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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)

VERY SUBSTANTIAL DISPOSAL

THE SPA

On 20 November 2018 (after trading hours), the Vendor, the Purchaser and the Purchaser Guarantor entered into the SPA, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares at the total Consideration of HK\$20,000,000. The Sale Shares represent approximately 29.997% (which is less than 30%) of the entire issued share capital of the Target Company.

As at the date of this announcement, the Target Company is accounted for as an associate of the Company in the financial statements of the Group. Upon Completion, the Company will cease to hold any interest in the Target Group.

THE LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 23 January 2019 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 5 October 2018 in relation to, among others, a non-legally binding memorandum of understanding dated 5 October 2018 made between the Vendor and the Purchaser regarding the disposal of 1,303,500,000 shares in the Target Company.

The Board is pleased to announce that on 20 November 2018 (after trading hours), the Vendor, the Purchaser and the Purchaser Guarantor entered into a formal SPA, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares at the total Consideration of HK\$20,000,000. The Sale Shares represent approximately 29.997% (which is less than 30%) of the entire issued share capital of the Target Company. The principal terms of the SPA are set out below.

THE SPA

Date

20 November 2018 (after trading hours)

Parties

- (i) Vendor : Essence Sharp Holdings Limited
- (ii) Purchaser : Oriental Richway Investment Limited
- (iii) Purchaser Guarantor : Huang Lisha (“**Ms. Huang**”)

The Purchaser is a company incorporated in Hong Kong with limited liability and is an investment holding company. The Purchaser Guarantor is the sole director and shareholder of the Purchaser and a director and shareholder of certain subsidiaries of the Target Company.

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner, namely the Purchaser Guarantor, are Independent Third Parties.

Assets to be disposed

Pursuant to the SPA, the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares represent approximately 29.997% (which is less than 30%) of the entire issued share capital of the Target Company.

Consideration

Pursuant to the terms of the SPA, the Consideration of HK\$20,000,000 shall be payable by the Purchaser to the Vendor or its nominees in cash in the following manners:

- (1) a refundable deposit in the sum of HK\$2,000,000 (the “**Deposit**”) shall be paid by the Purchaser to the Vendor or its nominees upon the signing of the SPA. The Deposit shall be treated as part of the Consideration at Completion;
- (2) a sum of HK\$8,000,000 shall be paid by the Purchaser to the Vendor or its nominees at Completion; and
- (3) the remaining balance of the Consideration in the sum of HK\$10,000,000 (the “**Remaining Balance**”) shall be paid by the Purchaser to the Vendor or its nominees within twelve months from the Completion Date.

The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser and was determined with reference to among others, (i) the loss-making business performance of the Target Group; (ii) the net deficit of the Target Group as at 30 June 2018; and (iii) the reasons for and benefits of the Disposal described in the section headed “Reasons for and benefits of the Disposal” below.

As at the date of this announcement, the Deposit has been paid.

The payment term of the Remaining Balance was proposed by the Purchaser and was arrived at after arm’s length negotiations between the parties to the SPA. The Board accepts the proposal after considering various factors, among others (i) the Company has tried to identify other potential purchasers, however, due to the unsatisfactory performance of the Target Company (as discussed in the section headed “Reasons for and benefits of the Disposal” below), the Purchaser is the only available willing buyer of the Sale Shares that the Company could identified; (ii) weak bargaining power faced by the Group as the Sale Shares are not accounted for controlling shareholding in the Target Company; (iii) the gain on the Disposal of approximately HK\$18 million (as discussed in the section headed “Financial effect of the Disposal and use of proceeds” below); (iv) the personal guarantee provided by the Purchaser Guarantor to safeguard the payment of the Consideration; and (v) the Company shall use its best endeavor to collect the Remaining Balance. In addition, the Board is of the view that if the Group declines the proposal, the Group may suffer from (i) less favourable terms of the Disposal if the performance of the Target Group further deteriorated; and (ii) the shareholding of the Vendor in the Target Company may be diluted and may adversely affect the price for the Sale Shares if further capital call by the Target Company on shareholders including the Vendor to finance the poor performance of the Target Group and the Vendor elected not to meet with the capital call.

Ms. Huang, being the sole director and sole shareholder of the Purchaser, has unconditionally and irrevocably guaranteed the due and punctual performance and payment obligations of the Purchaser under the SPA. In the event that the Purchaser is unable to pay any part of the Consideration, Ms. Huang shall be liable on the outstanding amount of the Consideration owing by the Purchaser to the Vendor pursuant to the SPA. The Company has conducted background checks on Ms. Huang that she does not involve in any legal proceedings in Hong Kong and there is no unusual issue had been identified that should be brought to the attention of the Board. Besides, the Company has requested and Ms. Huang has provided her assets proof to assure her financial strength to guarantee and perform the obligations of the Purchaser regarding payment of the Consideration.

Taking into consideration of the aforesaid, the Directors consider the terms of the Disposal provide sufficient safeguards of the interests of the Company in respect of the Disposal.

Guarantee

Pursuant to the SPA, the Purchaser Guarantor unconditionally and irrevocably:

- (i) guarantees by way of continuing obligation to the Vendor as primary obligor, and not merely as surety, the due and punctual performance and discharge of all the terms, conditions, duties, obligations, liabilities and payments by the Purchaser under the SPA; and
- (ii) indemnify the Vendor on demand against any loss or liability suffered by it as a result of any breach by the Purchaser of any term and condition under the SPA or if any term, condition, duty, obligation, liability and/or payment guaranteed by the Purchaser Guarantor is or becomes unenforceable, invalid or illegal as if the obligation guaranteed had not become unenforceable, invalid or illegal provided that the Purchaser Guarantor's liabilities shall be no greater than the Purchaser's liabilities would have been if the obligation guaranteed had not become unenforceable, invalid or illegal.

Conditions precedent

Completion shall be conditional upon and subject to the fulfilment and satisfaction of the following conditions precedent:

- (a) all necessary governmental and regulatory approvals or consents (or waivers), including but not limited to those from the Stock Exchange and/or the SFC, required by the Company, the Vendor and any member of the Target Group in respect of the Disposal;
- (b) the Board approving and authorising the Disposal; and
- (c) if so required by the Listing Rules, the passing of the necessary resolution(s) by the Shareholders at the relevant extraordinary general meeting approving and authorising the Disposal.

None of the above conditions precedent is waivable. If the above conditions have not been fulfilled on or before the Long Stop Date, either the Vendor or the Purchaser may at its own discretion by written notice to the other party terminate the SPA and the Vendor shall thereby within 7 Business Days refund the Deposit in full to the Purchaser without interest and upon full refund of the Deposit to the Purchaser, the SPA (other than clauses relating to conditions precedent, confidentiality, notices and service, general, legal representation, costs and stamp duty, governing law and jurisdiction and process agent as set out in the SPA) shall become void and of no further effect and, save in respect of any antecedent breaches and all liabilities and obligations of the parties to the SPA shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

As at the date of this announcement, save for condition (b), none of the above conditions have been fulfilled.

Completion

Upon fulfilment of all the conditions set out in the section headed “Conditions Precedent” above, Completion shall take place at or before 4:00 p.m. on the Completion Date (or at such time as the parties to the SPA may otherwise agree in writing).

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company incorporated under the laws of the British Virgin Islands in which the Company owns approximately 29.997% (which is less than 30%) interest through the Vendor. The Target Company is an investment holding company. The Target Group is principally engaged in the business of development of bio-pharmaceutical and regenerative medicine system and products.

Financial information of the Target Group

Set out below are the unaudited consolidated financial information of the Target Group as prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2016 and 2017:

	For the year ended 31 December 2017 <i>approximately</i> <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2016 <i>approximately</i> <i>HK\$'000</i> (unaudited)
Turnover	57,044	88,942
Net loss before taxation	(88,298)	(143,455)
Net loss after taxation	(88,298)	(143,455)

According to the unaudited consolidated financial information of the Target Group, the Target Group recorded an unaudited net liabilities of approximately HK\$285,813,000 as at 30 June 2018.

According to the interim report of the Group for the six months ended 30 June 2018, there is no carrying value of the Group's investment in the Target Group as at 30 June 2018.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As at the date of this announcement, the Target Company is accounted for as an associate of the Company in the financial statements of the Group. Upon Completion, the Company will cease to hold any interest in the Target Company.

There is no carrying value of the Group's investment in the Target Group as at 30 June 2018. For illustrative purpose, upon Completion, it is estimated that the Company will realise an unaudited gain on the Disposal of approximately HK\$18 million, being the Consideration deducting the expenses attributable to the Disposal of approximately HK\$2 million. The estimated gain to be derived from the Disposal has not taken into account the potential tax impact upon Completion of the Disposal. Shareholders should note that the exact financial effect of the Disposal is subject to the review and approval of the auditors of the Company.

It is currently intended that the net proceeds will be applied as general working capital and/or future investment of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment company, the Shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in investments in a diversified portfolio of listed and unlisted companies.

The Target Company was established in 2014 and the Target Group has been loss making since then. As a consequence, the Group has recorded a loss in respect of its interest in the Target Group since the financial year ended 31 December 2014 and the sharing losses of the Target Group attributed to the Group has exceeded its interest in the Target Group and record no carrying value as at 31 December 2017. Taking into account of the previous unsatisfactory financial performance of the Target Group and the Group has not received any profit sharing from the Target Group during the past few years, the Directors are uncertain about the future prospects of the Target Group.

In addition, the Group has adopted and maintained a prudent yet proactive investment approach and will closely monitor the performance of the investment portfolios. It has been the business strategy of the Group to identify suitable investment opportunities with potential assets appreciation that will furtherance the investments objectives of the Company and also to generate better returns for the Group and the Shareholders. The Directors are of the view that the Disposal represents an opportunity for the Group to divest and realise its investment in the Target Group so as to reallocate the Group's financial resources in order to optimize the operational efficiency and to enhance the return to the Group.

Taking into consideration of the aforesaid, the Directors consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 23 January 2019 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day on which banks are generally open for business in Hong Kong, except a Sunday and a Saturday or a day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"Company"	National Investments Fund Limited (國盛投資基金有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Disposal

“Completion Date”	third (3) Business Days after all the conditions precedent as set out in the SPA being satisfied
“Consideration”	the total consideration in the sum of HK\$20,000,000 payable by the Purchaser to the Vendor for the Disposal under the SPA
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the SPA
“EGM”	the extraordinary general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	19 February 2019, the date falling on the expiration of 3 months from the date of the SPA (or any other date as the parties to the SPA may agree in writing)
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Purchaser”	Oriental Richway Investment Limited, a company incorporated in Hong Kong with limited liability
“Purchaser Guarantor/ Ms. Huang”	Huang Lisha
“Sale Shares”	1,303,500,000 fully paid up ordinary shares in the share capital of the Target Company, representing approximately 29.997% (which is less than 30%) of the entire issued share capital of the Target Company
“SFC”	the Securities and Futures Commission of Hong Kong

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“SPA”	the conditional sale and purchase agreement dated 20 November 2018 and entered into by the Vendor, the Purchaser and the Purchaser Guarantor in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Medisun Holdings (Overseas) Limited, a company incorporated in the British Virgin Islands with limited liability, and the Vendor owned approximately 29.997% (which is less than 30%) of its entire issued share capital as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Essence Sharp Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
National Investments Fund Limited
Xie Xiangrong
Chairperson

Hong Kong, 20 November 2018

As at the date of this announcement, the Board of the Company comprises an executive Director, namely Mr. Wong Danny F.; a non-executive Director, namely Ms. Xie Xiangrong (Chairperson); and three independent non-executive Directors, namely Mr. Char Shik Ngor, Stephen, Mr. Liu Jin and Mr. Li Li.