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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)

**(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**

The Joint Underwriters to the Rights Issue



PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of ordinary resolution at the EGM by Shareholders of an increase in its authorised 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.

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). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The estimated net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) will be up to approximately HK\$153.3 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue (i) for the repayment of overdue external debts; and (ii) as general working capital of the Group.

UNDERWRITING AGREEMENT

On 7 July 2020 (after trading hours), the Joint Underwriters and the Company entered into the Underwriting Agreement. 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 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 this announcement.

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.

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 date of this announcement, the Company has no controlling shareholder. Save as Ms. Xie Xiangrong, a non-executive Director, 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 date of this announcement, 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.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). The Company will appoint an independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve, among others, the Rights Issue (including the Underwriting Agreement) and the transactions contemplated hereunder. A circular containing, among other things, (i) further details of (a) the Increase in Authorised Share Capital and (b) the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in 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; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Wednesday, 29 July 2020.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM and upon the Increase in Authorised Share Capital becoming effective, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 25 August 2020.

WARNING OF THE RISKS OF DEALING IN THE 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 with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Friday, 14 August 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 27 August 2020 to Thursday, 3 September 2020 (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.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of ordinary resolution at the EGM by Shareholders of an increase in its authorised 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 date of this announcement	: 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) on or before 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) on or before 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.

As at the date of this announcement, 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 date of this announcement.

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 date of this announcement 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.

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 Monday, 17 August 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 Monday, 17 August 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 Thursday, 6 August 2020 to Wednesday, 12 August 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Tuesday, 18 August 2020 to Monday, 24 August 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 date of this announcement, 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 Thursday, 27 August 2020 to Thursday, 3 September 2020 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 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 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 28.57% to the closing price of HK\$0.049 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) 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;

- (c) 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;
- (d) 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
- (e) 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 this 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 (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) 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 (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) 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.

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 Wednesday, 16 September 2020 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 Wednesday, 16 September 2020 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.

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, Wanchai, 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, Wanchai, Hong Kong, for completion of the relevant registration by 4:30 p.m. on Monday, 17 August 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, 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.

THE UNDERWRITING AGREEMENT

The Underwriting Agreement

Date:	7 July 2020
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. 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.

The underwriting fee rate 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. 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;
- 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.

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 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 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 untrue, incorrect in any material respect or misleading; or
- v. any matter has arisen or been discovered which would, if this 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 this 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.

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:

Event	2020
Announcement of the Rights Issue	Friday, 3 July
Expected despatch date of circular with notice and form of proxy for the EGM	on or before Wednesday, 29 July
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Wednesday, 5 August
Closure of register of members of the Company for attending the EGM (both days inclusive)	Thursday, 6 August to Wednesday, 12 August
Latest time for lodging forms of proxy for the purpose of the EGM	10:00 a.m. on Monday, 10 August
Record date for determining attendance and voting at the EGM	Wednesday, 12 August
Expected date and time of the EGM	10:00 a.m. on Wednesday, 12 August
Announcement of poll results of the EGM	Wednesday, 12 August
Last day of dealings in Shares on a cum-rights basis	Thursday, 13 August
First day of dealings in Shares on an ex-rights basis	Friday, 14 August
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 17 August

Closure of register of members of the Company for the Rights Issue.	Tuesday, 18 August to Monday, 24 August (both dates inclusive)
Record Date for determining entitlements to the Rights Issue	Monday, 24 August
Register of members of the Company re-opens.	Tuesday, 25 August
Despatch of Prospectus Documents.	Tuesday, 25 August
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Thursday, 27 August
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Monday, 31 August
Latest time of dealings in nil-paid Rights Shares	4:00 p.m. on Thursday, 3 September
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. on Tuesday, 8 September
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Wednesday, 9 September
Announcement of results of the Rights Issue	Tuesday, 15 September
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)	on or before Wednesday, 16 September
Certificates for fully paid Rights Shares to be despatched	on or before Wednesday, 16 September
Commencement of dealings in fully-paid Rights Shares.	9:00 a.m. on Thursday, 17 September

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 914,626,964 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement 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 date of this announcement; (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 date of this announcement		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 % (Note 1)	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (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	<u>914,626,964</u>	<u>100</u>	<u>5,487,761,784</u>	<u>100</u>	<u>5,487,761,784</u>	<u>100.00</u>

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 date of this announcement, 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 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, 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 82.91%, or HK\$127.1 million will be used for repayment of external debts of the Group; and
- (ii) approximately 17.09%, or HK\$26.2 million will be used as the general working capital of the Group.

As at the date of this announcement, the total external debts of the Company amounted to approximately HK\$127.1 million, which comprised of:

- (i) total amount of principal amount and interest which are due and payable by the Company to its creditors on or before 30 September 2020 of approximately HK\$92.8 million;
- (ii) the total amount of principal amount which will be due and payable by the Company to its creditors during the period of 1 October 2020 to 31 December 2020 of approximately HK\$5.1 million; and
- (iii) the total amount of principal amount which will be due and payable by the Company to its creditors for the year ending 31 December 2021 of approximately HK\$29.2 million.

Set out below are the expected expenditure schedules (the “**Expenditure Schedule**”) of the Group for the year ending 31 December 2020 and 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 September 2020 to 30 September 2020	HK\$97.74 million	The expected expenditure of approximately HK\$97.74 million comprises approximately HK\$92.82 million to be used for repayment of the outstanding loan and promissory notes interest and HK\$4.92 million to be used for the general working capital.
1 October 2020 to 31 December 2020	HK\$9.32 million	The expected expenditure of approximately HK\$9.32 million comprises approximately HK\$5.12 million to be used for repayment of the outstanding loan and promissory notes interest and HK\$4.20 million to be used for the general working capital.

Period	Expected amount of expenditure of the Group (approximate)	Remarks
1 January 2021 to 31 March 2021	HK\$28.65 million	The expected expenditure of approximately HK\$28.65 million comprises approximately HK\$24.76 million to be used for repayment of the outstanding loan and promissory notes interest and HK\$3.89 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 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 HK\$4.51 million to be used for the general working capital.
1 October 2021 to 31 December 2021	HK\$4.13 million	The expected expenditure of approximately HK\$4.13 million to be used for the general working capital.
Total	<u>HK\$153.3 million</u>	

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 announcement. 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 unaudited consolidated financial statements of the Group as at 31 May 2020, the total amount of current assets of the Company is approximately HK\$36.8 million, which comprises of: (i) financial assets at fair value through profit or loss of approximately HK\$23.3 million; (ii) prepayments, deposits and other receivables of approximately HK\$11.1 million; and (iii) cash and bank balances of approximately HK\$2.4 million.

As at the date of this announcement, the Group’s promissory notes of outstanding principals and accrued interests of approximately HK\$87 million which fell due as at 31 December 2019 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.

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 24 months of net operating cashflow based on the Group's performance for the year ended 31 December 2019.

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 31 May 2020, the unaudited consolidated net liabilities value per Share (excluding the fair value adjustments on the unlisted investments) of the Company was approximately HK\$0.07169. 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 as at 31 May 2020; 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.

(C) Liquidation of investments:

As at the date of this announcement, the investment held by the Company (the “**Investments**”) comprised both listed and unlisted equity securities.

(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 31 May 2020, a number of stocks held by the Company recorded percentage of loss ranging from approximately 20% to over 80%, resulting in a loss to the Company of approximately HK\$38.8 million in face value. 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) the other stocks currently held by the Company recorded certain percentage of gain ranging from 5% to over 110%, based on the stock price quoted on the Stock Exchange on 31 May 2020. Considering the steady increase of stock prices, 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.

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\$7.0 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; and 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 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 date of this announcement, 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.

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 date of this announcement.

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 date of this announcement, 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 date of this announcement, 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.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue (including the Underwriting Agreement). The Company will appoint an independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue (including the Underwriting Agreement), and as to voting.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Increase in Authorised Share Capital and the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of (a) the Increase in Authorised Share Capital and (b) the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in 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; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Wednesday, 29 July 2020.

Subject to the approval of the Increase in Authorised Share Capital by the Shareholders and the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 25 August 2020.

WINDING UP PETITION

Impact of the Winding Up Petition on the Rights Issue

References are made to the Winding Up Petition Announcements dated respectively 19 March 2020, 20 March 2020 and 17 June 2020. 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**”).

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

1. As any disposition of property and/or any transfer of the Company’s shares made after the Winding Up Petition was presented shall be void under the Ordinance unless the Court orders otherwise, it is necessary for the Company to obtain a validation order in relation to, inter alia, the Rights Issue and payment of expenses made in the ordinary course of business.
2. Before a validation order is granted, the Court needs to be satisfied that the proposed transaction will be beneficial and advantageous to the Company and its creditors. Upon the completion of the Rights Issue, net proceeds generated can then be applied towards repayment of debts owed to the creditors and the balance of general working capital. All the shares issued under the Rights Issue will also be fully paid up by the subscribers.
3. Given the timetable of the proposed Rights Issue, the Company may need to seek retrospective validation. While it is ideal to obtain the Court’s sanction in advance, the Court will grant a validation order if it finds that the proposed transactions are beneficial to the Company and Creditors.

In view of the above, the Company took out an application for a validation order on 1 June 2020 and on the returnable hearing on 4 June 2020, the Court granted the followings and adjourned the hearing sine die, with liberty to restore.

1. Notwithstanding the presentation of the Winding Up Petition, all sales and purchases of the issued shares of the respondent, i.e. the Company which are listed on the Stock Exchange of Hong Kong, whether or not through the CCASS, and whether on or off the Stock Exchange, and the corresponding alteration in the status of the members of the Company shall not be void by virtue of Section 182 of the Companies (Winding Up and Miscellaneous Proceedings) Ordinance (Cap. 32).

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

Transfer of Shares may be restricted as the deposits of the Company's shares into CCASS may be suspended due to the Petition. Shareholders and potential investors should accordingly exercise caution when dealing in the securities of the Company.

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 with the terms thereof (a summary of which is set out in the paragraph headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Friday, 14 August 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 27 August 2020 to Thursday, 3 September 2020 (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.

DEFINITIONS

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

“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
“Despatch Date”	Tuesday, 25 August 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 10:00 a.m. on Wednesday, 12 August 2020, in which resolution 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
“Final Acceptance Date”	Tuesday, 8 September 2020 (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)
“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 this announcement
“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
“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 announcement
“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”	Monday, 24 August 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
“Registrar”	Tricor Tengis Limited, the branch share registrar 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)”	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
“Subscription Price”	HK\$0.035 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rule
“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 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 three announcements of the Company dated 19 and 20 March and 17 June 2020 respectively relating to a winding up petition of the Company
“%”	per cent.

By Order of the Board
National Investments Fund Limited
Ho Yuk Ming, Hugo
Company Secretary

Hong Kong, 7 July 2020

As at the date of this announcement, the Board 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.