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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of National Investments Fund Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 (the "Review Period") together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**8,492**	1,884
Other income		**500**	600
Change in fair value of conversion options embedded in convertible notes		**(64)**	(726)
Impairment loss of other tangible assets		**(8)**	(1,000)
Other operating expenses		**(26,350)**	(32,261)
Finance costs		**(3,572)**	(7,509)
Loss before income tax		**(21,002)**	(39,012)
Income tax expense	*6*	**-**	-
Loss for the period	*7*	**(21,002)**	(39,012)

	Note	Six months ended 30 June **2018** **(Unaudited)** ***HK$'000***	 2017 (Unaudited) *HK$'000*
Other comprehensive loss, net of income tax			
Items that will not be reclassified to profit and loss:			
Net loss on revaluation of financial assets at fair value through other comprehensive income		**(6,470)**	-
Items that may be reclassified subsequently to profit or loss:			
Net loss on revaluation of available-for-sale financial assets		**-**	(4,638)
Other comprehensive loss for the period, net of income tax		**(6,470)**	(4,638)
Total comprehensive loss for the period		**(27,472)**	(43,650)
Loss for the period attributable to:			
Owners of the Company		**(21,002)**	(39,012)
Total comprehensive loss attributable to:			
Owners of the Company		**(27,472)**	(43,650)
			(restated)
Loss per share:			
Basic and diluted (*HK cents*)	*9*	**(0.58)**	(1.55)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**934**	6,432
Other tangible assets	**1,575**	17,583
Financial assets at fair value through other comprehensive income	**88,930**	-
Available-for-sale financial assets	**-**	88,200
Conversion options embedded in convertible notes	**-**	7
	91,439	112,222
Current assets		
Financial assets at fair value through other comprehensive income	**21,535**	-
Available-for-sale financial assets	**-**	20,487
Prepayments, deposits and other receivables	**5,484**	7,428
Cash and bank balances	**805**	34,794
	27,824	62,709
Total assets	**119,263**	174,931
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**36,034**	24,023
Reserves	**(70,592)**	(71,466)
Total equity	**(34,558)**	(47,443)
LIABILITIES		
Current liabilities		
Short-term loans	**14,729**	6,833
Accrued charges and other payables	**29,610**	104,649
Obligations under finance leases	**-**	559
	44,339	112,041

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Non-current liabilities		
Promissory notes	**109,482**	109,310
Obligations under finance leases	**-**	1,023
	109,482	110,333
Total liabilities	**153,821**	222,374
Total equity and liabilities	**119,263**	174,931
Net current liabilities	**(16,515)**	(49,332)
Total assets less current liabilities	**74,924**	62,890

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its substantial shareholder is CCM Financial Corporation, a company incorporated in the British Virgin Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

The principal activity of the Group is investment in listed and unlisted companies.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial assets and financial liabilities that are measured at fair value.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017, which has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

Except for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2018, the significant judgement in applying accounting policies and the key sources of accounting estimates used in the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017. The application of the new and revised HKFRSs did not have any material impact on how the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Group is in the process of assessing the potential impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("New HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments

The adoption of the revised HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim Financial Statements.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the FVTOCI criteria if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “revenue” line item.

The Group’s available-for-sale financial assets that are not held for trading and are currently stated at cost less impairment. The Group will make an irrevocable election to present in other comprehensive income the changes in fair value.

For other financial assets and financial liabilities, the directors of the Company expect to continue recognize initially at fair value for other financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 will not have a material impact on the classification and measurement of the financial assets

<u>Impairment under ECL model</u>

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For the other receivables, the Group applies the simplified approach permitted by HKFRSs 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed as below.

Summary of effects arising from initial application of HKFRS 9

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting HKFRS 9 is, as follows:

	Under HKAS 39 HKD'000	Reclassification HKD'000	Re-measurement HKD'000	Under HKFRS 9 HKD'000
Available-for-sale financial assets	108,687	(108,687)	-	-
Financial assets at fair value through other comprehensive income ("FATOCI")	-	108,687	-	108,687

(b) Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Dividend income from investments is recognized when the Group's rights to receive payment have been established.

- Interest income from financial assets including financial assets at FVTPL are recognised on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which are the rates that exactly discounts and the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

- Net gain/loss on financial assets at FVTPL is recognised on the transaction dates when the relevant contracts are executed.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group has concluded that the initial application of HKFRS 15 does not have significant impact on the Group's revenue recognition.

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE

The amount of significant category of revenue recognised during the period is as follow:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net gain on financial assets at fair value through profit or loss ("FVTPL") (Note)	**-**	634
Bank interest income	**3**	-
Interest income from available-for-sale financial assets	**1,139**	1,004
Dividend income	**7,350**	246
	8,492	1,884

Note:

Net gain on financial assets at FVTPL represented:

	Equities and debt securities	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Proceeds on sales	**-**	10,492
Less: Cost of sales	**-**	(9,879)
Net realised gain on financial assets at FVTPL	**-**	613
Unrealised gain on financial assets at FVTPL	**-**	21
Net gain on financial assets at FVTPL	**-**	634

5. SEGMENT INFORMATION

The Group manages its business by both business lines and geographical areas. In a manner consistent with the way in which information is reported internally to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance, the Group has presented its reportable segments under HKFRS 8 as follows:

Business segment

The Group operates one segment for the six months ended 30 June 2018 and 2017. All of the Group's revenue was derived from investment income from investments in listed securities and unlisted securities. Accordingly, the Group does not have separately reportable segment.

Geographical information

The Group's major operations take place in Hong Kong. The following table provides an analysis of the Group's revenue by geographical area:

	Revenue by geographical market Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**8,492**	1,884

In addition, all the Group's non-current assets (excluding available-for-sale financial assets and conversion options embedded in convertible notes) are located in Hong Kong.

No single customer of the Group contributed 10% or more to the Group's revenue for both periods.

6. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit. No provision of Hong Kong profits tax has been made for the six months ended 30 June 2018 and 2017 as the Group had no assessable profits.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**2,202**	5,542
Directors' emoluments	**2,217**	2,442
Total staff costs, excluding directors' emoluments	**11,983**	11,197
Operating lease rental in respect of land and building	**2,570**	3,140
Legal and professional fee	**1,266**	546

8. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(21,002)**	(39,012)
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,596,718**	2,519,357

Basic loss per share is calculated by dividing the loss for the period attributable to the owners of the Company over the weighted average number of ordinary shares in issue during the period under review.

The weighted average of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 June 2017 have been adjusted for the effects of both placing and rights issue completed on 10 January 2017, 7 March 2017 and 2 January 2018 respectively. The rights issue completed on 2 January 2018 has been reflected retrospectively by restating the weighted average number of ordinary shares for the six ended 30 June 2017.

For the six months ended 30 June 2018 and 2017, the Company's outstanding share options were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options were anti-dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of the Company is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018 . The unaudited condensed consolidated interim financial statements have not been audited by the auditors of the Company but have been reviewed by the audit committee of the Company (the "Audit Committee").

BUSINESS REVIEW

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

For the Review Period, the Group's revenue recorded a net gain of approximately HK$8,492,000 (for the six months ended 30 June 2017 ("Last Corresponding Period"): net gain of approximately HK$1,884,000), mainly source from dividend income of approximately HK$7,350,000.

For the Review Period, the loss attributable to owners of the Company was approximately HK$21,002,000 (Last Corresponding Period: approximately HK$39,012,000). The loss was primarily attributable to (i) Other operating expenses of approximately HK$26,350,000 (Last Corresponding Period: HK$32,261,000) and (ii) finance costs of approximately HK$3,572,000 (Last Corresponding Period: approximately HK$7,509,000).

PROSPECT

In the year of 2018, the world's economy continues to fill with challenges and uncertainties. Affected by the global economy (in particular the economy of China), the financial market in Hong Kong was confronted with numerous challenges and uncertainties. Recently the Government of the United States adopted trade protectionist measures against China which may affect China's normal trade relations with the United States and cause uncertainty to the global economy due to trade war threats between the world's two biggest nations. China is also confronted with various internal issues, such as its domestic debt, which may affect its economic growth. The uncertainties may hinder the investor's confidence in financial market and it is expected that the stock market may remain volatile.

The Group will continue to implement a diversified investment strategies and to identify suitable investment opportunities with potential assets appreciation that will furtherance our Company's investment objectives and policies and also to generate better returns for the Group and the shareholders of the Company. Despite the difficult market conditions, the Group would endeavor to bring positive returns under our investment portfolio to the shareholders of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Review Period (Last Corresponding Period: Nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had cash and cash equivalents of approximately HK$805,000 as at 30 June 2018 (31 December 2017: approximately HK$34,794,000).

As at 30 June 2018, the Company had issued promissory notes in the aggregate amount of 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 net proceeds were used for investment in securities and as general working capital of the Group.

The net current liabilities held by the Group as at 30 June 2018 amounted to approximately HK$16,515,000 (31 December 2017: net current liabilities of approximately HK$49,332,000). Save and except the above, the Group had no other outstanding credit facility from other financial institution as at 30 June 2018. As all cash and cash equivalents were maintained in Hong Kong Dollars accounts with banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total debt over total equity as at 30 June 2018, was not applicable (31 December 2017: not applicable).

The Company has entered into a loan agreement with Enhanced Finance Limited (“Enhanced”) on 14 January 2016 for a loan facility in the total amount of HK$65,000,000 (the “Enhanced Facility”). On 20 June 2016, the Company, Enhanced and Hansom Finance Limited (“Hansom”) entered into a deed of assignment (“Deed of Assignment”) whereas Enhanced, as the assignor, assigned the outstanding principal (i.e. HK$15,000,000) of the Enhanced Facility to Hansom (the “Assigned Loan”).

Prior to the date of the Deed of Assignment, the Company has entered into two respective loan agreements with Hansom on 8 April 2016 and 16 May 2016 for loan facilities in the total amount of HK$5,000,000 (the “First Facility”) and HK$5,000,000 (the “Second Facility”) respectively.

In order to extend the repayment dates, the Company and Hansom agreed to enter into a deed of promissory note (the “PN Deed”) on 20 June 2016 to merge the First Facility, the Second Facility, the Assigned Loan and the outstanding interest accrued on the Assigned Loan into a single debt so that such merged debt shall be payable and secured by in accordance with the terms and conditions of the PN Deed. Pursuant to the PN Deed, the Company covenanted to repay the debt to Hansom on or before 19 December 2016 with an interest at the rate of 3% per month commencing from 20 June 2016. The Company charged its assets by way of floating charge as well as the interest its wholly owned subsidiaries in favour of Hansom as security of the debt.

Pursuant to the deed of assignment made between Hansom and Citizens Money Lending Corporation Limited (“Citizens”) on 19 July 2016, Hansom assigned all its rights, title, benefits and interest in the debt under the PN Deed to Citizens.

On 2 January 2018, the Company completed a rights issue and issued 1,201,130,456 new ordinary shares of HK$0.01 each at a subscription price of HK$0.035 each. The Company has applied part of the net proceeds from the rights issue to fully settle the indebtedness owed to Citizens.

On 8 January 2018, the Company has fully settled the loan entered with Citizens Money Lending Corporation Limited with cash of approximately HK$39,233,000. The Share Charges of the Group’s wholly owned subsidiaries in favour of Massive Shine Limited, Old Peak Limited, Eighty Riches Limited, Union Power Holdings Limited and Fine East Trading Limited have been released on 8 January 2018 and the relevant registration procedures for the release of the Share Charge will be completed in due course.

The Company entered into a loan agreement with Freeman Opto Money Lending Corporation Limited amounted to HK$1,500,000 on 12 October 2017. The loan was repayable on the date of one month from the date of loan agreement with interest rate of 2% per month.

On 2 January 2018, the Company has fully settled the loan entered with Freeman Opto Money Lending Corporation Limited with cash of approximately HK$1,580,000.

Capital Structure and Fund Raising Activities

On 2 January 2018, the Company completed a rights issue and issued 1,201,130,456 new shares with par value of HK$0.01 each at a subscription price of HK$0.035 per rights share on the basis of two rights shares for every one then existing share held, and the net proceeds of the Rights Issue, after deducting the related expense, were approximately HK$40,280,000 which were mainly used to repay the principal amount and interests of Group’s loans including the Citizens Money Lending Corporation Limited. Details of the rights issue were disclosed in the announcements of the Company dated 21 November 2017, 28 November 2017, 2 January 2018 and the prospectus of the Company 7 December 2017.

As at 30 June 2018, the total number of issued ordinary shares of the Company was 3,603,391,369 shares (31 December 2017: 2,402,260,913 shares).

EMPLOYEES

As at 30 June 2018, the Group had 20 employees (31 December 2017: 26 employees), including executive directors and independent non-executive directors. The total employment costs incurred during the Review Period were approximately HK$14,200,000 (31 December 2017: approximately HK$20,813,000). The Group’s remuneration policies are in line with the prevailing market practice and are determined based on the performance, level of responsibility and experience of individual employees.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group did not have any material capital commitments (31 December 2017: Nil).

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

On 26 March 2018, the Company received a petition from Medisun Holdings Limited (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance from the High Court of The Hong Kong Special Administrative Region (the "High Court") that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts of approximately HK$7,143,000 (the "Petition"). On 29 March 2018, the Company also received a notice from Carley Company S.A. (the "Creditor"), a creditor of the Company, that it intends to appear on the hearing of the Petition and to support such Petition. Please refer to the Company's announcements dated 26 March 2018, 27 March 2018, 29 March 2018, 11 May 2018, 28 May 2018, 30 May 2018, 4 June 2018, 7 June 2018, 19 June 2018 and 20 August 2018 for further details of the Petition.

As at 30 June 2018, no bank deposits (31 December 2017: HK$2,070,000) were pledged to a bank as the Group does not have any trade credit facilities.

Save as disclosed above, there were no charges over any of the Group's assets or significant contingent liabilities as at 30 June 2018.

FOREIGN EXCHANGE EXPOSURE

The investments of the Group were mainly denominated in Hong Kong Dollars and Renminbi ("RMB"). During the Review Period, transactions and balances in RMB were not significant and the exposure to RMB is insignificant. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Review Period, the Company has not purchased, sold or redeemed any of its listed securities.

CONNECTED TRANSACTION

Subscription Agreement

The Company and Premium Castle Limited ("Premium Castle"), a company incorporated under the laws of British Virgin Islands, entered into a new subscription agreement the "New Subscription Agreement"), pursuant to which the Company has conditionally agreed to subscribe for and Premium Castle has conditionally agreed to issue a convertible note in the principal amount of HK$18,600,000, being the outstanding principal amount of HK$17,000,000 under the 2011 Convertible Note and the outstanding interest in the sum of approximately HK$1,600,000 accrued under the 2010 Convertible Note and the 2011 Convertible Note (collectively "Debt"), with maturity period of five years and coupon rate of 2% (the "Subscription"). The New Subscription Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios as defined under Rule 14.06 of the Listing Rules are more than 5% but less than 25%. The New Subscription Agreement also constitutes a connected transaction under Chapter 14A of the Listing Rules as the major shareholder of Premium Castle is Mr. Wong Danny F., the Chairman and an executive director of the Company, Premium Castle is therefore a connected person of the Company. Accordingly, the New Subscription Agreement is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules. Mr. Wong Danny F., who is the Chairman and an executive director of the Company and a major shareholder of Premium Castle, is regarded as having a material interest in the New Subscription Agreement and therefore he abstained from voting at the meeting of the Board at which the resolution approving the New Subscription Agreement was passed and Mr. Wong Danny F. and his associates were required to abstain from voting on the resolution approving the New Subscription Agreement passed at the extraordinary general meeting of the Company held on 25 February 2014. Details of the Subscription were disclosed in the circular of the Company dated 7 February 2014. The New Subscription Agreement has been approved at the extraordinary general meeting and was completed on the same day.

Upon completion of the Subscription on 25 February 2014, the obligation of Premium Castle to pay the Debt has been released and the Debt, which was previously recorded as current assets of the Company, was reclassified as financial asset in the Company's consolidated statement of financial position.

CONTINUING CONNECTED TRANSACTIONS

Investment Management Agreement

The investment management agreement dated 1 November 2016 was entered into between the Company and Avia Asset Management Limited (‘New Investment Management Agreement”). Under the New Investment Management Agreement, Avia Asset Management Limited agreed to provide investment management services to the Company from 1 November 2016 unless and until terminated by either party by serving not less than 6 months’ notice in writing to the other party with a fixed management fee of HK$55,000 per month. Pursuant to Rule 14A.08 of the Listing Rules, an investment manager is deemed to be connected person of the Company. The entering into of the New Investment Management Agreement with Avia Asset Management Limited constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules but is exempted from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

Custodian Agreement

Commencing from 11 March 2005, the Company appointed the Bank of Communications Trustee Limited as its custodian for the provision of custody services. The Bank of Communications Trustee Limited has agreed to provide the Company with securities services including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The custodian agreement between the parties (the “Custodian Agreement”) will continue be in force until being terminated by either the Company or the custodian by the giving to the other party of not less than 90 days’ notice in writing at any time.

Pursuant to Rule 14A.08 of the Listing Rules, a custodian shall be regarded as a connected person of the Company. Therefore, the provision of services by the Bank of Communications Trustee Limited under the Custodian Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Board, including the independent non-executive directors, is of the view that the above continuing connected transactions have been entered into (1) on normal commercial terms; (2) on an arm’s length basis; and (3) in the ordinary and usual course of business of the Company, and that the terms of the above continuing connected transactions were fair and reasonable to the shareholders and the Company as a whole.

The Company confirms that it has received written confirmation from its auditors confirming the matters stated under Rule 14A.56 of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this announcement, there is a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing the shareholders' value and safeguarding interest of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize an effective internal control and accountability to all shareholders of the Company.

The Company had complied with all applicable provisions of the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Listing Rules during the Review Period, save for the deviation from Code Provision E.1.2, which is explained in more details below.

According to Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Wong Danny F., the chairman of the Board, was not able to attend the annual general meeting of the Company held on 20 June 2018 due to an important business meeting which was pre-scheduled for the same date.

Under the code provision A.2.1, the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Feng Wen has been resigned as the Chief Executive Officer of the Company ("CEO") on 27 June 2018. Whilst the Company is in the course of identifying suitable candidate for this position, Mr. Wong Danny F., an executive director and chairman of the Company, will temporarily assume such duties. The Board is of the view that such arrangement will provide strong and consistent leadership for the development of the Group during this transitional period and does not constitute a deviation from the CG Code.

The Company periodically reviews its corporate governance practices to ensure that the Company meets the requirements of the CG Code.

CHANGES IN THE COMPOSITION OF THE BOARD AND THE SENIOR MANAGEMENT

During the Review Period, the Board approved the following changes to the composition of the Board and the senior management:

Mr. Feng Wen has been resigned as the CEO of the Company on 27 June 2018.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors. Based on specific enquiry with the Directors, all Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the Review Period.

AUDIT COMMITTEE

The Audit Committee comprising three independent non-executive Directors, together with the management of the Company, have reviewed the Group's unaudited interim financial statements for the Review Period including the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters.

EVENTS AFTER THE END OF THE REVIEW PERIOD

On 26 March 2018, the Company received a petition (the "Petition") from Medisun Holdings Limited issued from the High Court of the Hong Kong Special Administrative Region (the "High Court") that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts of approximately HK$7,143,000. On 29 March 2018, the Company also received a notice from Carley Company S.A., a creditor of the Company, that it intends to appear on the hearing of the Petition and to support such Petition.

On 20 August 2018, the High Court adjourned the hearing of the Petition to 8 October 2018.

Please refer to the Company's announcements dated 26 March 2018, 27 March 2018, 29 March 2018, 11 May 2018, 28 May 2018, 30 May 2018, 4 June 2018, 7 June 2018, 19 June 2018 and 20 August 2018 for further details of the Petition.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their unfailing support. I would also like to thank our management and staff for their dedication and hard work.

By order of the Board
National Investments Fund Limited
Wong Danny F.
Chairman and Executive Director

Hong Kong, 31 August 2018

As at the date of this announcement, the Board of the Company comprises three executive Directors, namely Mr. Wong Danny F. (Chairman), Mr. Wu Tse Wai, Frederick and Mr. Fong Chi Wah; and three independent non-executive Directors, namely Mr. Char Shik Ngor, Stephen, Mr. Liu Jin and Mr. Law Tze Lun.