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# **N**ATIONAL INVESTMENTS FUND LIMITED

# 國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(**Stock Code: 1227**)

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of National Investments Fund Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 together with comparative figures as follows:

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June		
		2011	2010	
		(Unaudited)	(Unaudited)	
	Notes	HK\$'000	HK\$'000	
Revenue	3	(111,180)	(18,078)	
Change in fair value of conversion options				
embedded in convertible notes		(1,770)		
Other operating expenses		(17,358)	(9,495)	
Share of result of a jointly controlled entity		(4,867)		
Finance costs			(199)	
Loss before income tax		(135,175)	(27,772)	
Income tax expense	5			
Loss for the period	6	(135,175)	(27,772)	

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Other comprehensive income			
Exchange differences arising on translation		120	
Change in fair value of available-for-sale financial assets		2,926	
Other comprehensive income for the period,			
net of income tax		3,046	_
Total comprehensive loss for the period		(132,129)	(27,772)
Loss for the period attributable to:			
Owners of the Company		(135,175)	(27,772)
Total comprehensive loss attributable to:		(100 100)	(2)
Owners of the Company		(132,129)	(27,772)
Interim dividend	7		
interini dividend	/		
Loss per share:	8		(Restated)
Basic, in HK cents		(10.09)	(3.91)
		(= 3.37)	
Diluted, in HK cents		(10.09)	(3.91)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

ASSETS	Notes	As at 30 June 2011 (Unaudited) HK\$'000	As at 31 December 2010 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		2,494	3,130
Interests in a jointly controlled entity		1,433	9,000
Available-for-sale financial assets		104,882	26,668
Conversion option embedded in convertible notes		3,790	1,001
		112,599	39,799
Current assets			
Financial assets at fair value through			
profit or loss		88,878	233,985
Prepayments, deposits and other receivables		2,548	1,184
Cash and bank balances		17,076	27,991
		108,502	263,160
Total assets		221,101	302,959
EQUITY			
Capital and reserves attributable to owners			
of the Company:			
Share capital		76,778	59,278
Reserves		143,450	241,919
Total equity		220,228	301,197
LIABILITIES			
Current liabilities			
Accrued charges and other payable		873	1,762
Total liabilities		873	1,762
Total equity and liabilities		221,101	302,959
Net current assets		107,629	261,398
Total assets less current liabilities		220,228	301,197

#### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011 (in HK Dollars)

#### 1. CORPORATE INFORMATION

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

Principal activities of the Company and its subsidiary (the "Group") include the investments in listed and unlisted financial instruments.

This condensed consolidated interim financial statements has not been audited.

#### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2011, the accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the condensed consolidated interim financial statements of the Group.

The Group has not yet early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated interim financial statements of the Group.

#### 3. REVENUE

	Six months ended		
	30 June		
	2011	2010 (Unaudited)	
	(Unaudited)		
	HK\$'000	HK\$'000	
Net loss on financial assets at fair value through			
profit or loss (Note)	(112,952)	(18,595)	
Bank interest income	1	_	
Dividend income from financial assets at			
fair value through profit or loss	_	517	
Interest income from available-for-sale financial assets	1,771		
	(111,180)	(18,078)	

Note:

Net loss on financial assets at fair value through profit or loss represented:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proceeds on sales	77,710	34,865
Less: cost of sales	(85,790)	(35,919)
Net realised loss on financial assets at fair		
value through profit or loss	(8,080)	(1,054)
Net unrealised loss on financial assets at fair		
value through profit or loss	(104,872)	(17,541)
Net loss on financial assets at fair value through profit or loss	(112,952)	(18,595)

#### 4. SEGMENT INFORMATION

The Group currently operates in one business segment as all of the Group's revenue was derived from investment income from investments in listed securities and unlisted securities mainly in Hong Kong. A single management team reported to the chief operating decision makers who comprehensively manage the entire business. In addition, all the Group's non-current assets are located in the Hong Kong. Accordingly, the Group does not have separately reportable segment.

### 5. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 June 2011 and 2010 as the Group had no assessable profits.

#### 6. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	652	546
Directors' emoluments	1,194	1,135
Total staff costs, excluding directors' emoluments	3,609	2,114
Equity settled share-based payment	3,638	_
Operating lease rental in respect of land and building	737	1,346
Impairment loss on other receivables	760	_
Legal and professional fee	118	96

#### 7. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

# 8. LOSS PER SHARE

# **Basic**

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$135,175,000 (30 June 2010: loss of approximately HK\$27,772,000) and on the weighted average of approximately 1,340,247,000 (30 June 2010: approximately 710,930,000 (restated)) ordinary shares in issue during the period.

### Basic and diluted

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

	Six months ended 30 June	
	2011	2010
	(Unaudited) <i>HK\$'000</i>	(Unaudited) HK\$'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(135,175)	(27,772)
	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose		
of diluted loss per share	1,340,247	710,930

#### Diluted

Diluted loss per share for the six months ended 30 June 2011 was the same as the basic loss per share. The Company's outstanding share options and warrants were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options and warrants were anti-dilutive.

#### MANAGEMENT DISCUSSION AND ANALYSIS

# **Business Review and Prospects**

As at 30 June 2011, investment portfolio of the Group consisted of listed securities with market value of HK\$88,878,000 (31 December 2010: HK\$233,985,000) and unlisted investments with fair value of HK\$104,882,000 (31 December 2010: HK\$26,668,000).

For the six months ended 30 June 2011, the Group recorded a net loss of HK\$135,175,000 (30 June 2010: HK\$27,772,000) and this was mainly attributable to the unrealised loss on financial assets at fair value through profit or loss of HK\$104,872,000 (30 June 2010: HK\$17,541,000).

The Group's primary objective is to achieve short to medium term capital appreciation by investing in listed and unlisted companies. During the interim period, the Group was investing and managing a portfolio of diversified securities covering a range of industry sectors. With the cash resources generated from the completion of the placing of the 350,000,000 new shares under specific mandate and 179,484,913 unlisted warrants in April 2011, the Company will keep seeking more investment opportunities with potential of asset appreciation to enhance returns to the Group and the shareholders. For the year 2011, it is a volatile year with the debt crisis in Europe, the earthquake in Japan, the credit tightening in China, etc. The management of the Company expects the investment market will continue to be volatile for the coming year. The Company would consider investing in certain listed securities and unlisted securities with high potential in order to further diversify the market risk.

#### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

# LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had retained cash of HK\$17,076,000 (31 December 2010: HK\$27,991,000). As most of the retained cash was placed in Hong Kong Dollars with the Bank in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Group had net current assets of HK\$107,629,000 (31 December 2010: HK\$261,398,000) and no borrowings or long-term liabilities as at 30 June 2011. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2011, was 0.40% (31 December 2010: 0.58%).

#### **EMPLOYEES**

As at 30 June 2011, the Group had 20 (31 December 2010: 18) employees, including executive directors, non-executive director and independent non-executive directors. Total staff costs for the interim period amounted to HK\$4,803,000 (30 June 2010: HK\$3,249,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

# CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

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

During the six months ended 30 June 2011, the Company has not purchased, sold nor redeemed any of its listed securities.

#### COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company was committed to maintain high level of corporate governance and has steered its development and protected the interests of shareholders in an enlightened and open manner.

As at 30 June 2011, the Board comprises three executive directors, one non-executive director and four independent non-executive directors. The Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange during the six months ended 30 June 2011, with deviation from Code Provision E.1.2.

# **Code Provision E.1.2**

According to Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. In respect of the annual general meeting held on 28 April 2011, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

#### **COMPLIANCE WITH MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. After having made specific enquiries of all directors of the Company, the directors are of the opinion that they have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the six months ended 30 June 2011.

#### AUDIT COMMITTEE

The audit committee of the Company, comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the Group's unaudited interim financial statements for the six months ended 30 June 2011.

#### PUBLICATION OF RESULTS ON THE WEBSITE

This results announcement, containing the relevant information required by the Listing Rules, is published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.nif-hk.com). The company's interim report for 2011 will be despatched to the shareholders of the Company and posted on the aforementioned websites in due course

By Order of the Board

National Investments Fund Limited

Wong Danny F.

Chairman and Executive Director

Hong Kong, 26 August 2011

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Wong Danny F. (Chairman), Mr. Wu Tse Wai, Frederick (Chief Executive Officer) and Mr. Fong Chi Wah; a non-executive director, namely Ms. Yang XiaoFeng; and four independent non-executive directors, namely Mr. Char Shik Ngor, Stephen, Mr. Lui Tin Nang, Mr. Liu Jin and Mr. Wong Sin Lai.