



China Natural Investment Company Limited

中國天然投資有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8250)

2014

Third Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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FINANCIAL HIGHLIGHTS

For the nine months ended 31 March 2014:

- Revenue from continuing operations amounted to approximately HK\$82,206,000 (2013: HK\$33,178,000), representing an increase of 148% as compared with that of the corresponding period in 2013. The substantial increase in revenue was mainly contributed by the setting-up of a new business by the Group, which involves in the trading of mineral products other than fluorites in the first quarter of calendar year 2014.
- Loss attributable to owners of the Company amounted to approximately HK\$1,735,000 (2013: HK\$4,221,000). The improvement was mainly due to the share of profits of an associate which amounted to approximately HK\$22,469,000 (2013: HK\$9,240,000 in aggregate, including profit from discontinued operation).

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2014 (2013: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company announces herewith the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 March 2014, together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2014

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Continuing operations					
Revenue	3	51,305,177	11,473,797	82,206,090	33,177,511
Cost of sales and services provided		(45,301,930)	(7,658,879)	(67,279,103)	(20,928,935)
Gross profit		6,003,247	3,814,918	14,926,987	12,248,576
Other income	4	759,255	1,254,624	3,124,302	2,098,970
Selling and distribution expenses		(355,147)	(658,264)	(1,641,596)	(2,533,900)
Administrative expenses		(10,539,111)	(6,280,219)	(32,015,296)	(20,314,816)
Other operating expenses		(1,528,262)	(994,787)	(8,161,668)	(1,987,030)
Share of results of an associate		13,405,036	680,889	22,468,949	692,987
(Loss)/gain arising on change in fair value of held-for-trading investments		(2,500,000)	2,459,550	2,195,040	5,920,300
Gain on disposal of subsidiaries	8	-	-	521,078	-
Finance cost	6	-	(1,980,201)	-	(2,660,602)
Loss arising on change in fair value of early redemption option embedded in convertible note issued by the Company		-	(2,716,400)	-	(6,122,400)
Profit/(loss) before tax	5	5,245,018	(4,419,890)	1,417,796	(12,657,915)
Income tax credit/(expense)	7	195,464	75,836	(436,499)	(109,983)
Profit/(loss) for the period from continuing operations		5,440,482	(4,344,054)	981,297	(12,767,898)
Discontinued operation					
Profit for the period from discontinued operation	9	-	-	-	8,546,748
Other comprehensive expenses					
		(1,139,404)	-	(2,716,000)	-
Profit/(loss) and total comprehensive income/(expense) for the period attributable to owners of the Company					
		4,301,078	(4,344,054)	(1,734,703)	(4,221,150)
Dividends	10	-	-	-	-
Earnings/(loss) per share					
From continuing and discontinued operations					
- Basic and diluted (HK cents per share)	11	0.08	(0.16)	(0.04)	(0.20)
From continuing operations					
- Basic and diluted (HK cents per share)		0.08	(0.16)	(0.04)	(0.60)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2014

	Reserves					Total HK\$
	Share capital HK\$	Share premium HK\$	Foreign currency translation reserve HK\$	Accumulated losses HK\$	Sub-total of reserves HK\$	
Balance as at 1 July 2013 (Audited)	<u>233,125,117</u>	<u>303,778,098</u>	<u>(228,693)</u>	<u>(64,063,960)</u>	<u>239,485,445</u>	<u>472,610,562</u>
Profit for the period	-	-	-	981,297	981,297	981,297
Exchange differences on translation of foreign operations	<u>-</u>	<u>-</u>	<u>(2,716,000)</u>	<u>-</u>	<u>(2,716,000)</u>	<u>(2,716,000)</u>
Profit and total comprehensive expense for the period	-	-	(2,716,000)	981,297	(1,734,703)	(1,734,703)
Issue of new shares by way of share placing	26,500,000	72,440,000	-	-	72,440,000	98,940,000
Transaction costs attributable to issue of new shares	<u>-</u>	<u>(2,473,500)</u>	<u>-</u>	<u>-</u>	<u>(2,473,500)</u>	<u>(2,473,500)</u>
Balance as at 31 March 2014 (Unaudited)	<u>259,625,117</u>	<u>373,744,598</u>	<u>(2,944,693)</u>	<u>(63,082,663)</u>	<u>307,717,242</u>	<u>567,342,359</u>

For the nine months ended 31 March 2013

	Reserves							Total HK\$
	Share capital HK\$	Share premium HK\$	Share options reserves HK\$	Property revaluation reserve HK\$	Convertible note equity reserve HK\$	Accumulated losses HK\$	Sub-total of reserves HK\$	
Balance as at 1 July 2012 (Audited)	83,125,117	305,759,278	837,295	221,726	-	(76,805,646)	230,012,653	313,137,770
Loss and total comprehensive expense for the period	-	-	-	-	-	(4,221,150)	(4,221,150)	(4,221,150)
Issue of new shares by way of share placing	50,000,000	-	-	-	-	-	-	50,000,000
Transaction costs attributable to issue of new shares	-	(1,928,690)	-	-	-	-	(1,928,690)	(1,928,690)
Disposal of subsidiaries	-	-	-	(221,726)	-	-	(221,726)	(221,726)
Recognition of equity component of convertible note	-	-	-	-	45,048,007	-	45,048,007	45,048,007
Issue of new shares upon conversion of convertible note	40,000,000	7,440,587	-	-	(18,019,203)	-	(10,578,616)	29,421,384
Balance as at 31 March 2013 (Unaudited)	173,125,117	311,271,175	837,295	-	27,028,804	(81,026,796)	258,110,478	431,235,595



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands, and its shares are listed on GEM.

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and sale of pharmaceutical products, provision of advertising and public relations services, processing and trading of fluorite products, trading of other mineral products and investment holding.

2. BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated results have been prepared under the historical cost basis except for certain financial instruments which are measured at their fair values.

The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those adopted in preparing the Group's audited financial statements for the year ended 30 June 2013.

In the current period, the Group has adopted all the new and revised HKFRS issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2013. The adoption of these new and revised HKFRS did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior periods.

The Group has not early adopted any new/revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results of operations and financial position.

3. REVENUE

The Group's revenue represents revenue arising on (i) manufacturing and sale of pharmaceutical products, (ii) provision of advertising and public relations services, (iii) processing and trading of fluorite products and (iv) trading of other mineral products. An analysis of the Group's revenue for the period is as follows:

	Three months ended		Nine months ended	
	31 March		31 March	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Continuing operations				
Manufacturing and sale of pharmaceutical products	111,772	5,740,031	5,155,957	17,358,170
Provision of advertising and public relations services	6,605,142	5,733,766	23,577,717	15,819,341
Processing and trading of fluorite products	–	–	8,884,153	–
Trading of other mineral products	44,588,263	–	44,588,263	–
	<u>51,305,177</u>	<u>11,473,797</u>	<u>82,206,090</u>	<u>33,177,511</u>

4. OTHER INCOME

Continuing operations

	Three months ended		Nine months ended	
	31 March		31 March	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Interest income	756,055	1,254,351	2,142,197	2,037,503
Dividend income from listed investments	–	–	–	18,975
Sundry income	3,200	273	982,105	42,492
	<u>759,255</u>	<u>1,254,624</u>	<u>3,124,302</u>	<u>2,098,970</u>



5. PROFIT/(LOSS) BEFORE TAX

The Group's loss before tax is arrived at after charging:

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Depreciation of property, plant and equipment	1,210,819	343,392	2,381,655	1,064,713
Cost of inventories expensed	43,289,706	2,535,971	55,945,553	7,546,871

6. FINANCE COST

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Effective interest of convertible note issued by the Company	-	1,980,201	-	2,660,602

7. INCOME TAX CREDIT/(EXPENSE)

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Hong Kong profits tax credit/(expense)	195,464	75,836	(436,499)	(109,983)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

There was no material unprovided deferred taxation for the three months and nine months ended 31 March 2014 (2013: Nil).

8. DISPOSAL OF SUBSIDIARIES

Disposal of Kingston Group Holdings Limited

On 1 November 2013, the Company announced that a sale and purchase agreement (the "Disposal Agreement") was entered into between a company incorporated in the British Virgin Islands ("BVI") with limited liability, as purchaser, which is and whose ultimate beneficial owners are independent third parties of the Company and its connected person (the "Purchaser"), and Island Kingdom Company Limited ("Island Kingdom") (an indirect wholly-owned subsidiary of the Company), as vendor. Pursuant to the Disposal Agreement, Island Kingdom has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of Kingston Group Holdings Limited ("Kingston") (together with its subsidiaries, the "Kingston Group"), a company directly wholly-owned by Island Kingdom, at a cash consideration of HK\$3,000,000. The Kingston Group is principally engaged in marketing and sale of health supplements, traditional Chinese medicines, slimming pills and beauty products. The disposal of Kingston constituted a discloseable transaction of the Company under the GEM Listing Rules, and was completed on 8 November 2013.

	Kingston Group <i>HK\$</i>
Total cash consideration received	3,000,000
Analysis of asset and liabilities which control was lost:	
Property, plant and equipment	7,079
Inventories	2,290,455
Trade receivable	721,864
Other receivables	259,349
Bank overdraft	(151,905)
Trade payable	(35,590)
Other payables	(612,330)
Net assets disposed of	2,478,922
Gain on disposal of the subsidiaries	521,078
Net cash inflow arising on disposal:	
Cash consideration received	3,000,000
Add: bank overdraft disposed of	151,905
	3,151,905



9. DISCONTINUED OPERATION

On 7 September 2012, Chemosino International Limited (“Chemosino”), a wholly-owned subsidiary of the Company and Town Health Asset Management Limited (the “Acquirer”) entered into a sale and purchase agreement in relation to the entire issued capital of Million Worldwide Investment Limited (“Million Worldwide”), a wholly-owned subsidiary of the Company. The consideration would be satisfied by the allotment and issue of 225 new ordinary shares of HK\$1.00 each in the issued share capital of the Acquirer to Chemosino upon completion. Million Worldwide together with its subsidiaries, carried out all of the Group’s property investment business. The disposal was completed on 10 December 2012. On which date control of the property investment operation passed to the Acquirer.

The results of the discontinued operation included in the condensed consolidated statement of profit or loss and other comprehensive income are set out below.

	Three months ended 31 March		Nine months ended 31 March	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Profit for the period from discontinued operation				
Revenue	–	–	–	2,520,283
Cost of services provided	–	–	–	(148,386)
Other income	–	–	–	41,668
Administrative expenses	–	–	–	(1,827,539)
Other operating expenses	–	–	–	(568,487)
Gain arising on change in fair value of investment properties	–	–	–	8,650,000
	<hr/>	<hr/>	<hr/>	<hr/>
Profit before tax	–	–	–	8,667,539
Income tax expenses	–	–	–	(120,791)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period from discontinued operation	<hr/>	<hr/>	<hr/>	<hr/>
	–	–	–	8,546,748

10. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2014 (2013: Nil).

11. EARNINGS/(LOSS) PER SHARE

	Three months ended		Nine months ended	
	31 March		31 March	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
From continuing and discontinued operations				
Profit/(loss) and total comprehensive income/(expense) for the period attributable to owners of the Company	4,301,078	(4,344,054)	(1,734,703)	(4,221,150)
Weighted average number of shares in issue	5,192,502,338	2,786,946,782	4,939,728,616	2,137,684,820
Basic and diluted (HK cents per share)	0.08	(0.16)	(0.04)	(0.20)
From continuing operations				
Profit/(loss) for the period from continuing operations	4,301,078	(4,344,054)	(1,734,703)	(12,767,898)
Weighted average number of shares in issue	5,192,502,338	2,786,946,782	4,939,728,616	2,137,684,820
Basic and diluted (HK cents per share)	0.08	(0.16)	(0.04)	(0.60)

For the three months and nine months ended 31 March 2013, the computation of diluted loss per share from continuing operations and from continuing and discontinued operations did not consider the impact of the potential ordinary shares as the exercise price of the Company's outstanding share options was higher than the average market share price of the Company for the relevant periods and the conversion of the Company's outstanding convertible note would result in an anti-dilutive effect on the basic loss per share amounts presented.



12. SHARE CAPITAL

	Number of share	HK\$
Ordinary shares of HK\$0.05 each		
Authorised:		
At 30 June 2013 and 31 March 2014	<u>10,000,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
As at 30 June 2013 and 1 July 2013	4,662,502,338	233,125,117
Issue of 300,000,000 new shares of HK\$0.05 each under general mandate at a price of HK\$0.178 per placing share by way of placing in October 2013	300,000,000	15,000,000
Issue of 230,000,000 new shares of HK\$0.05 each under general mandate at a price of HK\$0.198 per placing share by way of placing in November 2013	<u>230,000,000</u>	<u>11,500,000</u>
At 31 March 2014	<u>5,192,502,338</u>	<u>259,625,117</u>



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the nine months ended 31 March 2014 (the “**Period**”), the Group recorded revenue from continuing operations of approximately HK\$82,206,000 (2013: HK\$33,178,000), representing an increase of 148% compared with that of the corresponding period in 2013. The substantial increase in revenue was mainly contributed by the setting-up of a new business by the Group, which involves in the trading of mineral products other than fluorites in the first quarter of calendar year 2014. The gross profit from continuing operations for the Period was approximately HK\$14,927,000 (2013: HK\$12,249,000), representing an increase of 21.9% as compared with that of the corresponding period last year.

Loss attributable to owners of the Company for the Period was approximately HK\$1,735,000 (2013: HK\$4,221,000). The improvement of the results as compared to the corresponding period last year was mainly due to the share of profit of an associate which amounted to approximately HK\$22,469,000 (2013: HK\$9,240,000 in aggregate, including profit from discontinued operation).

Advertising and Public Relations Business

Although the public relations industry has become increasingly competitive in recent years, PR Asia Consultants Limited (“PR Asia”) has continued to experience steady growth following improvements in the economy in both Hong Kong and the People’s Republic of China (“PRC”). PR Asia continues to contribute stable source of income to the Group.

For the Period, the Group’s provision of advertising and public relations services recorded a revenue of approximately HK\$23,578,000, which accounted for 29% of the Group’s total revenue.

Investment in Held-for-trading Security

The Group had held-for-trading investment in a listed security in Hong Kong, the market value amounted to approximately HK\$15,400,000 as at 31 March 2014. During the Period, a gain of approximately HK\$2,195,000 was recorded. The investment in listed securities is one of the treasury policy of the Group to make good use of certain surplus funds retained by the Group.



Manufacturing and Selling Pharmaceutical Products Business

Nowadays with the pursuit of healthy living and increases in Hong Kong's senior population, the demand for pharmaceutical products is growing rapidly. However, the pharmaceutical industry in Hong Kong continues to be very challenging. In view of the unsatisfactory loss-making results of the market in previous years, the Group has disposed Kingston Group Holdings Limited and its subsidiaries in November 2013, which principally engaged in marketing and sale of health supplements, traditional Chinese medicines, sliming pills and beauty products. During the Period, the Group's manufacturing and sales of pharmaceutical products recorded a revenue of approximately HK\$5,156,000, which accounted for 6% of the Group's total revenue.

Fluorite Processing and Trading Business

On 31 July 2013, the Group completed the acquisition of a fluorite processing and trading business located in Outer Mongolia, Sino-Mongolia Fluorspar Mining Co., Ltd. Due to the winter season with harsh climate in Outer Mongolia, the regular operation during January to March each year has been suspended. Fluorite is a national strategic resource. The domestic fluorite mining is full of opportunities due to the increase for the demand of fluorite in PRC. From the completion date to the period ended 31 March 2014, the Group's fluorite processing and trading business recorded a revenue of approximately HK\$8,884,000, which accounted for 11% of the Group's total revenue.

Fluorite, also known as fluorspar, is a kind of ore mainly comprising calcium fluoride (CaF_2), which is a basic raw material for downstream metallurgical, fluorine chemical and other industries. The recoverable reserve of fluorite in Outer Mongolia ranks number four in the world. The entering into the fluorite processing and trading business will allow the Group to explore fluorite and other nature resources in Outer Mongolia. The management is planning to conduct the exploration and exploitation works for one of the fluorite mines owned by the Group in the coming periods. Due to the scarcity of fluorite in the world and its multi applications in various industries, the management is confident the fluorite processing and trading business will be benefit to the Group in the long run.

Trading of Other Mineral Products

During the Period, the Group has set-up a new business segment, which involves in the trading of mineral products other than fluorites in PRC, mainly zinc and aluminum ingots. The development for the trading of mineral products would assist the Group to expand the sales network in the trading of fluorite products. The Group's trading of other mineral products recorded a revenue of approximately HK\$44,588,000, which accounted for 54% of the Group's total revenue.



Outlook

With global economic conditions remaining volatile, the year ahead is expected to remain uncertain. The Group remains positive but prudent on the prospects for its business and operating conditions. The Group maintains a conservative approach to investing and continues to evaluate investment opportunities arise from time to time. The opportunities offered to the Group will far outweigh the challenges ahead. The Group will continue to appropriately manage risks and expenses in the dynamic market to deliver long-term value to the Company and our shareholders.

Significant Investments, Acquisitions and Disposals

(a) *Acquisition of Sino-Mongolia Fluorspar Mining Co., Ltd.*

On 15 May 2012, the Company announced that Huge Discovery Limited (“Huge Discovery”) (an indirect wholly-owned subsidiary of the Company), as purchaser, and Ms. Chen Yejun and Mr. Huang Tianhua, collectively as vendors, entered into an acquisition agreement dated 7 May 2012 to acquire the entire equity interest in Sino-Mongolia Fluorspar Mining Co., Ltd. and the related shareholders’ loan, at a cash consideration of HK\$148,000,000 (subject to adjustments). The aforesaid acquisition constituted a major transaction on the part of the Company under the GEM Listing Rules, and completion took place on 31 July 2013.

(b) *Memorandum of Understanding relating to Possible Connected Acquisition*

On 18 October 2013, the Company announced that a memorandum of understanding (the “MOU”) was entered into between the Company and Mr. Hu Zhixiong (“Mr. Hu”) who owns 55% of the issued share capital of Ordos City Tai Pu Mining Engineering Company Limited (“Tai Pu”), in relation to the possible connected acquisition of not less than 51% of the issued share capital of Tai Pu as contemplated under the MOU (the “Possible Connected Acquisition”). Mr. Hu is a substantial shareholder of Tai Pu and is also a substantial shareholder of the Company. Therefore, Mr. Hu is regarded as a connected person of the Company, and the Possible Connected Acquisition constitutes a connected transaction under Chapter 20 of the GEM Listing Rules.

Pursuant to the MOU, the Company was granted an exclusive right that Mr. Hu shall neither enter into discussion or negotiation with any third parties other than the Company in relation to the Possible Connected Acquisition, nor enter into any related agreement or arrangement up to three months after the completion of due diligence investigations of Tai Pu and its subsidiaries (if any).

No formal sale and purchase agreement has been entered as of the date of publication of this financial statements.



(c) Disposal of Kingston Group Holdings Limited

On 8 November 2013, the Group disposed the entire issued share capital of Kingston Group Holdings Limited ("Kingston") (together with its subsidiaries, the "Kingston Group"), a company directly wholly-owned by Island Kingdom Company Limited ("Island Kingdom") (an indirect wholly-owned subsidiary of the Company), at a cash consideration of HK\$3,000,000, to an independent company incorporated in BVI with limited liability, as purchaser. The Kingston Group is principally engaged in marketing and sale of health supplements, traditional Chinese medicines, sliming pills and beauty products. The disposal of Kingston constituted a discloseable transaction of the Company under the GEM Listing Rules.

(d) Acquisition of World Sheen International Group Limited

On 21 November 2013, Top Icon Enterprises Limited (an indirect wholly-owned subsidiary of the Company), as purchaser, acquired 8% issued share capital of World Sheen International Group Limited ("World Sheen"), at a consideration of HK\$23,600,000, from an independent third party, as vendor. World Sheen is a company incorporated in Hong Kong and is principally engaged in trading of solar energy panel and energy saving lighting products, and also engaged in the design and installation of solar energy generating and energy saving lighting systems.

(e) Issue of Unlisted Warrants under General Mandate

On 1 April 2014, the Company entered into the conditional warrant subscription agreements (the "Warrant Subscription Agreements") with three subscribers (the "Subscribers"), whereupon the Company has agreed to issue and the Subscribers have agreed to subscribe for in aggregate 1,000,000,000 unlisted warrants of the Company, at the consideration of HK\$1 per subscriber. The warrants carry rights to subscribe for warrant shares at the initial exercise price of HK\$0.3 per warrant share (subject to adjustment pursuant to the Instruments) up to in aggregate of HK\$300,000,000 for a period of one year from the date of the warrants. The warrant shares will be issued under the general mandate upon the satisfaction of certain conditions precedent.

The Warrant Subscription Agreements have not been completed as of the date of publication of this financial statements.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2014, none of the Directors and chief executives of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2014, so far as is known to the Directors and the chief executive of the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group, were as follows:

Long position in ordinary shares of HK\$0.05 each of the Company

Name of Shareholders	Nature of interests	Number of shares held	Approximate percentage of shareholding
Tai Pu Mining International Co., Ltd (<i>Note</i>)	Beneficial owner	1,300,000,000	25.04%
Mr. Hu Zhixiong (<i>Note</i>)	Held by controlled entity	1,300,000,000	25.04%
Mr. Hu Zhixiong (<i>Note</i>)	Beneficial owner	38,400,000	0.74%

Note: Tai Pu Mining International Co., Ltd is a company incorporated in BVI, which is wholly and beneficially owned by Mr. Hu Zhixiong.

Save as disclosed above, as at 31 March 2014, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly



or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Share Options

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 20 April 2004 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Board may, at its discretion, invite any employees, directors, advisers, consultants, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers of and/or to any member of the Group whom the Board considers in its sole discretion, have contributed to the Group from time to time to take up options to subscribe for shares of the Company.

As at 31 March 2014, there was no outstanding share option available to subscribe for shares of the Company under the Share Option Scheme. No share options was granted, exercised, cancelled or lapsed during the Period.

Directors’ Rights to Acquire Shares or Debentures

Save as disclosed in the sub-sections headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” and “Share Options” in this report, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Competing Interests

During the Period, none of the Directors or controlling shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had any interest in a business which competes or may compete with the business of the Group or had or might have any conflicts of interest with the Group.

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

Compliance with Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as a code of conduct of the Company regarding securities transactions by the Directors. The Company has made specific enquiry of all the Directors, and the Directors have complied with the required standard of dealings and the Company’s code of conduct regarding securities transactions by the Directors throughout the Period.



Code on Corporate Governance Practices

The Company endeavours in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has applied the principles of and complied with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules during the Period.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to (i) review the Company's annual report and accounts, interim reports and quarterly reports; (ii) provide advice and comments thereon to the Board; and (iii) review and supervise the Group's financial reporting and internal control procedures.

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth (committee chairman), Mr. Tam B Ray, Billy and Mr. Yan Shengxian.

This report, including the Group's unaudited condensed consolidated financial statements for the nine months ended 31 March 2014, has been reviewed by the Audit Committee.

Change in Information of Directors

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors since the date of the annual report of the Company for the year ended 30 June 2013 are set out below:

Name of Directors	Details of Changes
Mr. Johnny Huang	Appointed as an executive Director, with effect from 29 April 2014

By order of the Board
China Natural Investment Company Limited
Cai Da
Chief Executive Officer

Hong Kong, 5 May 2014

As at the date of this report, the Board comprises (i) six executive Directors namely, Mr. Li Wai Hung, Mr. Cai Da, Mr. Chen Liang, Mr. Chen Youhua, Ms. Xiong Yun Huan and Mr. Johnny Huang; and (ii) three independent non-executive Directors namely, Mr. Tam B Ray, Billy, Mr. Chi Chi Hung, Kenneth and Mr. Yan Shengxian.