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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016 (the “Review Period”) together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	4	701	(26,233)
Change in fair value of conversion options embedded in convertible notes		(304)	(10,327)
Loss on derecognition of available-for-sale financial assets		–	(10,584)
Impairment loss of available-for-sale financial assets		–	(1,203)
Other operating expenses		(35,539)	(60,428)
Finance costs		(4,009)	(3,278)
Share of result of an associate		(11,507)	(3,765)
Loss before income tax		(50,658)	(115,818)
Income tax expense	6	–	–
Loss for the period	7	(50,658)	(115,818)

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Other comprehensive (loss)/income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Reclassification relating to derecognition of available-for-sale financial assets		–	10,222
Net loss on revaluation of available-for-sale financial assets		<u>(22,304)</u>	<u>(7,626)</u>
Other comprehensive (loss)/income for the period, net of income tax		<u>(22,304)</u>	<u>2,596</u>
Total comprehensive loss for the period		<u>(72,962)</u>	<u>(113,222)</u>
Loss for the period attributable to:			
Owners of the Company		<u>(50,658)</u>	<u>(115,818)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		<u>(72,962)</u>	<u>(113,222)</u>
Loss per share:	<i>9</i>		
Basic and diluted in HK cents		<u>(2.57)</u>	<u>(7.05)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	18,784	24,160
Other tangible assets	18,676	18,676
Interests in associates	3,688	15,195
Available-for-sale financial assets	101,295	59,344
Conversion options embedded in convertible notes	735	1,039
	<u>143,178</u>	<u>118,414</u>
Current assets		
Available-for-sale financial assets	17,351	17,004
Financial assets at fair value through profit or loss	–	2,663
Prepayments, deposits and other receivables	50,055	50,352
Promissory note receivable	–	3,000
Cash and bank balances	3,414	8,419
	<u>70,820</u>	<u>81,438</u>
Total assets	<u><u>213,998</u></u>	<u><u>199,852</u></u>
EQUITY		
Capital and reserves attributable to owners of the Company:		
Share capital	20,023	18,023
Reserves	41,790	55,587
	<u>61,813</u>	<u>73,610</u>
LIABILITIES		
Current liabilities		
Accrued charges and other payables	17,648	17,577
Short-term loans	25,716	–
	<u>43,364</u>	<u>17,577</u>
Non-current liability		
Promissory notes	108,821	108,665
	<u>152,185</u>	<u>126,242</u>
Total liabilities	<u><u>152,185</u></u>	<u><u>126,242</u></u>
Total equity and liabilities	<u><u>213,998</u></u>	<u><u>199,852</u></u>
Net current assets	<u><u>27,456</u></u>	<u><u>63,861</u></u>
Total assets less current liabilities	<u><u>170,634</u></u>	<u><u>182,275</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its substantial shareholder is CCM Financial Corporation, a company incorporated in the British Virgin Islands.

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

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 20/F., Octa Tower, 8 Lam Chak Street, Kowloon Bay, Hong Kong.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015, which has been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

Except for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2016, the significant judgement in applying accounting policies and the key sources of accounting estimates used in the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2015. The application of the new and revised HKFRSs did not have any material impact on how the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1 January 2016. A summary of new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The directors of the Company (the “Directors”) considered that the application of the above new or revised HKFRSs would not have any material impact on the Group’s financial performance and financial position for the current and prior periods.

4. REVENUE

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net loss on financial assets		
at fair value through profit or loss (“FVTPL”) (Note)	(336)	(27,347)
Bank interest income	–	28
Interest income from available-for-sale financial assets	892	1,086
Interest income from promissory note	145	–
	<u>701</u>	<u>(26,233)</u>

Note:

Net loss on financial assets at FVTPL represented:

	Equities and debt securities	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proceeds on sales	2,327	97,583
Less: Cost of sales	(2,663)	(124,546)
Net realised loss on financial assets at FVTPL	(336)	(26,963)
Unrealised loss on financial assets at FVTPL	–	(384)
Net loss on financial assets at FVTPL	(336)	(27,347)

5. SEGMENT INFORMATION

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

Business segment

The Group operates one segment for the six months ended 30 June 2016 and 2015. All of the Group's revenue was derived from investment income from investments in listed securities and unlisted securities. Accordingly, the Group does not have separately reportable segment.

Geographical information

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

	Revenue by geographical area	
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	701	(26,724)
United States	–	491
	701	(26,233)

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

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

6. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit. No provision of Hong Kong profits tax has been made for the six months ended 30 June 2016 and 2015 as the Group had no assessable profits.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	5,414	3,469
Directors' emoluments	2,289	2,288
Total staff costs, excluding directors' emoluments	11,410	12,960
Operating lease rental in respect of land and building	2,904	4,336
Legal and professional fee	866	468
	<u>866</u>	<u>468</u>

8. INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(50,658)</u>	<u>(115,818)</u>
	'000	'000

Number of shares

Weighted average number of ordinary shares

for the purpose of basic and diluted loss per share

<u>1,973,532</u>	<u>1,642,270</u>
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For the six months ended 30 June 2016 and 2015, the Company's outstanding share options were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options were anti-dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

For the Review Period, the Group's revenue recorded a net gain of approximately HK\$701,000 (for the six months ended 30 June 2015 ("Last Corresponding Period"): net loss of approximately HK\$26,233,000). Excluding the net loss of approximately HK\$336,000 (Last Corresponding Period: net loss of approximately HK\$27,347,000) recorded on the financial assets at fair value through profit or loss ("FVTPL"), the Group's revenue decreased by approximately 6.91% to approximately HK\$1,037,000 (Last Corresponding Period: revenue of approximately HK\$1,114,000). The proceeds of sales of equity and debt securities were approximately HK\$2,327,000 (Last Corresponding Period: the proceeds of sales of equity and debt securities and commodities futures contracts of approximately HK\$97,583,000), and the cost of sales were approximately HK\$2,663,000 (Last Corresponding Period: approximately HK\$124,546,000). The net realised loss on financial assets at FVTPL was therefore approximately HK\$336,000 (Last Corresponding Period: approximately HK\$26,963,000). Apart from the net realised loss on financial assets at FVTPL, there was no unrealised gain or loss on financial assets at FVTPL (Last Corresponding Period: unrealised loss on financial assets at FVTPL of approximately HK\$384,000).

For the Review Period, the loss attributable to owners of the Company was approximately HK\$50,658,000 (Last Corresponding Period: approximately HK\$115,818,000). The loss was primarily attributable to (i) finance costs of approximately HK\$4,009,000 (Last Corresponding Period: approximately HK\$3,278,000) and (ii) loss of share of results of an associate of approximately HK\$11,507,000 (Last Corresponding Period: loss of approximately HK\$3,765,000).

Prospect

The world's economy was filled with challenges and uncertainties in the first half of the year 2016. Major global economies continued to struggle despite continuous support from central banks around the world. "Brexit" in June 2016 also posed great impacts to the European Union and global economies. The negative effects triggered by both political and economic turmoil have hindered the global economic recovery and it is expected that the stock market will remain challenging due to unsatisfactory investment sentiment. The Group will continue to implement diversified investment strategies and to identify suitable investment opportunities with potential assets appreciation to generate better returns for the Group and the shareholders of the Company. The Group will also continue to adopt and maintain a prudent yet proactive investment approach and will closely monitor the performance of the investment portfolios. The Group remains positive on the prospects of its investments and is confident that shareholders of the Company will be rewarded with strong positive returns under our investment portfolios in the future.

INTERIM DIVIDEND

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

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had cash and cash equivalents of approximately HK\$3,414,000 (31 December 2015: approximately HK\$8,419,000) as at 30 June 2016.

As at 30 June 2016, the Company had issued promissory notes in the aggregate amount of HK\$110,000,000. Eleven promissory notes in the denomination of HK\$10,000,000 each were issued to 11 independent third parties. Each promissory note bears interest at a rate of 5% per annum with a maturity period of seven years from its date of issue. The net proceeds were used for investment in securities and/or as general working capital of the Group.

In addition, the Group also obtained short-term loan from a financial institution in the amount of approximately HK\$25,716,000 as at 30 June 2016.

The Group had net current assets of approximately HK\$27,456,000 as at 30 June 2016 (31 December 2015: approximately HK\$63,861,000). Save and except the above, the Group had not obtained any credit facility from other financial institutions during the Review Period. As all cash and cash equivalents were maintained in Hong Kong Dollars accounts with banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total liabilities over total equity as at 30 June 2016, was approximately 2.462 (31 December 2015: approximately 1.715).

EMPLOYEES

As at 30 June 2016, the Group had 31 employees (31 December 2015: 31 employees), including executive Directors, non-executive Directors and independent non-executive Directors. The total employee costs incurred during the Review Period were approximately HK\$13,699,000 (31 December 2015: approximately HK\$23,472,000). 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 employees.

Further, the Company adopted a share option scheme on 27 August 2007 as incentives or rewards for employees' contributions to the Company.

CAPITAL COMMITMENTS

As at 30 June 2016, the Group and the Company did not have any material capital commitments (31 December 2015: Nil).

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Bank deposits in the amount of HK\$2,020,000 (31 December 2015: HK\$2,020,000) were pledged to a bank as security for certain trade credit facilities granted to the Group.

Save as disclosed above, there were no charges over any of the Group's assets or significant contingent liabilities as at 30 June 2016.

FOREIGN EXCHANGE EXPOSURE

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

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

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

CONTINUING CONNECTED TRANSACTIONS

Investment Advising Service Agreement

On 16 May 2011, the Company and Beijing Capital Partners Limited ("Beijing Capital") had mutually agreed to terminate the investment management agreement dated 16 November 2010 entered into between the parties and there was no penalty and/or compensation to any party in relation to the early termination of the agreement. At the meantime, the Company and Beijing Capital entered into an investment advising service agreement (the "IAS Agreement") pursuant to which Beijing Capital was appointed to act as investment adviser of the Company and agreed to provide investment advising services and present suitable investment opportunities to the Company commencing from 16 May 2011. Pursuant to Rule 21.13 of the Listing Rules, an investment adviser shall be regarded as a connected person of the Company. Therefore, the entering into of the IAS Agreement with Beijing Capital constitutes a continuing connected transactions of the Company under Chapter 14A of the Listing Rules. According to the terms and condition of the IAS Agreement, the Company shall pay to Beijing Capital a monthly investment adviser fee of HK\$33,333 and it is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Investment Management Agreement

The investment management agreement dated 9 May 2015 entered into between the Company and Enerchine Investment Management Limited (“Enerchine Investment”) expired on 15 May 2016. Accordingly, the Company entered into a new investment management agreement (the “New Investment Management Agreement”) with Enerchine Investment on 16 May 2016 to renew the appointment of Enerchine Investment as the investment manager of the Company on the same terms with a fixed management fee of HK\$100,000 per month. Under the New Investment Management Agreement, the investment manager agreed to provide investment management services to the Company for a period of one year from 16 May 2016. Pursuant to Rule 14A.08 of the Listing Rules, an investment manager is deemed to be a connected person of the Company. The entering into of the New Investment Management Agreement with Enerchine Investment constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules but is exempted from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

Custodian Agreement

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

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

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

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

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

According to Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Wong Danny F., the chairman of the Board, was not able to attend the annual general meeting of the Company held on 31 May 2016 due to an important business meeting which was pre-scheduled for the same date.

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

COMPLIANCE WITH MODEL CODE

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

AUDIT COMMITTEE

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

EVENT AFTER THE END OF THE REVIEW PERIOD

On 18 July 2016, the Company completed the placing of 82,000,000 new ordinary shares of the Company through a placing agent to not less than six independent investors at a price of HK\$0.28 per placing share. The net proceeds of the placing in the amount of approximately HK\$22.27 million are intended to be used for general working capital of the Group and/or for future investments pursuant to the investment objectives of the Company. Details of the placing were disclosed in the announcements of the Company dated 13 July 2016 and 18 July 2016.

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 (www.hkex.com.hk) and of the Company (www.nif-hk.com). The Company's interim report for 2016 will be despatched to the shareholders of the Company and posted on the aforementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 31 August 2016

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