Rights Issue in a licensed bank in Hong Kong and all proceeds raised shall be used in strict compliance with the intended use of proceeds and the Expenditure Schedules detailed in this circular. Shall there be any material change in the use of proceeds raised from the Rights Issue, the Company will consult and inform the Stock Exchange in advance.

Financial Position of the Group

As disclosed in the 2019 annual report (the “**2019 Annual Report**”) of the Company, the Group incurred a loss attributable to owners of the Company of approximately HK\$25 million and a net cash outflow for operating activities of approximately HK\$81 million for the year ended 31 December 2019. As at 31 December 2019, the Group had (i) total debts of approximately HK\$146 million; (ii) cash and cash equivalents of approximately HK\$0.3 million; and (iii) net current liabilities of approximately HK\$94 million.

Based on the published interim report of the Company for the six months ended 30 June 2020, the total amount of current assets of the Company is approximately HK\$36.1 million, which comprises of: (i) financial assets at fair value through profit or loss of approximately HK\$22.8 million; (ii) prepayments, deposits and other receivables of approximately HK\$11.1 million; and (iii) cash and bank balances of approximately HK\$2.2 million.

As at the Latest Practicable Date, the Group’s promissory notes of outstanding principals and interests of approximately HK\$125 million which fell due as at 30 June 2020 remain unpaid.

Taking into consideration gross proceeds of approximately HK\$160.1 million based on the Subscription Price (subject to the adjustment to the number of Rights Shares to be allotted and issued to them so as not to trigger any GO obligation or result in the Company failing to comply with the Public Float Requirement (as the case may be)), the Directors are of the view that the Rights Issue can serve the intended purpose of repaying part of the Company’s external debts so as to lower the finance costs of the Group. The Directors expect that improvement in the financial condition of the Group can facilitate the Group to obtain further borrowings in the near future to finance its operations. Therefore, the Directors intend to raise funds through the Rights Issue to improve the financial condition of the Group.

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Further, given the low cash level of the Group as aforesaid, the Directors also intend to apply the net proceeds from the Rights Issue to replenish the general working capital of the Group, so as to accommodate the operating cash expenses of the Company and to respond to any unforeseen need in capital. The net proceeds allocated to the general working capital from the Rights Issue is equivalent to around 18 months of net operating cashflow based on the Group's performance for the six months ended 30 June 2020.

Other Financing Alternatives

The Directors (excluding the independent non-executive Directors) have considered other financing alternatives to raise funds including (i) additional debt financing and/or refinancing; (ii) equity fund raising such as placement of Shares and open offer; and (iii) liquidation of investments held by the Company.

(A) Debt financing and/or refinancing:

The availability of debt financing and/or refinancing is usually subject to the Group's existing financial positions. As at 30 September 2020, the unaudited consolidated net liabilities value per Share (excluding the fair value adjustments on the unlisted investments) of the Company was approximately HK\$0.08853. In fact, the Company has preliminarily approached a number of financial institutions for potential debt financing and/or refinancing. The Company was informed that in light of (i) the total amount of outstanding loan and promissory notes and the net liabilities position of the Group; and (ii) the substantial amount of funds required to settle such outstanding sums, the Company cannot obtain further debt financing and/or refinancing from the financial institutions at all.

On the above considerations, the Company considers that it is not commercially feasible for the Company to obtain further debt financing and/or refinancing from financial institutions.

(B) Other equity fund raising options:

As for equity fund raising, such as placement of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow free trading of rights entitlements in the open market.

LETTER FROM THE BOARD

(C) Liquidation of investments:

As at 30 September 2020, the Group's investment portfolio in listed equity securities amounted to approximately HK\$17.4 million, and investment in unlisted equity securities amounted to approximately HK\$37 million.

(i) listed equity securities:

The Board considers that divestment of its current investments in listed equity securities is inappropriate for the time being for the following reasons:

- (1) due to limited trading volume of the listed equity investments currently held, it is difficult for the Company to dispose of its entire shareholding in these stocks to realize sufficient sums for debt repayment;
- (2) as a result of fluctuation in the global and United States stock markets and the impacts caused by COVID-19 pandemic, the Hong Kong stock market experienced a downward turn since the beginning of 2020. Based on the closing stock price quoted on the Stock Exchange on 30 September 2020, certain stock investments of the Group recorded loss in the fair value of the investment for a total of approximately HK\$8.6 million. As at 30 September 2020, the aggregate market value of these stock investments is approximately HK\$16.7 million, which amounts to approximately 95.9% of the investment portfolio in listed equity securities of the Group. Considering the huge loss at present and in anticipation that these stocks may rebound upon improvement of global economy and market conditions, the Board considers that it is not in the interest of the Company to dispose of these stocks for the time being solely for repayment of loans, thereby recording irreversible losses to the Company. The Board is of the view that such stocks shall be retained in order to minimize the Company's investment losses and to protect the interest of the Shareholders as a whole; and
- (3) based on the closing stock price quoted on the Stock Exchange on 30 September 2020, certain stock investments of the Group recorded gain in the fair value of the investment for a total of approximately HK\$0.3 million. As at 30 September 2020, the aggregate market value of these stock investments is approximately HK\$0.7 million, which amounts to approximately 4.1% of the investment portfolio in listed equity securities of the Group. Considering the stock prices of these investments are on steady increasing trend and also the fact that these investments accounted for small percentage of the Group's investment portfolio, the Board is of the view that these stocks shall also be retained until the stock prices reach the expected value for the purpose of realizing larger investment returns for the Company.

LETTER FROM THE BOARD

In addition, the Company has disposed of some of its listed equity investments gradually since the latter half of 2019 in an aggregate sum of approximately HK\$8.0 million for the sole purpose of repaying certain outstanding payables in order to maintain the Company's necessary operations as the Board sees fit. Further, the Company does not rule out the possibility of gradually disposing of its other listed equity investments upon improvement of market conditions and upturn in trading volume to settle all necessary operational expenses in the future.

(ii) unlisted equity securities:

On the other hand, pursuant to Rule 21.04(3) of the Listing Rules, the Company, being an investment company under Chapter 21 of the Listing Rules, shall not own or control more than 30% of the voting rights in any one company. Accordingly, the majority of the Investments held by the Company consisted of minority interests which did not exceed 10% of the shareholding of the investee companies. In view of the lack of a public trading market for unlisted securities and the poor market investment incentive due to the recent volatility of both global and local economies, the Company considers that it will be difficult to seek for potential purchasers for unlisted shares for the time being. In light of the aforesaid, there would be uncertainty as to the time required for, and the amount of proceeds that can be raised from, the sale of the Investments.

Taking into account that (i) disposal of the listed equity investments will not be sufficient to repay the outstanding debts; (ii) it is impracticable to dispose of the Company's entire shareholding in the listed equity investments for the time being; (iii) some stocks disposal will be hugely loss-making and other stocks shall be retained for expected growth in investment returns; (iv) the Company has gradually and will readily consider to dispose of its remaining listed equity investments to maintain its necessary operations; and (v) the difficulty for the Company to sell unlisted equity investments due to the factors above, the Board considers that divestment of the remaining listed and unlisted equity investments is inappropriate for the time being and therefore the Rights Issue is required for loan repayment.

In contrast, the Directors (excluding the independent non-executive Directors) are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its financial position without the ongoing burden of interest expenses, and also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid dilution for those Shareholders who take up their entitlement under the Rights Issue in full.

Having taken into account of (i) the imminent funding needs of the Company to repay the outstanding loans and promissory notes; (ii) difficulty of liquidation of the Investments and the substantial amount of loss which will be incurred based on current market prices; (iii) the benefits of increasing the working capital and strengthening the financial position of the Group without

LETTER FROM THE BOARD

increasing its financing costs and the possibility of lowering the net liabilities of the Group; and (iv) the fact that the Rights Issue is subject to the Independent Shareholders' approval and therefore the Independent Shareholders are given the opportunity and full discretion to consider the Rights Issue and decide whether to vote in favour of or against the Rights Issue, the Directors consider that the Rights Issue is in the best interests of the Company and the Shareholders as a whole and it is the best available option under the current situation of the Company.

Future business plan of the Company

Considering the instability of the US-China relations, the outbreak of COVID-19 and the global economy, the Company has proposed to invest conservatively in the near future. For instance, the Company proposes to gradually dispose of its other listed and unlisted equity investments upon improvement of market conditions and/or upturn in trading volume and utilise the realised proceeds to purchase shares with relatively stable trading prices and volumes such as "Blue Chip" shares to lower the investment risks and generate stable dividend returns to the Company. Alternatively, the Company also plans to invest in the debentures issued by listed companies in Hong Kong with stable pricing, so as to secure an annual return rate of approximately 10%. Proactive investment strategies will not be taken by the Company in the near future.

As at the Latest Practicable Date, save for the Rights Issue, the Board had no intention or plan to conduct other equity fund raising activities in the next 12 months. The Company will wait for the investment environment and market atmosphere to turn positive and look for suitable investment opportunities. However, if the Group experienced a further substantial deterioration of its financial position and investment performance due to the market fluctuation and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company had not conducted any fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company had no controlling shareholder. Save as Ms. Xie Xiangrong, a non-executive Director of the Company, who holds 60,000 Shares of the Company, none of the Directors, the chief executive of the Company or their respective associates hold any Shares in the Company.

As such, save as Ms. Xie Xiangrong, no Shareholder will be required to abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

The Company had not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more.

WINDING UP PETITION

Impact of the Winding Up Petition on the Rights Issue

References are made to the Winding Up Petition Announcements. On 19 March 2020, the Company received a petition from a promissory note holder in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Ordinance**”) from the High Court of the Hong Kong Special Administrative Region (the “**High Court**” or the “**Court**”) that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts (the “**Winding Up Petition**”).

LETTER FROM THE BOARD

The Company has consulted its Hong Kong legal adviser in respect of the Winding Up Petition and has been advised that:

In response to the Winding Up Petition, the Company took out an application for a validation order in relation to, *inter alia*, the Rights Issue and payment of expenses made in the ordinary course of business on 1 June 2020.

On 12 November 2020, a validation order has been granted by the Court to the Company to proceed with the Rights Issue, the details of which are as follows:

- i) notwithstanding the presentation of the Winding Up Petition, unless otherwise ordered by the Court, any reasonable fees, expenses, and/or payments made for and/or necessitated by carrying out of the Company's Rights Issue of 4,573,134,820 Shares to be listed on the Stock Exchange and traded at the proposed subscription price of HK\$0.035 shall not be void by virtue of Section 182 of the Ordinance;
- ii) without prejudice to generality of paragraph (i) above, the payments made into and out of the bank accounts of the Company maintained in in respect of the Rights Issue, including the fees, expenses and/or payments, be sanctioned;
- iii) the bank in paragraph (ii) above shall be under no obligation to verify for itself whether any transaction through the Company's bank account is made for and/or necessitated by the carrying out of the Rights Issue;
- iv) Notwithstanding the presentation of the Winding Up Petition, the payment of necessary legal expenses reasonably incurred by the Company for the compliance of this order shall not be void by virtue of section 182 of Ordinance; and
- v) the Company shall provide to the petitioner with 14 days of the end of each calendar month a statement of accounts summarising the expenses and payments (including legal costs and expenses) of the Company (with the date, amount, payee and nature of payment) for the relevant calendar month.

As advised by its legal advisers in respect of the Winding Up Petition, the Company has obtained the requisite court approval for proceeding with the Rights Issue.

The Company will make further announcement(s) to keep its shareholders and investors informed of any significant development of the Winding Up Petition as and when appropriate.

LETTER FROM THE BOARD

THE EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. The EGM will be convened and held to consider and, if appropriate, approve the Increase in Authorised Share Capital and the Rights Issue, each in accordance with the Articles and the Listing Rules.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM, on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Company had no controlling shareholder. Save as Ms. Xie Xiangrong, a non-executive Director of the Company, who holds 60,000 Shares of the Company, none of the Directors, the chief executive of the Company or their respective associates hold any Shares in the Company.

As such, save as Ms. Xie Xiangrong, no Shareholder will be required to abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

The voting in respect of all the resolutions to be proposed at the EGM will be conducted by way of a poll.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM and the Increase in Authorised Share Capital having become effective, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Monday, 21 December 2020 whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Li Li, Ms. Wu Xiaoxia and Mr. Liao Kai, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Grande Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 41 to 42 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) believe that the terms of the Underwriting Agreement are on normal commercial terms, and the Increase in Authorised Share Capital and the Rights Issue are fair and reasonable so far as the Shareholders or Independent Shareholders (as the case may be) are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the resolutions to be proposed at the EGM to approve the Increase in Authorised Share Capital and the Rights Issue.

Shareholders are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Joint Underwriters not having terminated the Underwriting Agreement in accordance

LETTER FROM THE BOARD

with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” in this circular). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 10 December 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 23 December 2020 to Tuesday, 5 January 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Joint Underwriters’ right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Joint Underwriters’ right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

By order of the Board of
National Investments Fund Limited
Wang Ning
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.

NationalInvestments

National Investments Fund Limited

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1227)

23 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE
AT HK\$0.035 PER RIGHTS SHARE**

We refer to the circular dated 23 November 2020 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Underwriting Agreement and the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Grande Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-30 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 13 to 40 of this circular and the additional information set out in the appendices to this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue and the letter from the Independent Financial Adviser, we consider that the terms of the Rights Issue (including the terms and conditions of the Underwriting Agreement) are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the Rights Issue at the EGM.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Mr. Li Li

Mr. Liao Kai

Ms. Wu Xiaoxia

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue prepared for the purpose of inclusion in this circular.



23 November 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FIVE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE
HELD ON THE RECORD DATE
AT HK\$0.035 PER RIGHTS SHARE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 23 November 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 7 July 2020, the Company announced, among other things, the Rights Issue and the Underwriting Agreement. The Company proposed to raise gross proceeds of approximately up to HK\$160.1 million on the basis of Five (5) Rights Shares for every one (1) Share held on the Record Date by issuing up to 4,573,134,820 Rights Shares at the Subscription Price of HK\$0.035 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The estimated net proceeds of the Rights Issue will be approximately HK\$ HK\$153.3 million and are intended to be used (i) for the repayment of overdue external debts; and (ii) as general working capital of the Group.

As set out in the Letter from the Board, on 7 July 2020, the Company entered into the Underwriting Agreement with ChaoShang Securities and Solomon Securities, being the Joint Underwriters. Pursuant to the Underwriting Agreement, the Joint Underwriters have conditionally agreed to underwrite, on a best effort basis, untaken Rights Shares of up to 4,573,134,820 Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date) subject to the terms and conditions set out in the Underwriting

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement, in particular the fulfillment of the conditions precedent contained therein. The Company will pay to each of the Joint Underwriters an underwriting commission of 3.5% of subscription amount in respect of the Rights Shares actually subscribed through the respective Joint Underwriters and/or its sub-underwriters. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in the Letter from the Board.

As the Rights Issue will proceed on a best effort basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares and Share Options under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue 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 in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

Listing Rules Implication

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company has no controlling shareholder. Save as Ms. Xie Xiangrong, a non-executive Director of the Company, who holds 60,000 Shares of the Company, none of the Directors, the chief executive of the Company or their respective associates hold any Shares in the Company. As such, save as Ms. Xie Xiangrong, no Shareholder will be required to abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Li, Ms. Wu Xiaoxia and Mr. Liao Kai, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM.

We, Grande Capital Limited, have been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not associated or connected with the Company, its respective core connected persons or associates, and we are qualified to give independent advice to the Independent Board Committee regarding the Rights Issue. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied solely on the statements, information, opinions and representations contained or referred to in the Circular as well as the representations made or provided by the Directors and the management of the Company (the “**Management**”).

The 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 confirm that to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading. We have also assumed that the information and the representations made by the Directors and the Management as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information and we have performed all necessary steps to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted an independent investigation into the businesses and affairs or the prospects of the Company, or any of their respective subsidiaries or associates. Our recommendation is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and is not used out of context.

Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have considered the following principal factors and reasons:

1. Information of the Group

As set out in the Letter from the Board, the Company is an investment company listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The principal activity of the Company is investment in listed and unlisted companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance

Set out below is a summary of the audited consolidated financial performance of the Group for the year ended 31 December 2018 (“FY2018”), the year ended 31 December 2019 (“FY2019”), the six months ended 30 June 2019 and the six months ended 30 June 2020 as extracted from the annual report of the Company for the year ended 31 December 2019 (the “Annual Report”) and the interim report of the Company for the six months ended 30 June 2020 (the “Interim Report”).

	FY2019	FY2018	Six months ended 30 June 2020	Six months ended 30 June 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	—	9,690	—	—
Other income	2,242	1,867	—	2,238
Gain on disposal of an associate	20,000	—	—	—
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)	(29,910)	(20,279)	(11,264)	(18,642)
Impairment loss of other receivables	(700)	(1,674)	—	—
Other operating expenses	(11,443)	(42,582)	(3,243)	(6,833)
Finance costs	(5,232)	(6,676)	(755)	(2,908)
Loss before taxation	(25,043)	(59,654)	(15,262)	(26,145)
Income tax expense	—	—	—	—
Loss for the year/period	<u>(25,043)</u>	<u>(59,654)</u>	<u>(15,262)</u>	<u>(26,145)</u>
Other comprehensive loss: <i>Items that will not be reclassified to profit or loss:</i>				
Fair value changes of equity investments at fair value through other comprehensive income	(10,344)	(44,240)	(3,977)	(1,179)
Other comprehensive loss for the year/period, net of tax	<u>(10,344)</u>	<u>(44,240)</u>	<u>(3,977)</u>	<u>(1,179)</u>
Total comprehensive loss for the year/period	<u>(35,387)</u>	<u>(103,894)</u>	<u>(19,239)</u>	<u>(27,324)</u>
Loss for the year/period attributable to:				
Owners of the Company	<u>(25,043)</u>	<u>(59,564)</u>	<u>(15,262)</u>	<u>(26,145)</u>
Total comprehensive loss for the year/period attributable to:				
Owners of the Company	<u>(35,387)</u>	<u>(103,894)</u>	<u>(19,239)</u>	<u>(27,324)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's revenue decreased by 100% from approximately HK\$9.7 million for FY2018 to nil for FY2019. According to the Annual Report, the decrease in revenue was mainly due to the dividend income of approximately HK\$7.4 million generated from the unlisted investment portfolios and interest income of approximately HK\$2.34 million from financial assets at fair value through profit or loss for FY2018 and the absence of the aforesaid income during FY2019. During the six months ended 30 June 2019 and the six months ended 30 June 2020, no operating revenue of the Group was recorded.

The Group's other operating expenses decreased by approximately HK\$31.2 million or 73.2% from approximately HK\$42.6 million for FY2018 to approximately HK\$11.4 million for FY2019. According to the Annual Report, the decrease was mainly due to the Group having successfully implemented the cost control plans during FY2019, which included but not limited to decrease in legal and professional fees, rental and salaries. The Group's operating expenses decreased by approximately HK\$3.6 million or 52.5% from approximately HK\$6.8 million for the six months ended 30 June 2019 to approximately HK\$3.2 million for the six months ended 30 June 2020. The decrease was mainly due to the Group having successfully implemented the cost control plans. Particularly, the legal and professional fees have decreased from approximately HK\$2.8 million for the six months ended 30 June 2019 to approximately HK\$1.0 million for the six months ended 30 June 2020, while the salaries have decreased from approximately HK\$3.1 million for the six months ended 30 June 2019 to approximately HK\$1.8 million for the six months ended 30 June 2020.

The Group's finance costs consist of interest expenses on promissory notes, other payables, short-term loans, obligations under finance leases and lease liabilities. The Group's finance cost decreased by HK\$1.5 million or 22.4% from approximately HK\$6.7 million for FY2018 to approximately HK\$5.2 million for FY2019. According to the Annual Report, the decrease was mainly due to the absence of interest expenses on short-term loans during FY2019. The Group's finance cost decreased by approximately HK\$2.1 million or 72.4% from approximately HK\$2.9 million for the six months ended 30 June 2019 to approximately HK\$0.8 million for the six months ended 30 June 2020, which the decrease was mainly due to the Company has reached agreement for extension of repayment term and/or rollover arrangement with its promissory note holders during the six months ended 30 June 2020.

We note that the Group's loss in fair value of financial asset at fair value through profit or loss increased by approximately HK\$9.6 million or 47.3% from fair value loss of approximately HK\$20.3 million for FY2018 to fair value loss of approximately HK\$29.9 million for FY2019. The Group's loss in fair value of financial asset at fair value through profit or loss decreased by HK\$7.3 million or 39.2% from approximately HK\$18.6 million for the six months ended 30 June 2019 to approximately HK\$11.3 million for the six months ended 30 June 2020. We also noted that the Group recorded a gain on disposal of an associate of approximately HK\$20.0 million and gain

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on the disposal of property, plant and equipment of approximately HK\$1.7 million during FY2019, while the Group had no such other income for FY2018, as well as the six months ended 30 June 2019 and 30 June 2020.

As a result of the above, the Group's total comprehensive loss for the year attributable to owners of the Company decreased by approximately HK\$68.5 million, or 65.9%, from approximately HK\$103.9 million for FY2018 to approximately HK\$35.4 million for FY2019. The Group's total comprehensive loss for the period attributable to owners of the Company decreased by approximately HK\$8.1 million, or 29.7%, from approximately HK\$27.3 million for the six months ended 30 June 2019 to approximately HK\$19.2 million for the six months ended 30 June 2020.

Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2019 and 30 June 2020 as extracted from the Annual Report and the Interim Report.

	As at 31 December 2019 HK\$'000	As at 30 June 2020 HK\$'000
Non-current assets	42,272	37,883
Current assets	51,441	36,148
Total assets	93,713	74,031
Current liabilities	(145,171)	(145,154)
Non-current liabilities	(532)	(106)
Total liabilities	(145,703)	(145,260)
Net current liabilities	(93,730)	(109,006)
Net liabilities	(51,990)	(71,229)

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As at 31 December 2019, total assets of the Group amounted to approximately HK\$93.7 million, which mainly comprised (i) financial assets at fair value through other comprehensive income, which accounted for approximately 43.8% of total assets; (ii) financial assets at fair value through profit or loss, which accounted for approximately 42.7% of total assets; and (iii) prepayments, deposits and other receivables, which accounted for approximately 11.8% of total assets.

As at 30 June 2020, total assets of the Group amounted to approximately HK\$74.0 million, which mainly comprised (i) financial assets at fair value through other comprehensive income, which accounted for approximately 50.0% of total assets; (ii) financial assets at fair value through profit or loss, which accounted for approximately 30.8% of total assets; and (iii) prepayments, deposits and other receivables, which accounted for approximately 15.0% of total assets.

As at 31 December 2019, total liabilities of the Group amounted to approximately HK\$145.7 million, which mainly comprised (i) promissory notes of approximately HK\$110.0 million, representing 75.5% of the Group's total liabilities; and (ii) accrued charges and other payables of approximately HK\$26.3 million, representing 18.1%, of the Group's total liabilities.

As at 30 June 2020, total liabilities of the Group amounted to approximately HK\$145.2 million, which mainly comprised (i) promissory notes of approximately HK\$110.0 million, representing 75.7% of the Group's total liabilities; and (ii) accrued charges and other payables of approximately HK\$25.6 million, representing 17.6%, of the Group's total liabilities.

As at 31 December 2019, the Group recorded net liabilities attributable to owners of the Company of approximately HK\$51.5 million. In addition, as at 31 December 2019, the Group had (i) total debts of approximately HK\$146 million; (ii) cash and cash equivalents of approximately HK\$0.3 million; and (iii) net current liabilities of approximately HK\$93.7 million.

As at 30 June 2020, the Group recorded net liabilities attributable to owners of the Company of approximately HK\$71.2 million. In addition, as at 30 June 2020, the Group had (i) total liabilities of approximately HK\$145.3 million; (ii) cash and cash equivalents of approximately HK\$2.2 million; and (iii) net current liabilities of approximately HK\$109.0 million.

The Letter from the Board also disclosed that as at the Latest Practicable Date, the Group's promissory notes of outstanding principals and interests of approximately HK\$125 million which fell due as at 30 June 2020 remained unpaid. We note that the total amount of the Group's current assets as at 30 June 2020 was less than such outstanding amount of principals and accrued interests of promissory notes. Also, as noted in the announcement published by the Company on 14 October 2020, the Company recorded net liabilities as at 30 September 2020.

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2. Reasons for the Rights Issue and proposed use of net proceeds

As set out in the Letter from the Board, assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$160.1 million and the estimated net proceeds of the Rights Issue will be approximately HK\$153.3 million. The estimated expenses of the Rights Issue are approximately HK\$6.8 million, which include underwriting commission and professional fees payable to the financial advisers, legal counsels, financial printer and other parties involved in the Rights Issue, and will be borne by the Company. The net subscription price per Rights Share is expected to be approximately HK\$0.034. The Company intends to use the net proceeds from the Rights Issue for the following purposes:

- (i) approximately 84.67%, or HK\$129.8 million will be used for repayment of external debts of the Group; and
- (ii) approximately 15.33%, or HK\$23.5 million will be used as the general working capital of the Group.

Repayment of external debts

As disclosed in the Letter from the Board, as at the Latest Practicable Date, the total estimated external debts of the Company amounted to approximately HK\$129.8 million, which was comprised of the total amount of principal amount and interest which will be due and payable by the Company to its creditors for the year ending 31 December 2021.

We note from the Annual Report that the Group incurred a loss attributable to owners of the Company of approximately HK\$25.0 million and a net cash outflow for operating activities of approximately HK\$81.1 million for FY2019. As at 31 December 2019, the Group had (i) total debts of approximately HK\$146 million; (ii) cash and cash equivalents of approximately HK\$0.3 million; (iii) net current liabilities of approximately HK\$93.7 million; and (iv) net liabilities of approximately HK\$52.0 million. We note that Zhonghui Anda CPA Limited, the auditors of the Company, issued a disclaimer of opinion on the Group's consolidated financial statements for FY2019 due to the financial condition of the Group which indicated the existence of material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

We also note from the Interim Report that the Group incurred a loss attributable to owners of the Company of approximately HK\$19.2 million for the six months ended 30 June 2020. As at 30 June 2020, the Group had (i) total liabilities of approximately HK\$145.3 million; (ii) cash and cash equivalents of approximately HK\$2.2 million; (iii) net current liabilities of approximately HK\$109.0 million; and (iv) net liabilities of approximately HK\$71.2 million.

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As at the Latest Practicable Date, the Group's promissory notes of outstanding principals and interests of approximately HK\$125 million which fell due as at 30 June 2020 remained unpaid.

We note that on 19 March 2020, the Company received a winding up petition from an individual that the Company may be wound up by the High Court of Hong Kong on the ground that the Company is unable to pay its debts, details of which were disclosed in the Company's Winding Up Petition Announcements.

As set out in the Letter from the Board, the Directors are of the view that the Rights Issue can serve the intended purpose of repaying part of the Company's external debts so as to lower the finance costs of the Group. The Directors expect that improvement in the financial condition of the Group can facilitate the Group to obtain further borrowings in the near future to finance its operations. Therefore, the Directors intend to raise funds through the Rights Issue to improve the financial condition of the Group.

General working capital

Further, given the low cash level of the Group as aforesaid, the Directors also intend to apply the net proceeds from the Rights Issue to replenish the general working capital of the Group, so as to accommodate the operating cash expenses of the Company and to respond to any unforeseen need in capital. The net proceeds allocated to the general working capital from the Rights Issue is equivalent to around 18 months of net operating cashflow based on the Group's performance for the six months ended 30 June 2020. However, in the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will first be utilised to settle the outstanding loan and promissory notes to the greatest extent possible taking into account of the respective maturity dates, interest rates and the amount overdue and the remaining part of proceeds (if any) will be utilised as the general working capital of the Company.

Future business plan of the Company

As set out in the Letter from the Board, considering the instability of the US-China relations, the outbreak of COVID-19 and the global economy, the Company has proposed to invest conservatively in the near future. For instance, the Company proposes to gradually dispose of its other listed and unlisted equity investments upon improvement of market conditions and/or upturn in trading volume and utilise the realised proceeds to purchase shares with relatively stable trading prices and volumes such as "Blue Chip" shares to lower the investment risks and generate stable dividend returns to the Company. Alternatively, the Company also plans to invest in the debentures issued by listed companies in Hong Kong with stable pricing, so as to secure an annual return rate of approximately 10%. Proactive investment strategies will not be taken by the Company in the near future.

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Our view

Having considered the above and in particular that (i) the Group's current financial conditions indicate material uncertainties that cast doubt on its ability to continue as a going concern; (ii) the Group's current assets as at 30 June 2020 is insufficient to repay the principals and accrued interests of its outstanding promissory notes which had already fell due as at 30 June 2020; and (iii) a winding up petition was filed against the Company and the Company may be wound up if it fails to repay its debts, we are of the view that it is justifiable for the Group to seek external funding as soon as possible to repay debts and improve its financial condition.

3. Other financing alternatives

As discussed with the Company, we understand the Directors (excluding the independent non-executive Directors) have considered other financing alternatives to raise funds, including (i) additional debt financing and/or refinancing; (ii) equity fund raising such as placement of Shares and open offer; and (iii) liquidation of investments held by the Company, before resolving to propose the Rights Issue.

Debt financing and/or refinancing

As set out in the Letter from the Board, the Company had preliminarily approached a number of financial institutions for potential debt financing and/or refinancing, but was informed that in light of (i) the total amount of outstanding loan and promissory notes and the net liabilities position of the Group; and (ii) the substantial amount of funds required to settle such outstanding sums, the Company was unable to obtain further debt financing and/or refinancing from the financial institutions at all.

Based on the above and given the Company's current financial conditions, we concur with the view of the Company that it is not commercially feasible for the Company to obtain further debt financing and/or refinancing from financial institutions.

Other equity fund raising

We understand that the Company has considered other equity fund raising options. As set out in the Letter from the Board, the Company consider that a placement of new shares is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholder interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, while similar to a rights issue, it does not allow free trading of rights entitlements in the open market.

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Liquidation of investments

As set out in the Letter from the Board, as at 30 September 2020, the Group's investment portfolio in listed equity securities amounted to approximately HK\$17.4 million, and investment in unlisted equity securities amounted to approximately HK\$37 million. The Board considers that divestment of its current investments in listed equity securities is inappropriate for the time being for the following reasons:

- (i) due limited trading volume of the listed equity investments currently held, it is difficult for the Company to dispose of its entire shareholding in these stocks to realize sufficient sums for debt repayment;
- (ii) as a result of the fluctuation in the global and United States stock markets and the impacts caused by COVID-19 pandemic, the Hong Kong stock market experienced a downward turn since the beginning of 2020. Based on the closing stock price quoted on the Stock Exchange on 30 September 2020, certain stock investments of the Group recorded loss in the fair value of the investment for a total of approximately HK\$8.6 million. As at 30 September 2020, the aggregate market value of these stock investments is approximately HK\$16.7 million, which amounts to approximately 95.9% of the investment portfolio in listed equity securities of the Group. Considering the huge loss at present and in anticipation that these stocks may rebound upon improvement of global economy and market conditions, the Board considers that it is not in the interest of the Company to dispose of these stocks for the time being solely for repayment of loans, thereby recording irreversible losses to the Company. The Board is of the view that such stocks shall be retained in order to minimize the Company's investment losses and to protect the interest of the Shareholders as a whole; and
- (iii) based on the closing stock price quoted on the Stock Exchange on 30 September 2020, certain stock investments of the Group recorded gain in the fair value of the investment for a total of approximately HK\$0.3 million. As at 30 September 2020, the aggregate market value of these stock investments is approximately HK\$0.7 million, which amounts to approximately 4.1% of the investment portfolio in listed equity securities of the Group. Considering the stock prices of these investments are on steady increasing trend and also the fact that these investments accounted for small percentage of the Group's investment portfolio, the Board is of the view that these stocks shall also be retained until the stock prices reach the expected value for the purpose of realizing larger investment returns for the Company.

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As for the Company's investments in unlisted equity securities, most of the investments held by the Company consisted of minority interests which did not exceed 10% of the shareholding of the investee companies. In view of the lack of a public trading market for unlisted securities and the poor market investment incentive due to the recent volatility of both global and local economies, the Company considers that it will be difficult to seek for potential purchasers for unlisted shares for the time being. In light of the aforesaid, there would be uncertainty as to the time required for, and the amount of proceeds that can be raised from, the sale of the unlisted equity securities.

Our view

Having considered the above and in particular that (i) the Company was unable to obtain any further debt financing and/or refinancing after approaching a number of the financial institutions due to its current financial conditions; and (ii) the Company's investments in listed and unlisted securities, even if liquidated in full based on the market price or fair value of approximately HK\$59.8 million as at 30 June 2020, based on the Interim Report would be insufficient for the Company to repay all its external debts, we concur with the Company's view that the Rights Issue is the appropriate fundraising method for the repayment of debts and the improvement of its financial condition.

4. Principal terms of the Rights Issue

(i) Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.035 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	914,626,964 Shares with an aggregate nominal value of HK\$91,462,696.4
Number of Rights Shares	:	up to 4,573,134,820 Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) from the Latest Practicable Date up to the Record Date)

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Number of issued Shares of the Company upon completion of the Rights Issue	:	up to 5,487,761,784 Shares (assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) from the Latest Practicable Date up to the Record Date)
Amount to be raised	:	up to approximately HK\$160.1 million before deduction of the costs and expenses which the Company will incur in the Rights Issue
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As set out in the Letter from the Board, as at the Latest Practicable Date, the Company does not have any options outstanding under any Share Option Scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

In the event the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or otherwise subscribed by the Joint Underwriters or other subscribers procured by them pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

The Rights Issue is not fully underwritten by a person or persons whose ordinary course of business includes underwriting.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 500% of the Company's issued share capital as at the Latest Practicable Date and approximately 83.33% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

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(ii) Subscription Price

The Subscription Price for the Rights Shares is HK\$0.035 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

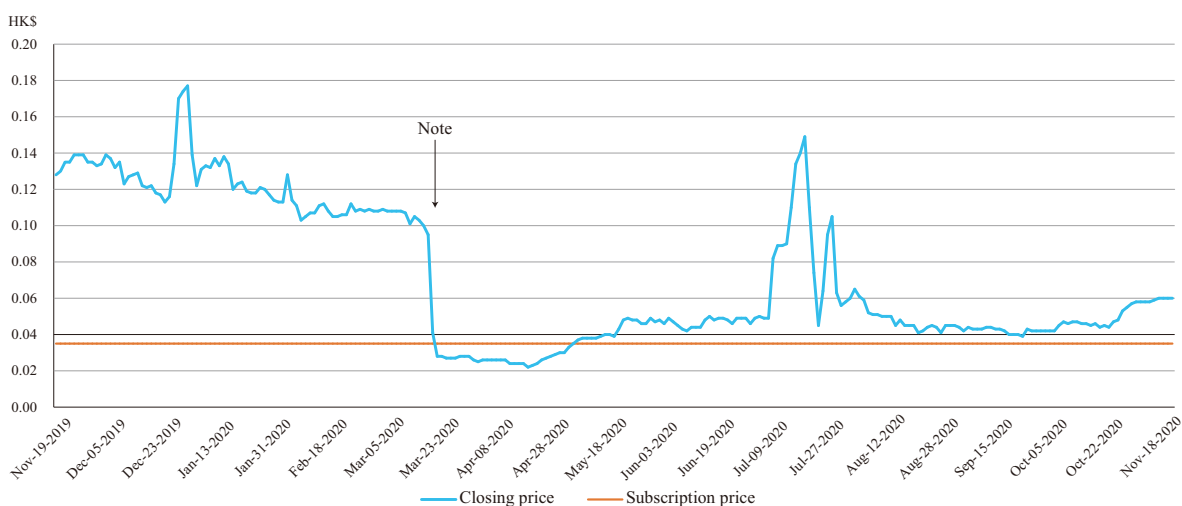
- (a) a discount of approximately 41.7% to the closing price of HK\$0.060 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 28.57% to the closing price of HK\$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 6.25% to the theoretical ex-rights price of approximately HK\$0.037 per Share based on the closing price of HK\$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 27.69% to the average of the closing prices of approximately HK\$0.048 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 27.39% to the average of the closing prices of approximately HK\$0.048 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 23.81%, represented by the theoretical diluted price of approximately HK\$0.037 per Share to the benchmarked price of approximately HK\$0.049 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.049 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.048 per Share).

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As set out in the Letter from the Board, the Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Joint Underwriters, taking into account, among others, the following factors: (i) the prevailing share price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; (ii) the latest business performance and financial position of the Group; and (iii) the funding and capital needs of the Company.

Historical Share Price Performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price of the Shares during the period from 19 November 2019, being 12 months immediately to the Latest Practicable Date (the “**Review Period**”). We consider that a period of 12 months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.



Source: the Stock Exchange

Note: The Company published the announcement on 19 March 2020 regarding the Winding Up Petition.

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During the Review Period, the highest and the lowest closing price of the Shares were HK\$0.177 per Share on 2 January 2020 and HK\$0.022 per Share on 22 April 2020 respectively, while the average closing price during the Review Period is HK\$0.072. Except for the period from 23 March 2020 to 8 May 2020, the Subscription Price of HK\$0.035 was lower than the closing price of the Shares throughout the Review Period. The Subscription Price represents a discount of approximately 80.2% and 51.4% to the highest and the average closing price of the Shares of the Review Period respectively.

The closing price of the Shares has been generally stable from the beginning of November 2019 to the middle of March 2020. The stock price dropped significantly on 20 March 2020 to HK\$0.041 from HK\$0.095 as at 19 March 2020, after the Company published the announcement regarding the Winding Up Petition after the trading hours on 19 March 2020. As the average stock price of the period after the significant drop on 20 March 2020 up to the Latest Practicable Date (the “**Post-drop Period**”) is significantly lower than the average stock price of the period before the significant drop on 20 March 2020 up to the Latest Practicable Date (the “**Pre-drop Period**”), we consider that the Post-drop Period better reflect the market value of the Company after the public investors were informed about the Winding-up Petition on 19 March 2020. Thus, we consider that the price trend analysis is more meaningful by focusing on the Post-drop Period. For the Post-drop Period, the highest and the lowest closing price of the Shares were HK\$0.149 per Share on 22 July 2020 and HK\$0.022 per Share on 22 April 2020 respectively, while the average closing price during the Post-drop Period was HK\$0.048. The Subscription Price represents a discount of approximately 76.5% and 27.1% to the highest and the average closing price of the Shares of the Post-drop Period respectively. We have noted the fluctuations in the price of the Shares in July 2020. The closing price of the Shares has reached the peak at HK\$0.149 per Share on 22 July 2020 and shortly dropped to HK\$0.045 on 27 July 2020. The Directors considered such price fluctuation since July 2020 was mainly due to the circumstances as described in the Company’s announcement dated 7 July and 22 July 2020 (i.e. the announcements regarding the proposed Rights Issue and update in Winding Up Petition, respectively), and the Directors was not aware of any other reasons for such price fluctuation. We also noted that the discount rate of approximately 27.1% to the average closing price of the Shares of the Post-drop Period is generally in line with the discount rate of approximately 28.57%, 27.69% and 27.39% to the closing price on the Last Trading Day, the average closing prices of the five consecutive trading days up to and including the Last Trading Day and the average closing prices of the ten consecutive trading days up to and including the Last Trading Day, respectively. Hence, we consider it is fair and reasonable for the Company to determine the Subscription Price with reference the prevailing market price of the Shares and a discount to enhance the attractiveness of the Rights Issue.

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Historical trading volume and liquidity analysis

	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume to the total number of Shares as at the end of the month
2019			
November (since 19 November)	9	3,840,500	0.42%
December	20	4,067,545	0.44%
2020			
January	20	8,751,800	0.96%
February	20	3,522,815	0.39%
March	22	12,779,936	1.40%
April	19	1,009,058	0.11%
May	20	2,723,670	0.30%
June	21	842,729	0.09%
July	21	54,427,590	5.95%
August	21	9,537,719	1.04%
September	22	1,638,911	0.18%
October	18	4,375,444	0.48%
November (Until 18 November)	13	3,756,308	0.41%
Maximum		54,427,590	5.95%
Minimum		842,729	0.09%
Average		9,109,051	1.27%

Source: the Stock Exchange

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As illustrated in the table above, the average daily trading volume of the Shares during the Review Period ranged from approximately 842,729 Shares to approximately 54,427,590 Shares, representing approximately 0.09% to 5.95% of the number of Shares in issue as at the end of relevant month. We note that in most of the months during the Review Period, the average daily trading volume of the Shares represented about 1% or less of the Shares in issue, with the only exceptions in March 2020, July 2020 and August 2020. We note that the Winding Up Petition was announced in March 2020 and the Rights Issue was announced in July 2020, while we consider the relatively high trading volume in August 2020 was due to the expectation of the Rights Issue from the market. We are of the view that issuers with relatively thinner average daily trading volume of their shares may need to offer a relatively larger discount to the prevailing trading price in order to attract their shareholders to subscribe for the new shares when they propose to raise funds by way of a rights issue or open offer. As such, it is reasonable for the Company to take into account of the thin trading liquidity of the Shares when it set the Subscription Price in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Rights Issue comparables analysis

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have reviewed 45 comparable transactions (the “**Comparables**”) which involve issuance of rights shares announced by companies listed on the Stock Exchange since 19 November 2019 up to the Latest Practicable Date, being a one-year period immediately prior to the Latest Practicable Date. Shareholders should note that the business activities of the companies of the Comparables vary from company to company with their financial positions, business performances and future prospects. Although the circumstances surrounding such Comparables may be different from those relating to the Company, we consider that the terms of a rights issue are often influenced by the recent market trends for rights issue. Thus, we are of the view that the inclusion of companies with different businesses without any artificial selection or filtering for the 12 months prior to the Latest Practicable Date generates a reasonable and adequate sample size and represents a true and fair view of the recent market trend for rights issues. The list of Comparables is an exhaustive list of rights issues meeting the aforementioned criteria and is a fair and representative sample to be taken for the Shareholders’ reference. The comparison between the Rights Issue and Comparables serves as an illustration of one of the factors we have considered in analysing the matters relating to the Rights Issues. The table below provides a summary of our findings:

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Announcement date	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over the share price on the last trading day (%)	Premium/ (Discount) of the subscription price over the theoretical ex-right share price on the last trading day (%)	Premium/ (Discount) of the subscription price over the average share price for the five previous consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the subscription price over the average share price for the ten previous consecutive trading days up to and including the last trading day (%)	Maximum dilution effect (%) (Note)	Underwriting/ related commission, as the case may be (%)	Excess application Yes/No
10 November 2020	China Fortune Holdings Limited	110	1 for 1	(5.36)	(2.75)	(5.36)	(6.03)	50.0	non-underwritten basis	Yes
5 November 2020	Asia-Pac Financial Investment Company Limited	8193	3 for 1	(10.70)	(3.70)	(13.20)	(13.50)	75.0	2.5	No
4 November 2020	Top Form International Limited	333	2 for 5	(21.80)	(16.67)	(21.88)	(23.08)	28.6	0.0	No
27 October 2020	Longhui International Holdings Limited	1007	1 for 1	(29.00)	(16.96)	(29.00)	(29.70)	50.0	Higher of HK\$100,000 or 1.5%	Yes
19 October 2020	CHK Oil Limited	632	3 for 8	26.58	17.99	26.26	23.30	27.3	Non-underwritten basis	Yes
25 September 2020	Green International Holdings Limited	2700	1 for 1	(17.81)	(9.77)	(28.06)	(28.83)	50.0	2.5	Yes
18 September 2020	Wan Cheng Metal Packaging Company Limited	8291	3 for 1	(19.40)	(5.70)	(18.00)	(18.00)	75.0	Non-underwritten basis	No
11 September 2020	Amber Hill Financial Holdings Limited	33	3 for 1	(23.66)	(7.79)	(27.55)	(31.73)	75.0	2.0	No
3 September 2020	AESO Holding Limited	8341	3 for 1	(16.70)	(4.80)	(16.20)	(16.20)	75.0	2.5	No
28 August 2020	Royal Century Resources Holdings Limited	8125	2 for 1	(25.00)	(10.00)	(28.57)	(30.88)	66.7	2.0	No
28 August 2020	Milan Station Holdings Limited	1150	5 for 2	(10.57)	(3.51)	(12.00)	(14.06)	71.4	2.0	Yes
24 August 2020	Wealth Glory Holdings Limited	8269	5 for 2	(11.10)	(3.60)	(12.10)	(12.10)	71.4	2.5	Yes
10 August 2020	Baver Group (Holding) Company Limited	8275	1 for 2	(28.95)	(20.59)	(28.95)	(28.95)	33.3	5.0	Yes
05 August 2020	Gatewalle Inc.	8315	1 for 3	(27.54)	(21.88)	(7.41)	(7.41)	25.0	Lump sum of HK\$200,000	Yes
30 July 2020	Larry Jewelry International Company Limited	8351	5 for 1	(29.17)	(6.59)	(29.17)	(28.57)	83.3	5.0	Yes
17 July 2020	Langham Hospitality Investments Limited	1270	1 for 2	(13.60)	(9.50)	(15.20)	(18.10)	33.3	Non-underwritten basis	Yes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement date	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over the share price on the last trading day (%)	Premium/ (Discount) of the subscription price over the theoretical ex-right share price on the last trading day (%)	Premium/ (Discount) of the subscription price over the average share price for the five previous consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the subscription price over the average share price for the ten previous consecutive trading days up to and including the last trading day (%)	Maximum dilution effect (%) (Note)	Underwriting/ related commission, as the case may be (%)	Excess application Yes/No
7 July 2020	China Merchants Securities Co., Ltd	6099	3 for 10	(41.79)	(20.33)	(11.09)	(6.95)	23.1	Not available	Yes
2 July 2020	Luxey International (Holdings) Limited	8041	1 for 2	(58.30)	(48.20)	(59.30)	(59.80)	33.3	Non-underwritten basis	Yes
9 June 2020	Cathay Pacific Airways Limited	293	7 for 11	(46.90)	(35.00)	(45.00)	(43.40)	38.9	2.0	Yes
2 June 2020	Summit Ascent Holdings Limited	102	3 for 2	0.00	0.00	0.67	1.48	60.0	Nil	No
29 May 2020	Forebase International Holdings Limited	2310	1 for 2	0.00	0.00	(0.28)	(0.48)	33.3	Non-underwritten basis	No
27 May 2020	Teamway International Group Holdings Limited	1239	2 for 1	(14.89)	(5.51)	(15.61)	(12.09)	66.7	Non-underwritten basis	Yes
26 May 2020	Chinese Strategic Holdings Limited	8089	1 for 2	(24.53)	(17.81)	(29.95)	(28.51)	33.3	3.0	Yes
22 May 2020	Future World Financial Holdings Limited	572	1 for 2	(10.00)	(6.90)	(26.23)	(36.62)	33.3	5.0	No
19 May 2020	hmvod Limited	8103	5 for 1	(64.00)	(22.90)	(77.50)	(73.80)	83.3	3.0	Yes
15 May 2020	HongDa Financial Holding Limited	1822	1 for 5	0.00	0.00	0.00	0.00	16.7	Non-underwritten basis	Yes
11 May 2020	Victory City International Holdings Limited	539	2 for 1	(30.35)	(12.50)	(29.29)	(29.29)	66.7	1.75	Yes
9 April 2020	Shen You Holdings Limited	8377	1 for 2	(12.20)	(8.50)	(12.20)	(12.20)	33.3	3.5	Yes
25 March 2020	Anxian Yuan China Holdings Limited	922	3 for 2	(32.89)	(18.09)	(35.57)	(36.24)	60.0	Non-underwritten basis	Yes
6 March 2020	Moody Technology Holdings Limited	1400	1 for 2	(26.06)	(19.19)	(10.32)	(12.59)	33.3	Non-underwritten basis	Yes
3 March 2020	China New Economy Fund Limited	80	1 for 1	(27.30)	(15.80)	(25.70)	(27.30)	50.0	Non-underwritten basis	Yes

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Announcement date	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over the share price on the last trading day (%)	Premium/ (Discount) of the subscription price over the theoretical ex-right share price on the last trading day (%)	Premium/ (Discount) of the subscription price over the average share price for the five previous consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the subscription price over the average share price for the ten previous consecutive trading days up to and including the last trading day (%)	Maximum dilution effect (%) (Note)	Underwriting/ related commission, as the case may be (%)	Excess application Yes/No
11 February 2020	Ares Asia Limited	645	1 for 2	(20.24)	(14.47)	(20.24)	(20.24)	33.3	Non-underwritten basis	Yes
4 February 2020	CMMB Vision Holdings Limited	471	1 for 2	(5.80)	(3.94)	(12.87)	(17.41)	33.3	Non-underwritten basis	No
21 January 2020	FDG Electric Vehicles Limited	729	1 for 2	(14.16)	(11.50)	(16.67)	(12.66)	33.3	Fixed amount of HK\$850,000 and/or 3.00% for placing of unsubscribed rights shares	No
14 January 2020	Guotai Junan International Holdings Limited	1788	1 for 3	(2.68)	(2.03)	(1.63)	(0.28)	25.0	0.5	Yes
12 January 2020	Merdeka Financial Group Limited	8163	4 for 1	(8.33)	(1.79)	—	2.80	80.0	2.0	Yes
10 January 2020	Neway Group Holdings Limited	55	2 for 1	(20.00)	(8.68)	(21.57)	(21.57)	66.7	Nil	No
3 January 2020	Purapharm Corporation Limited	1498	1 for 2	(37.50)	(28.60)	(37.90)	(28.60)	33.3	5.5	Yes
2 January 2020	Wuling Motors Holdings Limited	305	1 for 2	(32.20)	(23.95)	(30.80)	(31.03)	33.3	3.0	Yes
24 December 2019	On Real International Holdings Limited	8245	1 for 2	(61.54)	(51.61)	(61.54)	(62.69)	33.3	4.0	Yes
23 December 2019	Elegance Optical International Holdings Limited	907	1 for 2	(21.79)	(15.66)	(21.44)	(22.44)	33.3	4.0	Yes
18 December 2019	Victory City International Holdings Limited	539	2 for 1	(22.86)	(9.09)	(21.28)	(21.97)	66.7	1.5	Yes
13 December 2019	Greenway Mining Group Limited	2133	1 for 4	0.00	0.00	0.00	(0.90)	20.0	1.5	Yes
9 December 2019	Beijing Capital Land Limited	2868	5 for 10	(29.17)	(21.54)	(29.70)	(29.70)	33.3	3.0	No
6 December 2019	Wanjia Group Holdings Limited	401	2 for 1	(31.43)	(11.93)	(29.93)	(32.63)	66.7	2.5	Yes

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Announcement date	Company name	Stock code	Basis of entitlement	Premium/	Premium/	Premium/	Premium/	Maximum dilution effect	Underwriting/ related commission, as the case may be	Excess application
				(Discount) of the subscription price over the share price on the last trading day (%)	(Discount) of the subscription price over the theoretical ex-right share price on the last trading day (%)	(Discount) of the average share price for the five previous consecutive trading days up to and including the last trading day (%)	(Discount) of the average share price for the ten previous consecutive trading days up to and including the last trading day (%)			
			Min	(64.00)	(51.61)	(77.50)	(73.80)	16.7	Nil	
			Max	26.58	17.99	26.26	23.30	83.3	5.5	
			Median	(21.79)	(9.77)	(21.28)	(21.57)	33.3	2.5	
			Average	(21.35)	(12.47)	(21.10)	(21.35)	47.7	2.8	
	The Company		5 for 1	(28.57)	(6.25)	(27.69)	(27.39)	83.3	3.5	Yes

Source: the Stock Exchange

Note: The potential maximum dilution effect of each rights issue is calculated as number of rights shares issued or to be issued under the basis of entitlement divided by the total number of shares as enlarged by the rights issue according to their respective basis of entitlements and assuming all rights shares have been/will be allotted and issued times 100%.

We noted from the above table that, except for Summit Ascent Holdings Limited, Forebase International Holdings Limited, HongDa Financial Holding Limited, Greenway Mining Group Limited and CHK Oil Limited which had set the subscription price of its rights issue equal to or higher than the prevailing market price of its shares on their respective last trading days prior to announcement, the remaining 40 out of 45 Comparables had set the subscription price of their rights issues at a discount to the prevailing market prices of the relevant shares before the relevant announcements in respect of the rights issue were made. Therefore, we consider it is a normal market practice for listed companies to set the subscription price of rights issue at a discount to the prevailing market price of the relevant shares so as to encourage the shareholders' participation. The premium or discount represented by the subscription prices to the closing price of shares of the Comparables on respective last trading day ranges from a premium of approximately 26.58% to a discount of approximately 64.00% with average discount of approximately 21.35%. The discount of approximately 28.57% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables and is higher than the average discount of the Comparables. Given the uncertainties arising from the instability of the US-China relations, the outbreak of COVID-19, the downturn of the global economy, and the possible higher volatility of the Share price under such circumstances,

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we consider that it is justifiable for the Company to set the Subscription Price at a deeper discount than the market average so as to attract the Shareholders to participate in the Rights Issue under the current market sentiment.

The subscription prices of the Comparables represent a premium or discount ranging from a premium of approximately 17.99% to a discount of approximately 51.61% relative to their respective theoretical ex-rights prices as quoted on the last trading day with average discount of approximately 12.47%. The discount of approximately 6.25% of the Subscription Price to the theoretical ex-rights prices of the Shares on the Last Trading Day is within the range of those of the Comparables.

Net liabilities

The analysis on net asset value per Share is not applicable due to the Company's net liabilities position as at 31 December 2019 and 30 June 2020. As noted in the announcement published by the Company on 14 October 2020, as at 30 September 2020, the unaudited consolidated net liabilities value per share (excluding in the fair value adjustments on the unlisted investments) of the Company was approximately HK\$0.08853.

(iii) Application for excess Rights Shares

Pursuant to the terms of the Rights Issue, Qualifying Shareholders may apply, by way of excess application, for:

- (a) any unsold Rights Shares which would have been allotted to the Excluded Shareholders had they been the Qualifying Shareholders;
- (b) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares; and
- (c) any unsold Rights Shares created by aggregating fractions of nil-paid Rights Shares.

The Directors will, allocate the excess Rights Shares (if any) at their sole discretion on a fair and equitable basis, and as far as practicable according to the principle that any excess Rights Shares will be allocated to the Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for but no reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for

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through EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares in full application. No preference will be given to topping up odd lots to whole board lots.

As set out in the table above, 32 out of 45 Comparables have the arrangement for excess application for the qualifying shareholders. With the arrangement of application for excess Rights Shares, the Qualifying Shareholders shall be given a pre-emption right to subscribe for excess Rights Shares if they wish to do so. Based on the above, we concur with the Company that the arrangement of application for excess Rights Shares for the Qualifying Shareholders and the allocation method for the excess Rights Shares is consistent with normal market practice.

5. Underwriting Agreement

As set out in the Letter from the Board, the Joint Underwriters are Solomon Securities and ChaoShang Securities. Solomon Securities is a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (Asset Management) regulated activities under the SFO, and its ordinary course of business includes underwriting of securities. ChaoShang Securities is a licensed corporation to carry on Type 1 (dealing in securities) and Type 2 (Dealing in Futures Contracts) regulated activities under the SFO and its ordinary course of business includes underwriting of securities. The Rights Issue is underwritten by the Joint Underwriters on a best effort basis pursuant to the terms of the Underwriting Agreement. The Rights Issue is not fully underwritten by a person or persons whose ordinary course of business includes underwriting. To the best of the Directors' knowledge and information after reasonable enquiries, each of the Joint Underwriters is independent of and not connected with the Company or its connected persons and each of them has complied with Rule 7.19(1)(a) of the Listing Rules that they are licensed under the SFO for Type 1 regulated activity and their ordinary business includes underwriting of securities.

As set out in the Letter from the Board, the Company initially approached four licensed corporation underwriters, which included ChaoShang Securities, Solomon Securities and other two licensed corporations. Due to prevailing poor market conditions, all of the aforesaid four underwriters refused to underwrite the Right Shares on a fully underwritten basis. The other two underwriters also further indicated that the Subscription Price was not attractive and they might experience difficulty in procuring subscribers and refused to further negotiate.

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The underwriting fee rate (i.e. 3.5% of the aggregate subscription amount in respect of the Rights Shares actually subscribed for through each of the Joint Underwriters and/or its sub-underwriters) was determined after arm's length negotiations between the Company and each of the Joint Underwriters with reference to, among other things, the scale of the Rights Issue, the current and expected market conditions and the underwriting fee rates charged by underwriters in the recent market precedents of rights issue.

In light of the above, the Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement, including the underwriting fees payable by the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Company shall pay the Joint Underwriters an underwriting commission of 3.5% of the aggregate subscription amount in respect of the Rights Shares actually subscribed for through each of the Joint Underwriters and/or its sub-underwriters. As illustrated in table of Comparables above, the underwriting commission of 3.5% to be charged by the Joint Underwriters under the Underwriting Agreement falls within the range of the commission rates of the Comparables of nil to 5.5% and is broadly in line with the average commission rate of the Comparables of approximately 2.8%. Based on the above, we are of the view that the underwriting commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It should also be noted that the Rights Issue will not proceed if the Joint Underwriters exercises their termination rights under the Underwriting Agreement. Details of the provisions granting the Joint Underwriters such termination rights are set out in the section headed "Termination of the Underwriting Agreement" in the Letter from the Board. As it is common to have a termination clause incorporated in the underwriting agreement and the termination events are customary in nature, we consider such provisions are normal commercial terms and in line with the normal market practice. We have also reviewed other major terms of the Underwriting Agreement and are not aware of any terms being unusual. Accordingly, we are of the view that the terms of the Underwriting Agreement are customary in nature, on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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6. Impact of the Winding Up Petition on the Rights Issue

References are made to the Winding Up Petition Announcements. On 19 March 2020, the Company received a petition from a promissory note holder in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Ordinance**”) from the High Court of the Hong Kong Special Administrative Region (the “**High Court**” or the “**Court**”) that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts (the “**Winding Up Petition**”).

As set out in the Letter from the Board, the Company has consulted its Hong Kong legal adviser in respect of the Winding Up Petition and has been advised that:

In respond to the Winding Up Petition, the Company took out an application for a validation order in relation to, inter alia, the Rights Issue and payment of expenses made in the ordinary course of business on 1 June 2020. On 12 November 2020, a validation order has been granted by the Court to the Company to proceed with the Rights Issue, the details of which are as follows:

- i) notwithstanding the presentation of the Winding Up Petition, unless otherwise ordered by the Court, any reasonable fees, expenses, and/or payments made for and/or necessitated by carrying out of the Company’s Rights Issue of 4,573,134,820 Shares to be listed on the Stock Exchange and traded at the proposed subscription price of HK\$0.035 shall not be void by virtue of Section 182 of the Ordinance;
- ii) without prejudice to generality of paragraph (i) above, the payments made into and out of the bank accounts of the Company maintained in in respect of the Rights Issue, including the fees, expenses and/or payments, be sanctioned;
- iii) the bank in paragraph (ii) above shall be under no obligation to verify for itself whether any transaction through the Company’s bank account is made for and/or necessitated by the carrying out of the Rights Issue;
- iv) Notwithstanding the presentation of the Winding Up Petition, the payment of necessary legal expenses reasonably incurred by the Company for the compliance of this order shall not be void by virtue of section 182 of Ordinance; and
- v) the Company shall provide to the petitioner with 14 days of the end of each calendar month a statement of accounts summarising the expenses and payments (including legal costs and expenses) of the Company (with the date, amount, payee and nature of payment) for the relevant calendar month.

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As advised by its legal advisers in respect of the Winding Up Petition, the Company has obtained the requisite court approval for proceeding with the Rights Issue.

7. Dilution effect of the Rights Issue on shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue. Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market. Where all Qualifying Shareholders do not accept the Rights Issue and thus the Underwriter is obligated to take up the unsubscribed Rights Shares, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be approximately 83.3%. Details of such dilution effect are presented in the section headed "Effect of Rights Issue on shareholdings in the Company" of the Letter from the Board.

Notwithstanding the aforesaid potential dilution in Shareholders' interest in the Company as a result of the Rights Issue, having considered (i) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) the inherent potential dilutive nature of the Rights Issue in general; (iv) the proceeds from Rights Issue allows the Company to repay the Outstanding Debts, so to avoid the worst scenario to the Company and Shareholders of being winded-up; (v) the Rights Issue would enhance the Group's liquidity and strengthen the capital base of the Company for future expansion opportunities; and (vi) further debt financing and/or refinancing from financial institutions is not commercially feasible for the Company, we are of the view that the potential dilution effect on the shareholding interest of the Shareholders (who decide not to accept their assured entitlements in full as a result of the Rights Shares), is justifiable.

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8. Financial effects

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

Net tangible assets

As noted from the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, assuming the Rights Issue had been completed on 30 June 2020, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would have increased from a net tangible liabilities of approximately HK\$71.2 million to a net tangible assets of approximately HK\$82.1 million immediately after the completion of the Rights Issue. Such increase is attributable to the effect of the estimated net proceeds from the Rights Issue of approximately HK\$153.3 million.

The consolidated net tangible liabilities of the Group attributable to owners of the Company per Share before the Rights Issue is approximately HK\$0.078 (based on the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company of HK\$71.2 million divided by the number of Shares in issue of 914,626,964 as at the Latest Practicable Date). Immediately after completion of the Rights Issue, the total number of Shares would increase to 914,626,964 Shares, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share will increase to approximately HK\$0.015 per Share.

Such increase in the consolidated net tangible assets per Share upon completion of the Rights Issue is due to the Company had consolidated net tangible liabilities as at 30 June 2020 before the completion of the Rights Issue, while the net proceeds from the Rights Issue have turned it from net tangible liabilities to net tangible assets. We consider such increase in the unaudited consolidated net tangible assets per Share brought by the Rights Issue is beneficial to the Shareholders as a whole.

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RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Rights Issue is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the Rights Issue at the EGM.

Yours faithfully,
For and on behalf of
Grande Capital Limited

Matthew Leung
Managing Director

Cynthia Chan
Associate Director

Note: Mr. Matthew Leung is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Leung has over 10 years of experience in the corporate finance industry.

Ms. Cynthia Chan is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer of Grande Capital Limited. Ms. Chan has over 4 years of experience in the corporate finance industry.

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.nif-hk.com/>):

- Interim report of the Company for the six months ended 30 June 2020 (pages 4 to 35)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0918/2020091800420.pdf>
- Annual report of the Company for the financial year ended 31 December 2019 (pages 94 to 176)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042100383.pdf>
- Annual report of the Company for the financial year ended 31 December 2018 (pages 88 to 239)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn20190426923.pdf>
- Annual report of the Company for the financial year ended 31 December 2017 (pages 62 to 191)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0430/ltn20180430181.pdf>

The management discussion and analysis of the Company for each of the financial years ended 31 December 2017, 2018 and 2019 and the period ended 30 June 2020 are disclosed in the annual reports of the Company for the financial years ended 31 December 2017, 2018 and 2019 and the interim report for the six months ended 30 June 2020, respectively.

II. INDEBTEDNESS**Promissory notes**

As at the close of business on 30 September 2020, the Group had outstanding promissory notes of approximately HK\$110,000,000. Eleven promissory notes in the denomination of HK\$10,000,000 each were issued to eleven independent third parties. Each promissory note bears interest at a rate of 5% per annum with a maturity period of seven years from the date of issue. The amounts are unsecured and unguaranteed.

Other payables

As at 30 September 2020, the Group had interest payables to promissory note holders of approximately HK\$21,600,000. The amounts are unsecured, unguaranteed, non-interest-bearing and repayable on demand.

Amounts due to directors

The Group had amounts due to directors of approximately HK\$9,193,000. The amounts are unsecured, unguaranteed, interest-free and repayable on demand.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables in the normal course of business, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or any outstanding material contingent liabilities as at 30 September 2020. The Group confirms that there has not been any material change in its indebtedness position since 30 September 2020.

III. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including the existing borrowing facilities available, the existing cash and bank balances, and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

IV. MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed “Reasons for the Rights Issue and use of proceeds” in the section headed “Letter from the Board” and the Winding Up Petitions Announcements, the Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment company and the Group is principally engaged in investments in a diversified portfolio of listed and unlisted companies.

Considering the instability of the US-China relations, the outbreak of COVID-19 and the global economy, the Company has proposed to invest conservatively in the near future. For instance, the Company proposes to gradually dispose of its other listed and unlisted equity investments upon improvement of market conditions and/or upturn in trading volume and utilise the realised proceeds to purchase shares with relatively stable trading prices and volumes such as “Blue Chip” shares to lower the investment risks and generate stable dividend returns to the Company. Alternatively, the Company also plans to invest in the debentures issued by listed companies in Hong Kong with stable pricing, so as to secure an annual return rate of approximately 10%. Proactive investment strategies will not be taken by the Company in the near future.

Looking forward, the Company foresees more challenges in the second half of the year 2020. The unexpected outbreak of COVID-19 has brought adverse impact on the macroeconomic condition in an international and domestic context. The Directors will closely monitor the situation and evaluate the potential impact on the operations and financial position of the Company on a continuing basis.

The Group will continue to implement diversified investment strategies aimed at identifying suitable investment opportunities with potential of asset appreciation to bring about better return to the Group and the Shareholders. The Group will also continue to adopt and maintain a prudent but proactive investment approach and will closely monitor the performance of the investment portfolios with the goal of maximizing the results and value from the investment portfolios to the shareholders of the Company.

As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. The Company will wait for the investment environment and market atmosphere to turn positive and look for suitable investment opportunities. However, if the Group experienced a further substantial deterioration of its financial position and investment performance due to the market fluctuation and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

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

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATION NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company is prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2020. The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, as extracted from the published interim report of the Company for the period ended 30 June 2020, with adjustments described below.

	Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2020 <i>(note 2)</i> HK\$ '000	Estimated net proceeds from the Rights Issue <i>(note 3)</i> HK\$ '000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 immediately after completion of the Rights Issue HK\$ '000	Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2020 <i>(note 4)</i> HK\$	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 immediately after the completion of the Rights Issue <i>(note 5)</i> HK\$
Rights Issue of 4,573,134,820 Rights Shares to be issued at Subscription Price of HK\$0.035 per Rights Share <i>(note 1)</i>	(71,229)	153,303	82,074	(0.078)	0.015

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

- (1) The Rights Issue of 4,573,134,820 Rights Shares is based on 914,626,964 Shares in issue as at the Latest Practicable Date.
- (2) The unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company of HK\$71,229,000 as at 30 June 2020 are extracted from the published interim report of the Group for the period ended 30 June 2020.
- (3) The estimated net proceeds from the Rights Issue are based on 4,573,134,820 Rights Shares (as defined in the Circular) to be issued at the Subscription Price of HK\$0.035 per Rights Share after deduction of the estimated related expenses of HK\$6,757,000.
- (4) The calculation of the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2020 per Share is determined based on the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company of HK\$71,229,000 divided by the number of Shares in issue of 914,626,964 as at the Latest Practicable Date.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 per Share immediately after the completion of the Rights Issue is arrived at based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 immediately after completion of the Rights Issue of HK\$82,074,000, divided by 5,487,761,784 Shares, which represent 914,626,964 Shares in issue as at the Latest Practicable Date and 4,573,134,820 Rights Shares to be issued pursuant to the Rights Issue assuming that the Rights Issue had been completed on 30 June 2020.
- (6) No adjustments have been made to the unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

2. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



23 November 2020

The Board of Directors
National Investments Fund Limited
Unit 3703, 37/F.,
118 Connaught Road West
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of National Investments Fund Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 and related notes (“**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 and II-2 of Appendix II to the circular issued by the Company dated 23 November 2020 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 and II-2 of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 4,573,134,820 Rights Shares on the basis of five Rights Shares for every one existing Share in issue on the Record Date (the “**Rights Issue**”) on the Group’s net tangible assets as at 30 June 2020 as if the transaction had been taken place at 30 June 2020. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements as included in the published interim report of the Company for the period ended 30 June 2020, on which no audit nor 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 13 of Appendix 1B and paragraph 29 of Chapter 4 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 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 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 plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 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 the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 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 unaudited 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 accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, 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.

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for the Rights Issue and use of proceeds" set out on page 29 of the Circular.

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 Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Practising Certificate Number P03614

Hong Kong

1. 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.

2. SHARE CAPITAL**(a) As at the Latest Practicable Date**

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares of HK\$0.10 each	<u>200,000,000</u>
<i>Issued and fully paid:</i>	
<u>914,626,964</u> Shares of HK\$0.10 each	<u>91,462,696.4</u>

- (b) Immediately following the Increase in Authorised Share Capital having become effective and the completion of the Rights Issue (assuming (i) no change in the number of issued Shares from the Latest Practicable Date up to the Record Date; and (ii) full acceptance of Rights Shares by all Qualifying Shareholders)

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.10	<u>1,000,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
	Shares of HK\$0.10 as at the Latest Practicable Date	
914,626,964		91,462,696.4
	Rights Shares to be allotted and issued under the Rights Issue	
<u>4,573,134,820</u>		<u>457,313,482.0</u>
	Shares in issue immediately upon completion of the Rights Issue	
<u>5,487,761,784</u>		<u>548,776,178.4</u>

All Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Shares then in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the fully-paid Rights Shares.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

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

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions 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) (a) which are required 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 were taken or deemed to have under such provisions of the SFO); or (b) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in the Shares:

Name of Director	Capacity	Number of Shares	Approximate percentage of total number of issued Shares (%) (Note 1)
Ms. Xie Xiangrong	Beneficial owner	60,000	— (Note 2)

Notes:

1. The approximate percentage of shareholding is calculated based on 914,626,964 Shares in issue as at the Latest Practicable Date.
2. Represents percentage less than 0.1%.

(b) Interest of substantial shareholders of the Company

As at the Latest Practicable Date, the Directors 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 or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be 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 member of the Group.

4. LITIGATION

Save as disclosed above and in the Winding Up Petitions Announcements, as at the Latest Practicable Date, as far as the Directors are aware, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors had any business or interest that competes or may compete with the business of the Group and had any other conflict of interest with the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) of the Group have been entered into by the members of the Group during the period commencing two years preceding the Latest Practicable Date and are or may be material:

- (1) the placing agreement dated 5 October 2018 entered into between the Company (as issuer) and Supreme China Securities Limited (as placing agent) in relation to the placing of up to 720,678,273 new Shares at a placing price of HK\$0.015 per placing share;
- (2) the conditional sale and purchase agreement (the “SPA”) dated 20 November 2018 and entered into by Essence Sharp Holdings Limited (as the vendor) (“**Essence Sharp**”), Oriental Richway Investment Limited (as the purchaser) (“**Oriental Richway**”) and Huang Lisha (as the purchaser guarantor) (“**Ms. Huang**”) in respect of the disposal of 1,303,500,000 fully paid up ordinary shares in the share capital of Medisun Holdings (Overseas) Limited;
- (3) the placing agreement (the “**2019 Placing Agreement**”) dated 4 January 2019 entered into between the Company (as issuer) and Chung Lee Securities Company Limited (“**Chung Lee**”, as placing agent) in relation to the placing of up to 8,600,000,000 placing shares at a placing price of HK\$0.018 per placing share;
- (4) the supplemental agreement to the 2019 Placing Agreement dated 21 January 2019 entered into between the Company and Chung Lee in relation to adjust the placing price from HK\$0.018 to HK\$0.18 and the placing shares from 8,600,000,000 to 860,000,000 in view of the share consolidation;
- (5) the three supplemental agreements dated 18 February 2019, 30 May 2019 and 14 October 2019 respectively entered into among Essence Sharp, Oriental Richway and Ms. Huang in relation to the extension of long stop date of the SPA;
- (6) the sale and purchase agreement dated 22 March 2019 entered into between the Company (as vendor) and OBOR Investments Fund Management Limited (as purchaser) in relation to the disposal of a collection of assets at an aggregate consideration of HK\$5,838,000;
- (7) the second supplemental agreement to the 2019 Placing Agreement dated 29 March 2019 entered into between the Company and Chung Lee in relation to the extension of the long stop date of the 2019 Placing Agreement;

- (8) the Extension Letters; and
- (9) the Underwriting Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advice contained in this circular:

Name	Qualifications
Zhonghui Anda CPA Limited	Certified Public Accountants
Grande Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been, since 31 December 2019 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	Unit 3703, 37th Floor 118 Connaught Road West Hong Kong
Authorised Representatives	Chan Cheong Yee Flat F, 29/F., Block 10, Yee Lai Court, South Horizons, 10 South Horizon Drive, Hong Kong Ho Yuk Ming Hugo Flat H, 6/F., Block 3, Kai Tak Garden, 121 Choi Hung Road, Kowloon, Hong Kong
Company Secretary	Mr. Ho Yuk Ming Hugo (an associate member of Hong Kong Institute of Certified Public Accountants)
Legal Advisers to the Company in relation to the Rights Issue	Chungs Lawyers in association with DeHeng Law Offices 28/F, Henley Building, 5 Queen's Road Central, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Grande Capital Limited Room 2701, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong

Auditor/Reporting Accountants of the Company	Zhonghui Anda CPA Limited Unit 701-3 & 8, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited 3/F, South Block, Skyway House, 3 Sham Mong Road, Tai Kok Tsui, Kowloon, Hong Kong Industrial and Commercial Bank of China (Asia) Limited 34/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Principal share registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch share registrar and Transfer Office in Hong Kong	Tricor Tengis Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

11. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the financial advising fees, printing, registration, translation and legal and accounting fees are estimated to be approximately HK\$6.8 million and are payable by the Company.

12. PARTICULARS OF DIRECTORS

Executive Director

Mr. Chan Cheong Yee, aged 56, was appointed as an executive Director on 27 November 2018. 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 on the Stock Exchange. Currently, Mr. Chan is one of the responsible officers of China Everbright Securities (HK) Limited and a licensed person to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Since June 2003, Mr. Chan has been appointed as an executive director of China Innovation Investment Limited, an investment company listed on the Main Board of the Stock Exchange (stock code: 1217). He was appointed as an independent non-executive director and an executive director of Bingo Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8220) respectively, from August 2007 to April 2009 and from April 2009 to September 2018. He was appointed as an independent non-executive director of Agritrade Resources Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1131) from June 2010 to October 2015. Since March 2011, he has been appointed as an executive director of China Investment and Finance Group Limited, an investment company listed on the Main Board of the Stock Exchange (stock code: 1226). Since May 2012, he has been appointed as an executive director of China Investment Development Limited, an investment company listed on the Main Board of the Stock Exchange (stock code: 204). Since November 2012, he has been appointed as an executive director of Capital VC Limited, an investment company listed on the Main Board of the Stock Exchange (stock code: 2324). Since June 2013, he has been appointed as an executive director of China New Economy Fund Limited, an investment company listed on the Main Board of the Stock Exchange (stock code: 80). Since February 2016, he has been appointed as an executive director of China Trends Holdings limited, a company listed on GEM of the Stock Exchange (stock code: 8171).

Non-executive Directors

Ms. Xie Xiangrong, aged 67, was appointed as a non-executive Director on 8 October 2018. Ms. Xie graduated from the Chinese Department of Hunan Normal University. Ms. Xie is currently the vice president of the China Federation of Overseas Chinese Entrepreneurs. Ms. Xie has over 25 years of experience in international trade, project investment in real estate, biotechnology, emerging energy, tourism and scenic investment fields.

Mr. Wang Ning, aged 41, was appointed as non-executive Director on 17 July 2019. Mr. Wang graduated from Fudan University* (復旦大學) completed the Executive Management Program in Business Administration of Real Estate organized by HKU School of Professional and Continuing Education and Fudan University* (復旦大學) in January 2008 and graduated from Anhui Normal University* (安徽師範大學) with Bachelor Degree of Hotel Management in December 2001. He has extensive experience in asset management and business development. Mr. Wang held the position of chief executive officer of Shenzhen Huasheng Laimeng Fund

Management Limited* (深圳華盛萊蒙投資基金管理有限公司) from May 2010 to August 2012. Mr. Wang is currently acting as the president of Shenzhen Youth Entrepreneur Promotion Association* (深圳市青年創業促進會會長). He has also been the chairman of Prosperity Investment Fund Limited* (華盛基金有限公司) since June 2015. Since June 2018, Mr. Wang joined RMH Holdings Limited (stock code: 8437), a company listed on GEM, as an independent non-executive director.

Mr. Huang Hu, aged 37, was appointed as non-executive Director on 28 August 2019. Mr. Huang graduated from Hunan Institute of Engineering* (湖南工程學院) and obtained a diploma in Computer Application and Maintenance (計算機應用與維護) in July 2005. He has extensive experience in asset management and business development. Mr. Huang held the position of merger and acquisition director of Kairuide Holding Co., Ltd.* (凱瑞德控股股份有限公司) (stock code: 002072.SZ), a company listed on the Shenzhen Stock Exchange, from December 2014 to November 2016. He was appointed as general manager of Hunan Xiangyi Investment Private Fund Management Co., Ltd.* (湖南省湘醫投私募基金管理有限公司) from December 2016 to June 2017. Mr. Huang has been appointed as general manager of Hunan Xmig Investment Group Co., Ltd.* (湖南湘民投集團有限公司) since July 2017. Mr. Huang is currently acting as a director of China Mergers and Acquisitions Association* (中國併購公會理事).

Independent non-executive Directors

Mr. Li Li, aged 48, was appointed as an independent non-executive Director on 8 October 2018. Mr. Li holds a bachelor degree in business administration and is a China securities and futures certified accountant* (中國證券期貨特許註冊會計師) and a China registered asset appraiser* (中國註冊資產評估師). In 1999, Mr. Li worked as a deputy director of Beijing Yongtuo Certified Public Accountants Co., Ltd.* (北京永拓會計師事務所), and was in charge of the securities auditing business. In 2004, Mr. Li was the deputy general manager of Zhongxi Certified Public Accountants Co., Ltd.* (中喜會計師事務所有限責任公司). Mr. Li is currently the managing partner of Zhongxi Certified Public Accountants (Special General Partnership)* (中喜會計師事務所(特殊普通合夥)). Mr. Li has been an independent director of Beijing Huaye Real Estate Co., Ltd.* (北京華業地產股份有限公司) (stock code: 600240), a company listed in PRC and an independent nonexecutive director of China Investment Development Limited (Stock code: 204) since 30 July 2018, the shares of which are listed on the Stock Exchange.

Mr. Liao Kai, aged 28, was appointed as an independent non-executive Director on 20 November 2018. Mr. Liao obtained his bachelor's degree of Human Resources Management (人力資源管理) from South China Normal University* (華南師範大學) in January 2015. Mr. Liao has extensive experience in risk management and internal control. From May 2015 to January 2017, he

worked as a Risk Control Manager of Kairuide (Shenzhen) Fund Management Limited* (凱瑞德(深圳)基金管理有限公司). Since January 2017, he has been working as a general manager of Kai Hong (Shenzhen) Corporate Development Limited* (凱鴻(深圳)企業發展有限公司).

Ms. Wu Xiaoxia, aged 40, was appointed as independent nonexecutive Director on 13 June 2019. She completed the course on Computer and Applications* (計算機及應用) from Zhejiang Radio & TV University* (浙江廣播電視大學) in June 2001. Ms. Wu has extensive experience in investments, mergers and acquisitions, and finance management. Since November 2010, she has worked as a general manager of Zhejiang Fifth Season Enterprises Limited* (浙江第五季實業有限公司).

Senior Management

Mr. Ho Yuk Ming Hugo, aged 48, was appointed as the chief financial officer and the company secretary of our Company on 8 October 2018. Mr. Ho is responsible for accounting, financial reporting and internal control procedures of our Group. He has over 20 years of experience in auditing, accounting and financial management and has been a certified public accountant in Hong Kong for over 18 years. Mr. Ho held senior positions in a number of listed companies in Hong Kong prior to joining the Group. Mr. Ho is an associate member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) with a honours diploma in accounting in July 1996. Currently, Mr. Ho is an independent non-executive director of Wuxi Sunlit Science and Technology Company Limited* (無錫盛力達科技股份有限公司) (Stock code: 1289).

Business address of the Directors and senior manager

The business address of the Directors and senior manager is the same as the Company's head office and principal place of business in Hong Kong at Unit 3703, 37th Floor, 118 Connaught Road West Hong Kong.

13. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 3703, 37th Floor, 118 Connaught Road West, Hong Kong, and on the websites of the Company (<http://www.nif-hk.com/>), from the Latest Practicable Date up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Group for the three years ended 31 December 2019;
- (c) the letter from the Board, the text of which is set out on pages 13 to 40 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 41 to 42 of this circular;
- (e) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages IFA-1 to IFA-30 of this circular;
- (f) the report from Zhonghui Anda CPA Limited on the unaudited pro forma financial information of the Group as set out in Appendix II of this circular;
- (g) the material contracts referred to in the section headed “Material Contracts” to this appendix;
- (h) the written consents referred to in the section headed “Experts and Consents” in this appendix; and
- (i) this circular.

* *for identification purpose only*

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of Listing Rules in connection with the listing document of investment company. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

INVESTMENT MANAGEMENT INFORMATION

The Company currently does not have an investment adviser, distribution Company, custodian or an investment manager nor have any engagement with any investment advisor, distribution company or custodian.

No Director or any of his/her associate, 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.

The Custodian

Since all the available-for-sale assets held by the Company are listed and unlisted securities, the Company did not appoint any custodian bank to provide custodian services.

RISKS RELATING TO THE COMPANY

The Company is an investment company and its funds will be invested in listed and unlisted companies mainly in Hong Kong and PRC. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company's income and its net asset value are liable to be adversely affected by external factors beyond the control of the Company. As a result, income of the fund and its net asset value may therefore go down as well as go up, subject to the prevailing market conditions.

INVESTMENT OBJECTIVES AND POLICIES

The Company is an investment company incorporated in the Cayman Islands with the primary objective of achieving short to medium term (i.e. less than one year to five years) capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC. The Company also intends to invest in unlisted companies with the potential to seek a listing on the Stock Exchange or any overseas stock exchanges.

The Company has adopted the following investment policies:

1. At least 50% of Company's assets will be invested in equity securities, convertible notes, preference shares, options, warrants, futures contracts, debt securities, mutual funds and unit trusts issued or managed by listed and unlisted companies in Hong Kong and the PRC, or such other types of investments in accordance with the investment objectives and policies adopted by the Company from time to time and the requirements of the Memorandum, the Articles, the Listing Rules;
2. Investments will normally be made in the form of equity related securities and debt instruments in listed and unlisted companies engaged in different industries including (but not limited to) information technology, manufacturing, pharmaceutical, service, property, telecommunications, life and environmental and infrastructure sectors. This helps to maintain a balance in the Company's exposure to different industry sectors and to minimize the effect on the Company of downturn in any particular sector;
3. The Company will seek to identify businesses or entities with a potential of profit growth, strong management, high level of technical expertise and research and development capabilities as well as management commitment to long-term growth of such companies;
4. Where possible, the Board and the investment manager (if any) will seek to identify investments where there is a certain degree of synergy with other investee companies and where cooperation between such companies would be of mutual benefit to each other;
5. The Company's investments may take the form of equity joint ventures, co-operative joint ventures or participation in unincorporated investments. In the event that the entity in which an investment is made is an unlimited company under the PRC laws, the Company may invest through a wholly-owned subsidiary or an intermediate investment holding company with limited liability. The Board will seek to ensure that the Company will not be directly and unnecessarily exposed to any unlimited liability on its investments;
6. The Company's investments are intended to be held for short to medium term (i.e. less than one year to five years) capital appreciation. Nevertheless, the Directors will from time to time realize investments where they believe the realization would be in the best interests of the Company or where terms on which such realization can be achieved are considered by the Directors to be favorable to the Company;

7. The investment limit exercisable by the Company for any single investment shall not exceed 20% of the net asset value at the time when such investment is made as required by the Listing Rules; and
8. The investment limit exercisable by the investment procedure for any single investment is below HK\$10,000,000 resolved by the investment committee or HK\$10,000,000 or above resolved by the Board from time to time.

Given that there are no requirements under the Listing Rules that any alterations to the investment objectives and policies of an investment company under Chapter 21 of the Listing Rules require shareholders' approval after a period of 3 years from the date of listing, the investment objectives and policies of the Company as stated above may be altered without shareholders' approval (save as item 7) and the Company has to comply with the Articles and Chapter 21 of the Listing Rules at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

INVESTMENT RESTRICTIONS

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company. To abide by such restrictions, the Board has resolved that the Company may not:

- (1) either on its own, or in conjunction with any connected person (as defined in the Listing Rules), take legal or effective management control of any Company or other entity in which it invest or control more than thirty per cent. (30%) (or such other percentage as may from time to time be specified in the Hong Kong Codes on Takeovers and Mergers as being the level for triggering a mandatory general offer) of the voting rights in such company or other entity, except in relation to wholly-owned subsidiaries of the Company;
- (2) invest in any company or entity, other than wholly-owned subsidiaries of the Company, if any, for the purpose of holding investments only, if such investment will result in more than 20% of the Net Asset Value being invested in such company or entity as at the date the investment is made;
- (3) buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metal;

- (4) invest more than 50% of the Company's assets outside Hong Kong and the PRC to the extent of contravening its primary objective of achieving short to medium term (i.e. less than one year to five years) capital appreciation by investing in listed and unlisted companies in Hong Kong and the PRC; and
- (5) engage in transactions in options and futures except for hedging purposes.

In accordance with the investment objectives, policies and restrictions of the Company, the Company is able to invest in unlisted securities, options, warrants and future contracts not exceeding 20% of the Net Asset Value of the Company.

The Company has to comply with investment restrictions 1 and 2 above, in accordance with its Articles, and at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

As at the Latest Practicable Date, the Board has no present intention to change any of the above-mentioned investment restrictions and the Company has no present intention to invest in options, warrants, commodities, future contracts, unlisted securities and precious metals.

BORROWING POWER

Pursuant to the provision of the Articles, the borrowing power is mentioned as below:

1. The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party provided always that no borrowing may be made if it would result in the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Company exceeding fifty per cent. (50%) of the latest available net asset value at the time the borrowing is made without the approval of the shareholders at a general meeting.
2. Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
3. Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

4. (1) Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the members of the Company or otherwise, to obtain priority over such prior charge.

- (2) The Board shall cause a proper register to be kept, in accordance with the provisions of the Law, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the law in regard to the registration of charges and debentures therein specified and otherwise.

DISTRIBUTION POLICY

Interest, dividends and other income of the Company will be used first to meet expenses. The Board and the Investment Manager (if any) will then assess whether it is reasonable to make provisions for future expenses and/or any possible diminution in value of investments, and will consider the amount of cash which should be retained by the Company for future investment. It is the Board's intention to distribute any excess balance by way of dividend to the extent permitted by law, the Articles. Dividends will only be paid to the extent that they are covered by net income received from underlying investments. Distribution will be made annually after the annual accounts of the Company are approved by the Shareholders. Interim distribution may also be made from time to time to Shareholders if it appears to the Board to be justified by the financial position of the Company and is permissible under the Articles and the applicable laws. Distributions will be made in HK\$.

FOREIGN CURRENCY MANAGEMENT AND EXCHANGE CONTROL

All the cash and cash equivalents were placed in HK\$ accounts with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal.

TAXATION

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

FEES AND EXPENSES

The Company will pay certain other costs and expenses incurred in its operation, including taxes, expenses for legal, auditing, printing and consulting services, promotional expenses, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest and brokerage cost.

INVESTMENT PORTFOLIO**(A) All investment held as at 30 June 2020 and ten largest investment held as at 31 December 2019**

The following are the details of all investment of the Group as at 30 June 2020 and the ten largest investments of the Group as at 31 December 2019, which include all listed investments and all other investments with a value of more than 5% of the Group's gross assets as at 30 June 2020 and 31 December 2019. Save for the investments disclosed herein, there are no other listed investments and all other investments with a value of more than 5% of the Company's gross assets as at 30 June 2020 and 31 December 2019.

(i) As at 30 June 2020

Name of investee	Number of shares held	Effective shareholding interest	Cost of investment	Market Value/fair Value	Change in fair value	Dividend/ interest received/ receivable during the period	Percentage to the Company's net asset value as at 30 June 2020	Percentage to the Company's gross asset value as at 30 June 2020
			as at 30 June 2020	Value as at 30 June 2020			(HK\$'000)	(HK\$'000)
Unlisted equity securities:								
Upperclass Developments Limited (Note 1)								
	30	30%	—	—	—	—	—	—
Smart Role Limited (Note 2)								
	8	8%	59,680	18,989	(40,691)	—	(26.66%)	25.65%
Co-Lead Holdings Limited (Note 3)								
	41	0.39%	15,908	5,000	(10,908)	—	(7.02%)	6.75%
FreeOpt Holdings Limited (Note 4)								
	160,000	3.35%	16,000	5,000	(11,000)	—	(7.02%)	6.75%
Freewill Holdings Limited (Note 5)								
	2,900,000	0.59%	15,950	1,000	(14,950)	—	(1.4%)	1.35%
Joint Global Limited (Note 6)								
	2,200,000	0.88%	16,038	—	(16,038)	—	—	—
Satinu Resources Group Limited (Note 7)								
	1,815,405	0.15%	—	7,000	7,000	—	(9.83%)	9.46%
Debt securities:								
Premium Castle Limited (Note 8)								
	N/A	N/A	12,056	—	(12,056)	—	—	—
Listed equity securities:								
Investments in equity securities of companies listed in Hong Kong (Note 9)								
	N/A	N/A	34,502	22,825	(11,677)	—	(32.04%)	30.83%

A brief description of the business and financial information of the above listed and unlisted investee companies, based on their latest financial statements, are as follows:

Notes:

- Upperclass Developments Limited (“Upperclass”) is incorporated in British Virgin Islands and principally engaged in investment holding. The principal assets of Upperclass are the indirect shareholding of 16% interest in a company incorporated in the PRC which is principally engaged in leasing. According to the management accounts

for the six months ended 30 June 2020 provided by the investee company, no operating revenue was recorded and loss attributable to owners of Upperclass was approximately HK\$299.12. As at 30 June 2020, the investee company had net assets of approximately HK\$82.15 million. The Directors noted that there was no fair value as at 30 June 2020.

2. Smart Role Limited (“**Smart Role**”) is incorporated in the British Virgin Islands and principally engaged in investment holding. The principal assets of Smart Role are the indirect shareholding of 8% interest in a company incorporated in the PRC which is principally engaged in holding of the Forest Rights Certificates in the PRC. According to the management accounts for the three months ended 30 June 2020 provided by the investee company, no operating revenue was recorded and loss attributable to owners of Smart Role was approximately HK\$0.24 million. As at 30 June 2020, Smart Role had net liabilities of approximately HK\$12.36 million.
3. Co-Lead Holdings Limited (“**Co-Lead**”) is incorporated in the British Virgin Islands and principally engaged in investments in a diversified portfolio of listed companies. According to the management accounts for the six months ended 30 June 2020 provided by the investee company, Co-Lead’s operating revenue was approximately HK\$60.02 million and profit attributable to owners of Co-Lead was approximately HK\$39.20 million. As at 30 June 2020, Co-Lead had net assets of approximately HK\$3,570.76 million. Co-Lead is principally engaged in investments in equity securities of listed companies which were classified as held for long-term investments valued at HK\$1,745.04 million and investment in promissory notes of HK\$1,841.47 million as at 30 June 2020. The listed companies in which Co-Lead invested included companies operating in the industries of financials, transportation, consumer and properties investment.
4. FreeOpt Holdings Limited (“**FreeOpt**”) is incorporated in the Republic of the Marshall Islands and principally engaged in money lending. According to the management accounts for the six months ended 30 June 2020 provided by FreeOpt, FreeOpt’s operating revenue was approximately HK\$13.19 million and loss attributable to owners of FreeOpt was approximately HK\$73.31 million. As at 30 June 2020, FreeOpt had net assets of approximately HK\$587.76 million.
5. Freewill Holdings Limited (“**Freewill**”) is incorporated in the Republic of the Marshall Islands and principally engaged in investments in a diversified portfolio of unlisted companies. According to the management accounts for the six months ended 30 June 2020 provided by Freewill, Freewill’s operating revenue was approximately HK\$15.76 million and profit attributable to owners of Freewill was approximately HK\$20.49 million. As at 30 June 2020, Freewill had net assets of approximately HK\$2,093.88 million. Freewill is principally engaged in investments in Co-Lead and holds 52.28% of its issued share capital.
6. Joint Global Limited (“**Joint Global**”) is incorporated in the Republic of the Marshall Islands and principally engaged in investments in a diversified portfolio of debt securities. According to the latest unaudited balance sheet as at 30 April 2017 provided by the investee company, Joint Global had net assets of approximately HK\$141.06 million. Joint Global is principally engaged in investments in Co-Lead and holds 4.88% of its issued share capital. On 11 May 2017, Joint Global has resolved to distribute all its holding shares in Co-Lead to its shareholders. According to the management of the investee company, Joint Global will be liquidated shortly.
7. Satinu Resources Group Limited (“**Satinu**”) is incorporated in the British Virgin Islands and principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments. According to the management accounts for the period from 1 April 2019 to 31 March 2020 provided by the investee company, Satinu’s operating revenue was approximately HK\$782.61 million and loss attributable to owners of Satinu was approximately HK\$1,235.06 million. As at 31 March 2020, Satinu had net assets of approximately HK\$7,022.00 million.
8. Premium Castle Limited (“**Premium Castle**”) is incorporated in the British Virgin Islands and principally engaged in investment holding. The principal assets of Premium Castle are the direct shareholding of 100% interest in Beijing Securities Limited, which is incorporated in Hong Kong and principally engaged in securities brokerage services and other financial services. The Company holds convertible note issued by Premium Castle with principal amount of HK\$18,600,000, which comprise principal amount and outstanding interest of HK\$17,000,000 and approximately HK\$1,600,000 respectively. According to the management accounts for the year ended 31 December 2018 provided by the investee company, Premium Castle’s operating revenue was approximately HK\$0.32 million

and loss attributable to owners of Premium Castle was approximately HK\$5.59 million. As at 31 December 2018, Premium Castle had net assets of approximately HK\$4.82 million. The Directors noted that there was no fair value as at 30 June 2020.

9. During the Period, the Group had significant investments in equity securities of companies listed on the Stock Exchange which were classified as held for trading, and the performance of such equity securities are as follows:

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Cost of investment as at 30-Jun-2020 (HK\$'000)	Market Value/Fair Value as at 30-Jun-2020 (HK\$'000)	Change in fair value (HK\$'000)	Dividend/interest received/receivable during the period (HK\$'000)	Percent to the Company's net asset value as at 30-Jun-2020	Percent to the Company's gross asset value as at 30-Jun-2020
1143	Link-Asia International Co. Ltd.	12,442,800	3.488%	11,386	4,293	(7,093)	—	(6.03%)	5.8%
1715	Miji International Holdings Limited	50,000	0.0033%	13	13	—	—	(0.02%)	0.02%
1730	LHN Limited	190,000	0.047%	103	105	2	—	(0.15%)	0.14%
1783	Golden Ponder Holdings Limited	12,130,000	1.516%	1,973	1,455	(518)	—	(2.04%)	1.97%
2212	Future Bright Mining Holdings Limited	6,500,000	0.168%	339	130	(209)	—	(0.18%)	0.18%
2312	China Financial Leasing Group Limited	65,160,000	3.380%	8,629	6,451	(2,178)	—	(9.06%)	8.71%
2322	Hong Kong ChaoShang Group Limited	296,000	0.0072%	148	296	148	—	(0.42%)	0.4%
6063	Lotus Horizon Holdings Limited	368,000	0.0184%	524	567	43	—	(0.8%)	0.77%
8047	China Ocean Group Development Limited	1,500,000	0.0355%	341	298	(43)	—	(0.42%)	0.4%
8096	Tasty Concepts Holding Limited	2,050,000	0.410%	154	164	10	—	(0.23%)	0.22%
8133	Jete Power Holdings Limited	76,920,000	1.849%	1,633	1,769	136	—	(2.48%)	2.39%
8140	BOSA Technology Holdings Limited	100,000	0.0125%	103	99	(4)	—	(0.14%)	0.13%
8402	GT Steel Construction Group Limited	70,000	0.0146%	32	29	(3)	—	(0.04%)	0.04%
8425	Hing Ming Holdings Limited	832,000	0.208%	1,655	1,281	(374)	—	(1.8%)	1.73%
8430	C&N Holdings Limited	890,000	0.139%	50	36	(14)	—	(0.05%)	0.05%
8437	RMH Holdings Limited	8,848,000	1.475%	3,468	4,291	823	—	(6.02%)	5.8%
8455	Lai Group Holding Company Limited	1,030,000	0.129%	198	111	(87)	—	(0.16%)	0.15%
8482	Wan Leader International Limited	5,410,000	0.644%	1,058	541	(517)	—	(0.76%)	0.73%
8547	Pacific Legend Group Limited	13,290,000	1.329%	2,504	731	(1,773)	—	(1.03%)	0.99%
8609	Eggriculture Foods Ltd.	1,290,000	0.258%	191	165	(26)	—	(0.23%)	0.22%
				Total:	34,502	22,825	(11,677)	—	

Name of investee company	Principal business and future prospect
Link-Asia International Co. Ltd.	The group is engaged in the electronic manufacturing services (“EMS”), distribution of communications products and the securities and other assets investment. As disclosed in the annual report for the year ended 31 December 2019, the loss attributable to owners of the company was approximately HK\$171.74 million and the net asset was approximately HK\$411.01 million.
Miji International Holdings Limited	The group is engaged in the development, manufacturing and selling of kitchen appliances. As disclosed in the annual report for the year ended 31 December 2019, the profit attributable to owners of the company was approximately RMB18.76 million and the net asset was approximately RMB194.84 million.
LHN Limited	The group is engaged in the space resource management services, facilities management services and logistics services. As disclosed in the interim report for the six months ended 31 March 2020, the profit attributable to owners of the company was approximately S\$3.18 million and the net asset was approximately S\$104.73 million.
Golden Ponder Holdings Limited	The group is engaged in the provision of superstructure building and repair, maintenance, alteration and addition works as a main contractor in Hong Kong. As disclosed in the annual report for the year ended 31 March 2020, the loss attributable to owners of the company was approximately HK\$2.05 million and the net asset was approximately HK\$188.27 million.
Future Bright Mining Holdings Limited	The group is engaged in the production and sale of marble and marble-related products. As disclosed in the annual report for the year ended 31 December 2019, the loss attributable to owners of the company was approximately RMB18.82 million and the net asset was approximately RMB62.9 million.

China Financial Leasing Group Limited	The group is engaged in the short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities. As disclosed in the annual report for the year ended 31 December 2019, the loss attributable to owners of the company was approximately HK\$65.64 million and the net asset was approximately HK\$69.21 million.
Hong Kong Chaoshang Group Limited	The group is engaged in the trading, money lending and factoring, finance leasing and financial services. As disclosed in the annual report for the year ended 31 March 2020, the loss attributable to owners of the company was approximately HK\$19.47 million and the net asset was approximately HK\$895.23 million.
Lotus Horizon Holdings Limited	The group is engaged in the provision of design, supply and installation services for façade works and building metal finishing works. As disclosed in the annual report for the year ended 31 March 2020, the profit attributable to owners of the company was approximately HK\$34.16 million and the net asset was approximately HK\$62.26 million.
China Ocean Group Development Limited	The group is engaged in the provision of supply chain management services, money lending business and ocean fishing business. As disclosed in the annual report for the year ended 31 March 2020, the profit attributable to owners of the company was approximately HK\$24.08 million and the net asset was approximately HK\$1,277.2 million.
Tasty Concepts Holding Limited	The group is engaged in the operation of Japanese ramen restaurants in Hong Kong and the PRC. As disclosed in the annual report for the year ended 31 March 2020, the loss attributable to owners of the company was approximately HK\$56.44 million and the net asset was approximately HK\$34.83 million.

Jete Power Holdings Limited

The group is engaged in the manufacturing of metal casting parts and components in the PRC. As disclosed in the annual report for the year ended 31 December 2019, the loss attributable to owners of the company was approximately HK\$10.49 million and the net asset was approximately HK\$27.74 million.

BOSA Technology Holdings Limited

The group is engaged in providing mechanical splicing services to the reinforced concrete construction industry in Hong Kong. As disclosed in the third quarterly report for the nine months ended 31 March 2020, the profit attributable to owners of the company was approximately HK\$7.04 million.

GT Steel Construction Group Limited

The group is engaged in designing, supplying, fabricating and erecting structural steel-works for the construction of buildings including technological plants, industrial buildings, commercial buildings, government institutions and residential buildings and provision of pre-fabricated steel structures or on-site installation services. As disclosed in the annual report for the year ended 31 December 2019, the profit attributable to owners of the company was approximately S\$5.33 million and the net asset was approximately S\$30.82 million.

Hing Ming Holdings Limited

The group is engaged in providing rental services of temporary suspended working platforms and other equipment, mainly including tower cranes and generators and) trading of equipment and spare parts, mainly including permanent suspended working platforms, motors and wire rope. As disclosed in the annual report for the year ended 31 March 2020, the profit attributable to owners of the company was approximately HK\$1.10 million and the net asset was approximately HK\$119.81 million.

C&N Holdings Limited	The group is engaged in offering various transport and storage services to the logistics industry in Singapore, primarily trucking and hubbing services. As disclosed in the annual report for the year ended 31 December 2019, the loss attributable to owners of the company was approximately S\$0.98 million and the net asset was approximately S\$20.64 million.
RMH Holdings Limited	The group is engaged in the provision of medical and surgical service. As disclosed in the annual report for the year ended 31 December 2019, the profit attributable to owners of the company was approximately S\$0.16 million and the net asset was approximately S\$14.74 million.
Lai Group Holding Company Limited	The group is engaged in the provision of interior design and fit-out services in Hong Kong. As disclosed in the annual report for the year ended 31 March 2020, the loss attributable to owners of the company was approximately HK\$3.75 million and the net asset was approximately HK\$44.21 million.
Wan Leader International Limited	The group is engaged in provision of freight forwarding and related logistics services and warehousing and related value-added services. As disclosed in the annual report for the year ended 31 March 2020, the loss attributable to owners of the company was approximately HK\$22.84 million and the net asset was approximately HK\$47.44 million.
Pacific Legend Group Limited	The group is engaged in the sale of home furniture and accessories, leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings. As disclosed in the annual report for the year ended 31 December 2019, the loss attributable to owners of the company was approximately HK\$7.80 million and the net asset was approximately HK\$132.43 million.

Eggiculture Foods Ltd.

The group is engaged in production and sale of fresh eggs and processed egg products in Singapore. As disclosed in the annual report for the year ended 31 March 2020, the profit attributable to owners of the company was approximately S\$5.16 million and the net asset was approximately S\$26.78 million.

(ii) As at 31 December 2019

Name of investee	Number of shares held	Effective shareholding interest	Cost of investment as at	Market Value/fair Value as at	Change in fair value	Dividend/ interest received/ receivable during the year	Percentage to the Company's net asset value as at	Percentage to the Company's gross asset value as at
			31 December 2019 (HK\$'000)	31 December 2019 (HK\$'000)			31 December 2019	31 December 2019
Unlisted equity securities:								
Upperclass Developments Limited (Note 1)	30	30%	—	—	—	—	—	—
Smart Role Limited (Note 2)	8	8%	59,680	19,816	(39,864)	—	(38.11%)	21.15%
Co-Lead Holdings Limited (Note 3)	41	0.39%	15,908	5,400	(10,508)	—	(10.39%)	5.76%
FreeOpt Holdings Limited (Note 4)	160,000	3.35%	16,000	7,000	(9,000)	—	(13.46%)	7.47%
Freewill Holdings Limited (Note 5)	2,900,000	0.59%	15,950	1,000	(14,950)	—	(1.92%)	1.07%
Joint Global Limited (Note 6)	2,200,000	0.88%	16,038	—	(16,038)	—	—	—
Satinu Resources Group Limited (Note 7)	1,815,405	0.12%	—	7,750	7,750	—	(14.91%)	8.27%
Debt securities:								
Premium Castle Limited (Note 8)	N/A	N/A	12,056	—	(12,056)	—	—	—
Listed equity securities:								
Investments in equity securities of companies listed in Hong Kong (Note 9)	N/A	N/A	59,405	40,015	(19,390)	—	(76.97%)	42.7%

A brief description of the business and financial information of the above listed and unlisted investee companies, based on their latest financial statements, are as follows:

Notes:

1. Upperclass Developments Limited (“**Upperclass**”) is incorporated in British Virgin Islands and principally engaged in investment holding. The principal assets of Upperclass are the indirect shareholding of 16% interest in a company incorporated in the PRC which is principally engaged in leasing. According to the management accounts for the year ended 31 December 2019 provided by the investee company, no operating revenue was recorded and loss attributable to owners of Upperclass was approximately HK\$4,421.36. As at 31 December 2019, the investee company had net assets of approximately HK\$86.63 million. The Directors noted that there was no fair value as at 31 December 2019.
2. Smart Role Limited (“**Smart Role**”) is incorporated in the British Virgin Islands and principally engaged in investment holding. The principal assets of Smart Role are the indirect shareholding of 8% interest in a company incorporated in the PRC which is principally engaged in holding of the Forest Rights Certificates in the PRC. According to the management accounts for the nine months ended 31 December 2019 provided by the investee company, no operating revenue was recorded and loss attributable to owners of Smart Role was approximately HK\$0.75 million. As at 31 December 2019, Smart Role had net liabilities of approximately HK\$11.35 million.
3. Co-Lead Holdings Limited (“**Co-Lead**”) is incorporated in the British Virgin Islands and principally engaged in investments in a diversified portfolio of listed companies. According to the management accounts for the year ended 31 December 2019 provided by the investee company, Co-Lead’s operating revenue was approximately HK\$41.80 million and loss attributable to owners of Co-Lead was approximately HK\$1,305.59 million. As at 31 December 2019, Co-Lead had net assets of approximately HK\$3,444.26 million. Co-Lead is principally engaged in investments in equity securities of listed companies which were classified as held for long-term investments valued at HK\$1,213.91 million and investment in promissory notes of HK\$1,820.15 million as at 31 December 2019. The listed companies in which Co-Lead invested included companies operating in the industries of financials, transportation, consumer and properties investment.
4. FreeOpt Holdings Limited (“**FreeOpt**”) is incorporated in the Republic of the Marshall Islands and principally engaged in money lending. According to the management accounts for the year ended 31 December 2019 provided by FreeOpt, FreeOpt’s operating revenue was approximately HK\$11.84 million and profit attributable to owners of FreeOpt was approximately HK\$146.91 million. As at 31 December 2019, FreeOpt had net assets of approximately HK\$666.69 million.
5. Freewill Holdings Limited (“**Freewill**”) is incorporated in the Republic of the Marshall Islands and principally engaged in investments in a diversified portfolio of unlisted companies. According to the management accounts for the year ended 31 December 2019 provided by Freewill, Freewill’s operating revenue recorded a loss of approximately HK\$1,108.38 million and loss attributable to owners of Freewill was approximately HK\$682.56 million. As at 31 December 2019, Freewill had net assets of approximately HK\$1,967.37 million. Freewill is principally engaged in investments in Co-Lead and holds 52.28% of its issued share capital.
6. Joint Global Limited (“**Joint Global**”) is incorporated in the Republic of the Marshall Islands and principally engaged in investments in a diversified portfolio of debt securities. According to the latest unaudited balance sheet as at 30 April 2017 provided by the investee company, Joint Global had net assets of approximately HK\$141.06 million. Joint Global is principally engaged in investments in Co-Lead and holds 4.88% of its issued share capital. On 11 May 2017, Joint Global has resolved to distribute all its holding shares in Co-Lead to its shareholders. According to the management of the investee company, Joint Global will be liquidated shortly.
7. Satinu Resources Group Limited (“**Satinu**”) is incorporated in the British Virgin Islands and principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments. According to the management accounts for the period from 1 April 2019 to 30 September 2019 provided by the

investee company, Satinu's operating revenue was approximately HK\$811.14 million and loss attributable to owners of Satinu was approximately HK\$89.96 million. As at 30 September 2019, Satinu had net assets of approximately HK\$9,879.69 million.

8. Premium Castle Limited (“**Premium Castle**”) is incorporated in the British Virgin Islands and principally engaged in investment holding. The principal assets of Premium Castle are the direct shareholding of 100% interest in Beijing Securities Limited, which is incorporated in Hong Kong and principally engaged in securities brokerage services and other financial services. The Company holds convertible note issued by Premium Castle with principal amount of HK\$18,600,000, which comprise principal amount and outstanding interest of HK\$17,000,000 and approximately HK\$1,600,000 respectively. According to the management accounts for the year ended 31 December 2018 provided by the investee company, Premium Castle's operating revenue was approximately HK\$0.32 million and loss attributable to owners of Premium Castle was approximately HK\$5.59 million. As at 31 December 2018, Premium Castle had net assets of approximately HK\$4.82 million. The Directors noted that there was no fair value as at 31 December 2019.
9. During the year ended 31 December 2019, the Group had significant investments in equity securities of companies listed on the Stock Exchange which were classified as held for trading, and the performance of such equity securities are as follows:

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Cost of investment as at 31-Dec-2019 (HK\$'000)	Market Value/Fair Value as at 31-Dec-2019 (HK\$'000)	change in fair value (HK\$'000)	Dividend/interest received/ receivable during the period (HK\$'000)	Percent to the Company's net asset value as at 31-Dec-2019	Percent to the Company's gross asset value as at 31-Dec-2019
1143	Link-Asia International Co. Ltd.	135,320,000	2.28%	9,980	4,195	(5,785)	—	(8.07%)	4.48%
1783	Golden Ponder Holdings Limited	11,890,000	1.49%	2,443	2,247	(196)	—	(4.32%)	2.40%
2212	Future Bright Mining Holdings Limited	59,580,000	1.54%	4,257	4,469	212	—	(8.6%)	4.77%
2312	China Financial Leasing Group Limited	84,820,000	5.28%	18,248	10,857	(7,391)	—	(20.88%)	11.59%
2322	Hong Kong ChaoShang Group Limited	3,776,000	0.09%	1,893	1,888	(5)	—	(3.63%)	2.01%
8047	China Ocean Group Development Limited	1,916,000	0.05%	794	460	(334)	—	(0.88%)	0.49%
8331	Hang Kan Group Limited	6,880,000	1.03%	1,648	447	(1,201)	—	(0.86%)	0.48%
8401	Stream Ideas Group Limited	200,000	0.10%	189	222	33	—	(0.43%)	0.24%
8402	GT Steel Construction Group Limited	70,000	0.01%	30	31	1	—	(0.06%)	0.03%
8430	C&N Holdings Limited	6,850,000	1.07%	593	548	(45)	—	(1.05%)	0.58%
8437	RMH Holdings Limited	14,656,000	2.44%	3,791	2,360	(1,431)	—	(4.54%)	2.52%
8482	Wan Leader International Limited	740,000	0.09%	174	166	(8)	—	(0.32%)	0.18%
8487	ISP Global Limited	7,030,000	0.88%	4,931	5,976	1,045	—	(11.49%)	6.38%
8547	Pacific Legend Group Limited	46,720,000	4.67%	10,358	6,073	(4,285)	—	(11.68%)	6.48%
8609	Eggriculture Foods Ltd.	520,000	0.10%	76	76	—	—	(0.15%)	0.08%
				Total:	59,405	40,015	(19,390)	—	

Name of investee company	Principal business and future prospect
Link-Asia International Co. Ltd.	The group is engaged in the electronic manufacturing services, distribution of communications products and the securities and other assets investment. As disclosed in the interim report for the six months ended 30 June 2019, the loss attributable to owners of the company was approximately HK\$56.17 million and the net asset was approximately HK\$538.29 million.
Golden Ponder Holdings Limited	The group is engaged in the provision of superstructure building and repair, maintenance, alteration and addition works as a main contractor in Hong Kong. As disclosed in the interim report for the six months ended 30 September 2019, the loss attributable to owners of the company was approximately HK\$2.28 million and the net asset was approximately HK\$188.05 million.
Future Bright Mining Holdings Limited	The group is engaged in the production and sale of marble and marble-related products. As disclosed in the interim report for the six months ended 30 June 2019, the loss attributable to owners of the company was approximately RMB11.64 million and the net asset was approximately RMB75.4 million.
China Financial Leasing Group Limited	The group is engaged in the short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities. As disclosed in the interim report for the six months ended 30 June 2019, the loss attributable to owners of the company was approximately HK\$43.53 million and the net asset was approximately HK\$91.34 million.
Hong Kong Chaoshang Group Limited	The group is engaged in the vessel chartering, trading, money lending, factoring and finance leasing. As disclosed in the interim report for the six months ended 30 September 2019, the loss attributable to owners of the company was approximately HK\$11.60 million and the net asset was approximately HK\$697.39 million.

China Ocean Group Development Limited	The group is engaged in the provision of supply chain management services, money lending business and ocean fishing business. As disclosed in the interim report for the six months ended 30 September 2019, the profit attributable to owners of the company was approximately HK\$10.59 million and the net asset was approximately HK\$1,227.39 million.
Hang Kan Group Limited	The group is engaged in bentonite mining, production and sales of drilling mud and pelletising clay. As disclosed in the third quarterly report for the nine months ended 30 September 2019, the profit attributable to owners of the company was approximately RMB4.02 million.
Stream Ideas Group Limited	The group is engaged in the provision of online advertising services, which consist of social viral service, engager service and mass blogging service. As disclosed in the interim report for the six months ended 30 September 2019, the loss attributable to owners of the company was approximately HK\$0.87 million and the net asset was approximately HK\$60.88 million.
GT Steel Construction Group Limited The	The group is engaged in designing, supplying, fabricating and erecting structural steel-works for the construction of buildings including technological plants, industrial buildings commercial buildings, government institutions and residential buildings and provision of pre- fabricated steel structures or on-site installation services. As disclosed in the third quarterly report for the nine months ended 30 September 2019, the profit attributable to owners of the company was approximately S\$4.89 million.
C & N Holdings Limited	The group is engaged in offering various transport and storage services to the logistics industry in Singapore, primarily trucking and hubbing services. As disclosed in the third quarterly report for the nine months ended 30 September 2019, the loss attributable to owners of the company was approximately S\$0.59 million.

RMH Holdings Limited

The group is engaged in leading specialist dermatological and surgical practice accredited by the Ministry of Health of Singapore in Singapore, providing accessible, comprehensive, quality and specialty care services for a variety of dermatological conditions affecting skin, hair and nails by utilising a wide range of advanced and sophisticated medical, surgical, laser and aesthetic treatments. As disclosed in the third quarterly report for the nine months ended 30 September 2019, the profit attributable to owners of the company was approximately S\$0.69 million.

Wan Leader International Limited

The group is engaged in provision of freight forwarding and related logistics services, including reselling cargo space which purchased from airlines' general sales agents, shipping liners and other freight forwarders to direct shippers or respective freight forwarders, which act on behalf of their shipper customers and eventually deliver the goods to the destinations, provision of warehousing and related value-added services, including labelling services and packaging services. As disclosed in the interim report for the six months ended 30 September 2019, the loss attributable to owners of the company was approximately HK\$8.74 million and the net asset was approximately HK\$61.15 million.

ISP Global Limited

The group is engaged in sale of sound and communication systems and related services, provision of integrated services of sound and communication systems, and provision of alert alarm system services in Singapore. As disclosed in the annual report for the year ended 30 June 2019, the profit attributable to owners of the company was approximately S\$0.10 million and the net asset was approximately S\$14.62 million.

Pacific Legend Group Limited

The group is engaged in sale of home furniture and accessories, rental of home furniture and accessories and project and hospitality services, which typically involve designing, styling, decorating and furnishing commercial or residential properties such as hotels, serviced apartments and showflats. As disclosed in the third quarterly report for the nine months ended 30 September 2019, the group's operating revenue was loss attributable to owners of the company was approximately HK\$13.44 million.

Eggriculture Foods Ltd.

The group is engaged in production and sale of fresh eggs and processed egg products in Singapore. As disclosed in the interim report for the six months ended 30 September 2019, the profit attributable to owners of the company was approximately S\$2.18 million and the net asset was approximately S\$23.81 million.

The Group appointed an independent professional valuer to assess the fair value of its unlisted equity investments. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The Directors of the Company have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

(B) Top-ten largest investments bought during 2019 and the six months ended 30 June 2020

Set out below are the top-ten securities bought by the Company for the years ended 31 December 2019 and the six months ended 30 June 2020.

Stock code	Name of investee company	For the year	For the six
		ended 31 December 2019 <i>HK\$'000</i>	months ended 30 June 2020 <i>HK\$'000</i>
1143	Link-Asia International Co. Ltd.	18,990	8,788
8547	Pacific Legend Group Limited	12,655	6,896
2312	China Financial Leasing Group Limited	20,028	3,430
8437	RMH Holdings Limited	4,565	2,840
8133	Jete Power Holdings Limited	—	2,758
8482	Wan Leader International Limited	4,541	1,780
8425	Hing Ming Holdings Limited	—	1,655
8140	BOSA Technology Holdings Limited	—	1,483
2212	Future Bright Mining Holdings Limited	20,805	1,445
8609	Eggriculture Foods Ltd.	304	987
1783	Golden Ponder Holdings Limited	3,995	898
8487	ISP Global Limited	7,015	—
8613	Oriental Payment Group Holdings Limited	5,514	—
2322	Hong Kong Chaoshang Group Limited	5,113	—

(C) Top-three loss investments for the six months ended 30 June 2020 and for the year ended 31 December 2019

The top-three loss investments of the Company for the for the six months ended 30 June 2020 and for the year ended 31 December 2019 are set out below:

(i) For the six months ended 30 June 2020

Stock code	Name of investee company	Realised loss/(gain) HK\$'000	Unrealised loss HK\$'000	Total loss HK\$'000
1143	Link-Asia International Co. Ltd.	(861)	7,093	6,232
8547	Pacific Legend Group Limited	2,258	1,773	4,031
2312	China Financial Leasing Group Limited	70	2,178	2,248

(ii) For the year ended 31 December 2019

Stock code	Name of investee company	Realised loss HK\$'000	Unrealised loss HK\$'000	Total loss HK\$'000
2312	China Financial Leasing Group Limited	860	7,391	8,251
1143	Link-Asia International Co. Ltd.	923	5,785	6,708
8547	Pacific Legend Group Limited	484	4,286	4,770

None of the Directors is or has been a director of any company, the securities of which were one of the top-ten securities bought by the Company for the year ended 31 December 2019.

To the best of knowledge of the Directors, there was no cross-shareholdings between the Company and its major (top-ten bought) investments as for the year ended 31 December 2019.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NationalInvestments

National Investments Fund Limited

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1227)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of National Investments Fund Limited (the “**Company**”) will be held at Unit 3703, 37/F., 118 Connaught Road West, Hong Kong on Tuesday, 8 December 2020 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT,**
 - (a) the authorised share capital of the Company be increased from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by creating an additional 8,000,000,000 unissued Shares (the “**Increase in Authorised Share Capital**”); and
 - (b) any one or more of the directors of the Company (the “**Director**”) be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”
2. **“THAT,** conditional upon the passing of the resolution numbered 1 as set out above and subject to the conditions set out in the Underwriting Agreement (as defined below) having been satisfied (or waived, as the case may be):
 - (a) the underwriting agreement dated 7 July 2020 (the “**Underwriting Agreement**”) (as amended and supplemented by the extension letters dated 27 July 2020, 24 August 2020, 7 September 2020, 17 September 2020, 15 October 2020, 5 November 2020 and 16 November 2020) in respect of the Rights Issue (as defined below) and the transactions contemplated thereunder entered into between the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Company and Solomon Securities Limited and ChaoShang Securities Limited (the “**Joint Underwriters**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder and all actions taken or to be taken by the Company pursuant to or incidental to the Underwriting Agreement be and are hereby approved, confirmed and ratified;

- (b) the issue by way of rights shares (the “**Rights Issue**”) of up to 4,573,134,820 Rights Shares (the “**Rights Shares**” and each a “**Rights Share**”) at a subscription price of HK\$0.035 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Friday, 18 December 2020 (or such other date as may be agreed between the Company and the Joint Underwriters in writing) for the determination of the entitlements under the Rights Issue (the “**Record Date**”) (other than those shareholders with registered addresses outside Hong Kong whom the directors of the Company, based on enquiries made by and legal advice in the relevant jurisdictions obtained by the Company, consider that it is necessary or expedient not to offer the Rights Shares to such Shareholders (the “**Excluded Shareholders**”) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in that place(s)) on the basis of five (5) Rights Shares for every one (1) existing Share then held on the Record Date and pursuant to the terms and conditions as set out in the Underwriting Agreement, as described in further details in a circular issued by the Company dated 23 November 2020 of which this notice convening the EGM forms part, be and is hereby approved;
- (c) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Excluded Shareholders as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

By order of the Board
National Investments Fund Limited
Wang Ning
Chairman

Hong Kong, 23 November 2020

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 3703, 37th Floor,
118 Connaught Road West,
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to provisions of the Articles, to vote on his/her/its behalf. A proxy needs not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 23 November 2020. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of authority must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours (11:00 a.m., Sunday, 6 December 2020) before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Shares as if he/she/it was solely entitled thereto, but if more than one such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
5. The register of members of the Company will be closed from Wednesday, 2 December 2020 to Tuesday, 8 December 2020 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all relevant transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 1 December 2020 for registration.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7: 00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the website of the Company at www.nif-hk.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
7. In compliance with the HKSAR Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 (COVID-19), the Company will implement additional precautionary measures at the EGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the EGM (the "Stakeholders") which include without limitation:
 - (a) All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the EGM. Attendees are advised to maintain appropriate social distance with each other at all times when attending the EGM.
 - (b) There will be compulsory body temperature screening for all persons before entering the EGM venue. Any person with a body temperature of 37.8 degrees Celsius or above will not be allowed to attend the EGM.
 - (c) Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the EGM ("**recent travel history**"); (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the EGM venue or be required to promptly leave the EGM venue.
 - (d) Anyone attending the EGM is reminded to observe good personal hygiene at all times.
 - (e) Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.
8. As at the date of this notice, the board of directors of the Company comprises an executive Director, namely Chan Cheong Yee; three non-executive Directors, namely Mr. Wang Ning (Chairman), Ms. Xie Xiangrong and Mr. Huang Hu; and three independent non-executive Directors, namely Mr. Li Li, Mr. Liao Kai and Ms. Wu Xiaoxia.