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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the “Board”) of National Investments Fund Limited (the “Company”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017 (the “Review Period”) together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 HK\$’000	2016 HK\$’000
Revenue	5	2,915	1,785
Other income	6	4,525	606
Change in fair value of conversion options embedded in convertible notes		(740)	(292)
Impairment loss of available-for-sale financial assets		(13,868)	(18,388)
Impairment loss of other tangible assets		(1,007)	(86)
Impairment loss of other receivable		(40,800)	–
Other operating expenses		(59,203)	(70,921)
Finance costs		(15,415)	(11,922)
Share of result of associates		–	(15,195)
Loss before taxation		(123,593)	(114,413)
Taxation	7	–	–
Loss for the year	8	(123,593)	(114,413)

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Net loss on revaluation of available-for-sale financial assets		(12,136)	(22,560)
– Reclassification adjustments relating to available-for-sale financial assets		<u>13,868</u>	<u>18,388</u>
Other comprehensive income/(loss) for the year, net of income tax		<u>1,732</u>	<u>(4,172)</u>
Total comprehensive loss for the year		<u>(121,861)</u>	<u>(118,585)</u>
Loss for the year attributable to:			
Owners of the Company		<u>(123,593)</u>	<u>(114,413)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		<u>(121,861)</u>	<u>(118,585)</u>
			(restated)
Loss per share			
Basic and diluted (<i>HK cents</i>)	10	<u>(4.86)</u>	<u>(5.28)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Assets:		
Non-current assets		
Property, plant and equipment	6,432	14,511
Other tangible assets	17,583	18,590
Available-for-sale financial assets	88,200	101,000
Conversion options embedded in convertible notes	7	747
	<u>112,222</u>	<u>134,848</u>
Current assets		
Available-for-sale financial assets	20,487	18,132
Prepayments, deposits and other receivables	7,428	47,356
Cash and bank balances	34,794	7,401
	<u>62,709</u>	<u>72,889</u>
Total assets	<u><u>174,931</u></u>	<u><u>207,737</u></u>
Equity:		
Capital and reserves attributable to owners of the Company		
Share capital	24,023	21,323
Reserves	(71,466)	22,424
Total equity	<u>(47,443)</u>	<u>43,747</u>
Liabilities:		
Current liabilities		
Short-term loans	6,833	–
Accrued charges and other payables	104,649	55,011
Obligations under finance leases	559	–
	<u>112,041</u>	<u>55,011</u>

	2017 HK\$'000	2016 HK\$'000
Non-current liabilities		
Promissory notes	109,310	108,979
Obligations under finance leases	1,023	–
	<u>110,333</u>	<u>108,979</u>
Total liabilities	<u>222,374</u>	<u>163,990</u>
Total equity and liabilities	<u>174,931</u>	<u>207,737</u>
Net current (liabilities)/assets	<u>(49,332)</u>	<u>17,878</u>
Total assets less current liabilities	<u>62,890</u>	<u>152,726</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 27 September 2002.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Companies Ordinance.

These consolidated 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 preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in areas where assumptions and estimates are significant to the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Going concern

For the year ended 31 December 2017, the Group incurred a loss of approximately HK\$123,593,000 (2016: approximately HK\$114,413,000) and a net cash outflow from operating activities of approximately HK\$47,292,000 (2016: approximately HK\$109,992,000). As at 31 December 2017, the Group had net current liabilities of approximately HK\$49,332,000 (2016: net current assets of approximately HK\$17,878,000) and net liabilities of approximately HK\$47,443,000 (2016: net assets of approximately HK\$43,747,000). In addition, on 26 March 2018, the Company received a petition from Medisun Holdings Limited (the “Petitioner”) in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance from the High Court of The Hong Kong Special Administrative Region (the “High Court”) that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts of approximately HK\$7,143,000 (the “Petition”). On 29 March 2018, the Company also received a notice from CARLEY COMPANY S.A. (the “Creditor”), a creditor of the Company for not less than HK\$700,000 (amount of outstanding rental), that it intends to appear on the hearing of the Petition and to support such Petition.

These conditions indicate the existence of a material uncertainty that might cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise the Group’s assets and discharge the Group’s liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding promissory notes and interest payables and be able to finance its future working capital and finance requirements. Certain measures have been taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

1. The Group will negotiate with the Petitioner for an amicable disposal of the Petition out of the court and negotiate with the Creditor for the settlement of the outstanding rental.
2. The Group will seek to obtain additional financing including but not limited to rights issue, open offer and placing of the new shares.
3. The Group will implement operation plans to control costs and generate adequate cash flows from the Group’s operations.

Whilst the Group is taking measures to preserve cash and secure additional finance, the following material uncertainties exist:

1. The Group may not be able to negotiate with the Petitioner for an amicable disposal of the Petition out of the court and may not be able to enter settlement agreement with the Creditor. The Group’s ability to successfully negotiate with the Petitioner and the Creditor is dependent upon various factors, including but not limit to the future performance of the Group.
2. The Group may not be able to obtain the financial support. The Group’s ability to successfully obtain additional financing is dependent upon the future performance of the Group.
3. The operation plans to control costs and generate adequate cash flow from operations may not be effectively implemented and future performance and cash flows in respect of operating activities may not be in line with the assumptions. The achievability of the plans is dependent upon the market environment, which is expected to remain challenging in the near future.

These facts and circumstances indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. The directors of the Company are of the opinion that, taking into account the abovementioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2017 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following amendments (the “amendments to HKFRSs”) issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2017.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle ²
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ²
HKFRS 10 and HKAS 28(Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures ²
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HKAS 40 (Amendments)	Transfers of Investment Property ¹
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatment ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

⁴ Effective for annual periods beginning on or after 1 January 2021.

4. SEGMENT INFORMATION

The Group manages its business by both business lines and geography. In a manner consistent with the way in which information is reported internally to the Board of Directors, 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 both years ended 31 December 2017 and 2016. All of the Group's revenue was derived from investment income from investments in listed and unlisted securities. Accordingly, the Group does not have separately reportable segment.

Geographical information

The Group's operations are located in Hong Kong. The following table provides an analysis of the Group's revenue by geographical market:

	Revenue by geographical market	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<u>2,915</u>	<u>1,785</u>

The following is an analysis of the carrying amount of non-current assets (excluding available-for-sale financial assets and conversion options embedded in convertible notes) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<u>24,015</u>	<u>33,101</u>

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

5. REVENUE

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

	2017	2016
	HK\$'000	HK\$'000
Net gain/(loss) on financial assets at fair value through profit or loss (<i>Note</i>)	575	(200)
Bank interest income	30	20
Interest income from available-for-sale financial assets	2,064	1,820
Dividend income	246	–
Interest income from a promissory note	–	145
	<u>2,915</u>	<u>1,785</u>

Note:

Net gain/(loss) on financial assets at fair value through profit or loss represented:

	Equity securities	
	2017	2016
	HK\$'000	HK\$'000
Proceeds on sales	13,365	7,459
<i>Less:</i> Cost of sales	<u>(12,790)</u>	<u>(7,659)</u>
Net realised gain/(loss) on financial assets at fair value through profit or loss	<u>575</u>	<u>(200)</u>

6. OTHER INCOME

	2017	2016
	HK\$'000	HK\$'000
Waiver of payment of consultancy fee	3,313	–
Sundry income	1,211	600
Net exchange gain	<u>1</u>	<u>6</u>
	<u>4,525</u>	<u>606</u>

7. TAXATION

Current taxation

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits for the year ended 31 December 2017 (2016: Nil).

8. LOSS FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year has been arrived after charging:		
Auditors' remuneration	350	350
Directors' and chief executive officers' emoluments	5,560	5,760
Total staff costs, excluding directors' emoluments	15,253	15,923
Depreciation of property, plant and equipment	11,110	11,243
Legal and professional fee	1,221	1,296
Operating lease rental in respect of land and building	12,231	12,115
Impairment loss of available-for-sale financial assets	13,868	18,388
Impairment loss of other tangible assets	1,007	86
Impairment loss of other receivable	<u>40,800</u>	<u>–</u>

9. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend in respect of both years ended 31 December 2017 and 2016.

10. LOSS PER SHARE

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

	2017	2016
Loss	HK\$'000	HK\$'000
Loss for the purpose of basic and diluted loss per share	<u><u>(123,593)</u></u>	<u><u>(114,413)</u></u>
	2017	2016
Number of shares	'000	'000
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>2,545,238</u></u>	<u><u>2,168,932</u></u>

The weighted average of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2017 have been adjusted for the effects of both placing and rights issue completed on 10 January 2017, 7 March 2017 and 2 January 2018 respectively (2016: adjusted for the effect of placing completed on 26 January 2016, 18 July 2016 and 22 December 2016 respectively). The rights issue completed on 2 January 2018 has been reflected retrospectively by restating the weighted average number of ordinary shares for the year ended 31 December 2016.

For the years ended 31 December 2017 and 2016, 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.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As explained in Note 2(b) to the consolidated financial statements, the Group incurred a loss of approximately HK\$123,593,000 and a net cash outflow from operating activities of approximately HK\$47,292,000 for the year ended 31 December 2017. As at 31 December 2017, the Group had net current liabilities of approximately HK\$49,332,000 and net liabilities of approximately HK\$47,443,000. In addition, on 26 March 2018, the Company received a petition from Medisun Holdings Limited (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance from the High Court of The Hong Kong Special Administrative Region (the "High Court") that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts of approximately HK\$7,143,000 (the "Petition"). On 29 March 2018, the Company also received a notice from CARLEY COMPANY S.A. (the "Creditor"), a creditor of the Company, that it intends to appear on the hearing of the Petition and to support such Petition.

The directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 2(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcome of these measures, which are subject to the following uncertainties, including (i) whether the Group is able to successfully obtain additional financing as and when required, the achievability of which depends on the future performance of the Group; (ii) whether the Group is able to implement its operation plans for control costs and to generate adequate cash flow from operations, the achievability of which depends on the market environment which is expected to remain challenging; and (iii) whether the Group is able to successfully negotiate with the Petitioner for an amicable disposal of the petition out of the High Court and negotiate with the Creditor for the settlement of the outstanding balance.

These facts and circumstances, along with other matters as described in Note 2(b) to the consolidated financial statements, indicate the existence of multiple material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Review Period, the Group's revenue recorded a net gain of approximately HK\$2,915,000 (for the year ended 31 December 2016 ("Last Corresponding Period"): net gain of approximately HK\$1,785,000). Excluding the net gain of approximately HK\$575,000 (Last Corresponding Period: the net loss of approximately HK\$200,000) recorded on the financial assets at fair value through profit or loss ("FVTPL"), the Group's revenue increased by approximately 17.88% to approximately HK\$2,340,000 (Last Corresponding Period: approximately HK\$1,985,000). The proceeds on sales of equity securities were approximately HK\$13,365,000 (Last Corresponding Period: approximately HK\$7,459,000), and the cost of sales were approximately HK\$12,790,000 (Last Corresponding Period: approximately HK\$7,659,000). The net realised gain on financial assets at FVTPL was therefore approximately HK\$575,000 (Last Corresponding Period: the net realised loss of approximately HK\$200,000). Apart from the net realised gain on financial assets at FVTPL, there was no unrealised gain on financial assets at FVTPL (Last Corresponding Period: NIL).

For the Review Period, the loss for the year attributable to owners of the Company was approximately HK\$123,593,000 (Last Corresponding Period: approximately HK\$114,413,000). The loss was primarily attributable to (i) impairment loss of available-for-sale financial assets of approximately HK\$13,868,000 (Last Corresponding Period: approximately HK\$18,388,000); (ii) impairment loss of other tangible assets of approximately HK\$1,007,000 (Last Corresponding Period: approximately HK\$86,000); (iii) impairment loss of other receivable of approximately HK\$40,800,000 (Last Corresponding Period: Nil); and (iv) finance costs of approximately HK\$15,415,000 (Last Corresponding Period: approximately HK\$11,922,000).

PROSPECT

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

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

DIVIDEND

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK\$34,794,000 as at 31 December 2017 (2016: approximately HK\$7,401,000).

As at 31 December 2017, the Company had issued promissory notes in the aggregate amount of HK\$110,000,000. Eleven promissory notes in the denomination of HK\$10,000,000 each were issued to eleven independent third parties. Each promissory note bears interest at a rate of 5% per annum with a maturity period of seven years from the date of issue. The net proceeds were used for investment in securities and as general working capital of the Group.

The net current liabilities held by the Group as at 31 December 2017 amounted to approximately HK\$49,332,000 (2016: net current assets of approximately HK\$17,878,000). Save and except the above, the Group had no other outstanding credit facility from other financial institution as at 31 December 2017. As all cash and cash equivalents were maintained in Hong Kong Dollars accounts with banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total debt over total equity as at 31 December 2017, was not applicable (2016: approximately 3.174).

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

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

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

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

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

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

The shares of the Company were listed on the Stock Exchange. Changes in the capital structure of the Company during the Review Period are set out below.

On 10 January 2017, the Company completed the placing of 160,000,000 new ordinary shares of HK\$0.01 each through a placing agent to not less than six independent investors at a price of HK\$0.1 per placing share which represented a discount of approximately 9.09% to the closing price of HK\$0.110 per share as quoted on the Stock Exchange on 6 January 2017, being the date of placing agreement. The net proceeds of the placing is in the amount of approximately HK\$15.52 million, which represents a net price of HK\$0.097 per placing share. The balance of approximately HK\$9.88 million was used for investments in Hong Kong listed securities pursuant to the investment objectives of the Group. The balance of approximately HK\$0.75 million was used for settlement of the promissory notes interest and debt interest, while the balance of approximately HK\$4.89 million was used for general working capital. Details of the placing were disclosed in the announcements of the Company dated 6 January 2017 and 10 January 2017.

On 7 March 2017, the Company completed the placing of 110,000,000 new ordinary shares of HK\$0.01 each through a placing agent to not less than six independent investors at a price of HK\$0.142 per placing share which represented a discount of approximately 19.77% to the closing price of HK\$0.177 per share as quoted on the Stock Exchange on 28 February 2017, being the date of the placing agreement. The net proceeds of the placing is in the amount of approximately HK\$15.15 million, which represents a net price of HK\$0.138 per placing share. The balance of approximately HK\$1.5 million was used for settlement of the promissory notes interest and debt interest, while the balance of approximately HK\$13.65 million was used for general working capital. Details of the placing were disclosed in the announcements of the Company dated 28 February 2017 and 7 March 2017.

As at 31 December 2017, the total number of issued ordinary shares of the Company was 2,402,260,913 shares (2016: 2,132,260,913 shares).

EMPLOYEES

As at 31 December 2017, the Group had 26 employees (2016: 30 employees), including executive directors and independent non-executive directors. The total employment costs incurred during the Review Period were approximately HK\$20,813,000 (2016: approximately HK\$21,683,000). The Group's remuneration policies are in line with the prevailing market practice and are determined based on the performance, level of responsibility and experience of individual employees.

Further, as incentives or rewards for employees' contributions to the Company, the Company adopted a share option scheme on 27 August 2007 (which was terminated on 30 June 2017) and a new share option scheme on 30 June 2017.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any material capital commitments (2016: Nil).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

In 2016, the Group as borrower entered into a loan agreement with an independent third party as lender for a short-term loan of approximately HK\$25,716,000. As at 31 December 2017, the outstanding balance payable by the Group is approximately HK\$39,130,000, which includes the outstanding principal and accrued interest payable. Pursuant to the loan agreement, the Group pledged the interest in its wholly owned subsidiaries in favour of Massive Shine Limited, Old Peak Limited, Eighty Riches Limited, Union Power Holdings Limited and Fine East Trading Limited as chargees.

In 2017, the Group as borrower entered into a loan agreement with an independent third party as lender for a short-term loan of approximately HK\$1,500,000. As at 31 December 2017, the outstanding balance payable by the Group is approximately HK\$1,580,000, which includes the outstanding principal and accrued interest payable.

As at 31 December 2017, bank deposits in the amount of approximately HK\$2,070,000 (2016: HK\$2,040,000) 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 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high level of corporate governance practices and procedures to safeguard the interests of its shareholders and enhance the performance of the Group. The Board will review and improve its corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board.

During the year under review, the Company has complied with all applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation disclosed below. The Company periodically reviews its corporate governance practices to ensure that the Company complies with the requirements of the CG Code. The Company acknowledges the importance of corporate governance and ensures transparency and accountability of the Company's operations.

Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to directors and senior management of the Group to ensure that each and every director and senior management is aware of the importance of corporate governance.

DEVIATION FROM THE CODE

According to code provision E.1.2 of the CG Code, the Chairman of the Board should attend general meeting. In respect of the annual general meeting held on 30 June 2017 (the "2017 AGM"), Mr. Wong Danny F., the Chairman of the Board, was engaged in an important business meeting and was not able to attend. However, Mr. Law Tze Lun, an independent non-executive director of the Company, the chairman of the Audit Committee and members of the Nomination Committee and Remuneration Committee of the Company, attend the 2017 AGM and answered questions raised during the 2017 AGM.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 of the Company. Based on specific enquiry with directors, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises of three independent non-executive directors, Mr. Liu Jin, Mr. Char Shik Ngor, Stephen and Mr. Law Tze Lun. Mr. Law Tze Lun serves as the chairman of the Audit Committee.

The Audit Committee together with the management, have reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including a review of the audited consolidated financial statements for the year.

EVENTS AFTER THE END OF THE REPORTING PERIOD

As announced by the Company on 21 November 2017, the Company proposed to raise approximately HK\$42,039,000 (before expenses) by way of the rights issue of 1,201,130,456 rights shares of HK\$0.01 each at a subscription price of HK\$0.035 per rights share on the basis of two rights shares for every one then existing share held, and the net proceeds of the Rights Issue, after deducting the related expense, will be approximately HK\$40,280,000 was mainly used to repay the principal amount and interests of Group's loans including the Citizens Money Lending Corporation Limited. Details of the rights issue were disclosed in the announcements of the Company dated 21 November 2017 and 28 November 2017 and the prospectus of the Company 7 December 2017.

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

On 5 January 2018, the Company entered into a sale and purchase agreement with an independent third party in respect of sale of diamond at HK\$16,000,000. On 5 January 2018, the sale has been fully settled with cash of HK\$16,000,000.

On 8 January 2018, the Company has fully settled the loan entered with Citizens Money Lending Corporation Limited with cash of approximately HK\$39,233,000.

Since 29 January 2018, the Company entered into loan agreements with Medisun Holdings Limited in an aggregated amount of HK\$2,500,000. The loan was repayable on the date of one year from the date of loan agreements with interest rate of 12% per annum. On 26 March 2018, the Company received a petition from Medisun Holdings Limited in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance from the High Court that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts. The petition was filed against the Company for failure to settle the sum of HK\$7,142,957.06. On 29 March 2018, the Company received a notice from Carley Company S.A., a creditor of not less than HK\$700,000 (being the amount of outstanding rental) of the Company, that it intends to appear on the hearing of the said petition to support such petition. Please refer to the Company's announcements dated 26 March 2018, 27 March 2018 and 29 March 2018 for further details of the said petition.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is posted on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) under "Listed Company Information" and the Company (www.nif-hk.com). The annual report of the Company will be despatched to the shareholders 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.

On behalf of the Board
National Investments Fund Limited
Wong Danny F.
Chairman and executive Director

Hong Kong, 29 March 2018

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; and three independent non-executive Directors, namely Mr. Char Shik Ngor, Stephen, Mr. Liu Jin and Mr. Law Tze Lun.