

# 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)

# 2015

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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*This report, for which the directors (the “Directors”) of China Natural Investment Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



## FINANCIAL HIGHLIGHTS

For the nine months ended 31 March 2015:

- Revenue from continuing operations amounted to approximately HK\$317,253,000 (2014: HK\$77,050,000), representing an increase of 311.75% as compared with that of the corresponding period in 2014. The substantial increase in revenue was mainly contributable to the natural resources related business in trading of other mineral products, which commenced from the first quarter of 2014.
- Loss attributable to owners of the Company for the Period amounted to approximately HK\$10,572,000 (2014: profit of HK\$981,000). Notwithstanding an increase in the gross profit of approximately HK\$5,430,000 and a gain of approximately HK\$13,447,000 from the disposal of the manufacturing and sales of medicine business were recognized during the Period, loss was still incurred for the Period, which was contributable mainly to (i) the increase of approximately HK\$14,003,000 in administrative and other operating expenses as compared to that of the same period last year; and (ii) the share of loss of associates of approximately HK\$2,455,000 recorded during the Period as compared to a share of profit of approximately HK\$22,469,000 for the same period last year.

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2015 (2014: Nil).

## THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company announces herewith the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 March 2015, together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2015

		Three months ended 31 March		Nine months ended 31 March	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
Notes					
<b>Continuing operations</b>					
	3				
Revenue		9,416	51,193	317,253	77,050
Cost of sales and services provided		(1,462)	(44,116)	(293,315)	(58,542)
Gross profit		7,954	7,077	23,938	18,508
Investment and other income	4	1,927	759	6,313	2,160
Selling and distribution expenses		–	(355)	(118)	(860)
Administrative expenses		(11,808)	(10,423)	(39,198)	(31,028)
Other operating expenses		(5,125)	(1,380)	(11,223)	(5,390)
Gain (Loss) arising on change in fair value of held- for-trading investments		3,744	(2,500)	1,339	2,195
Net gain on disposal of subsidiaries	7	–	–	13,447	521
Share of results of associates		(1,478)	13,405	(2,455)	22,469
(Loss) Profit before tax	5	(4,786)	6,583	(7,957)	8,575
Income tax (expense) credit	6	(463)	195	(1,259)	(436)
(Loss) Profit for the period from continuing operations		(5,249)	6,778	(9,216)	8,139
<b>Discontinued operation</b>					
Loss for the period from discontinued operation	8	–	(1,338)	(1,356)	(7,158)



		Three months ended 31 March		Nine months ended 31 March	
	Notes	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
<b>(Loss) Profit for the period</b>		<b>(5,249)</b>	5,440	<b>(10,572)</b>	981
<b>Other comprehensive income (expense) for the period, net of tax</b>					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translating foreign operations		<b>3,038</b>	(1,139)	<b>4,667</b>	(2,716)
<b>(Loss) Profit and total comprehensive income (expense) for the period attributable to owners of the Company</b>		<b>(2,211)</b>	4,301	<b>(5,905)</b>	(1,735)
Dividends	9	–	–	–	–
<b>(Loss) Earnings per share</b>	10				
<b>From continuing and discontinued operations</b>					
– Basic and diluted (HK cents per share)		<b>(0.09)</b>	0.10	<b>(0.20)</b>	0.02
<b>From continuing operations</b>					
– Basic and diluted (HK cents per share)		<b>(0.09)</b>	0.13	<b>(0.17)</b>	0.16

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2015

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Unlisted warrants reserve HK\$'000	Accumulated losses HK\$'000	Total equity attributable to owners of the Company HK\$'000
Balance at 1 July 2014 (Audited)	259,625	373,745	7,122	-	(67,620)	572,872
Loss for the period	-	-	-	-	(10,572)	(10,572)
Exchange differences on translation of foreign operations	-	-	4,667	-	-	4,667
Loss and total comprehensive income for the period	-	-	4,667	-	(10,572)	(5,905)
Issue of unlisted warrants	-	-	-	9,700	-	9,700
Issue of shares upon exercise of unlisted warrants	30,000	125,820	-	(5,820)	-	150,000
Balance at 31 March 2015 (Unaudited)	289,625	499,565	11,789	3,880	(78,192)	726,667

For the nine months ended 31 March 2014

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total equity attributable to owners of the Company HK\$'000
Balance at 1 July 2013 (Audited)	233,125	303,778	(229)	(64,064)	472,610
Profit for the period	-	-	-	981	981
Exchange differences on translation of foreign operations	-	-	(2,716)	-	(2,716)
Profit and total comprehensive expense for the period	-	-	(2,716)	981	(1,735)
Issue of new shares by way of share placing	26,500	72,440	-	-	98,940
Transaction costs attributable to issue of new shares	-	(2,473)	-	-	(2,473)
Balance at 31 March 2014 (Unaudited)	259,625	373,745	(2,945)	(63,083)	567,342



## 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 processing and trading of fluorite products, trading of other mineral products and provision of advertising and public relations services.

### 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 2014.

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 2014. 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) processing and trading of fluorite products, (ii) trading of other mineral products and (iii) provision of advertising and public relations services. An analysis of the Group's revenue for the period is as follows:

	Three months ended 31 March		Nine months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
<b>Continuing operations</b>				
Processing and trading of fluorite products	–	–	7,650	8,884
Trading of other mineral products	1,273	44,588	284,588	44,588
Provision of advertising and public relations services	8,143	6,605	25,015	23,578
	<u>9,416</u>	<u>51,193</u>	<u>317,253</u>	<u>77,050</u>

#### 4. INVESTMENT AND OTHER INCOME

##### Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
Interest income	1,905	755	4,365	2,141
Gain on disposal of held-for-trading investments	–	–	1,725	–
Sundry income	22	4	223	19
	<u>1,927</u>	<u>759</u>	<u>6,313</u>	<u>2,160</u>

#### 5. (LOSS) PROFIT BEFORE TAX

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

##### Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
Depreciation of property, plant and equipment	1,087	1,065	3,182	1,781
Cost of inventories expensed	1,346	43,284	289,353	52,395

## 6. INCOME TAX (EXPENSE) CREDIT

### Continuing operations

Three months ended 31 March		Nine months ended 31 March	
2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (restated)
<b>Current profits tax:</b>			
- Hong Kong	(463) 195	(1,259) (436)	
- People's Republic of China ("PRC")	— —	— —	
<b>(463) 195</b>		<b>(1,259) (436)</b>	

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

Subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 25% for both periods.

Profits of the subsidiary established in Mongolia are subject to Mongolian Economic Entity Income Tax ("EET"). Under the law of Mongolia EET, the tax rate of the Mongolian subsidiary was 10% for both periods.

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 2015 (2014: Nil).

## 7. DISPOSAL OF SUBSIDIARIES

### a) Disposal of Vida Laboratories Limited

On 6 October 2014, the Company announced that a sale and purchase agreement (the "S&P Agreement") was entered into between Ms. Hong Sin Lam and Mr. Cheong Kuok Hung, as purchasers, each of whom is an individual who is a third party independent of the Company and its connected person(s) (the "Purchasers"), and Island Kingdom Company Limited ("Island Kingdom") (an indirect wholly-owned subsidiary of the Company), as vendor. Pursuant to the S&P Agreement, Island Kingdom has conditionally agreed to sell and the Purchasers have

conditionally agreed to acquire the entire issued share capital of Vida Laboratories Limited ("Vida"), a company directly wholly-owned by Island Kingdom, and entire sum of shareholder's loan owned by Vida to Island Kingdom at a cash consideration of HK\$16,000,000. Vida is principally engaged in manufacturing and sale of generic western medicines. The disposal of Vida constituted a discloseable transaction of the Company under the GEM Listing Rules, and was completed on 5 November 2014 (the "Completion Date"). As at the date of this report, the condition for the post-completion set out in the completion announcement dated 5 November 2014 to renew the licences before 28 February 2015 has been fulfilled.

	<b>Vida</b> <i>HK\$'000</i>
Total cash consideration	<u>16,000</u>
Analysis of asset and liabilities which control was lost:	
Property, plant and equipment	820
Trade receivables	482
Deposits, other receivables and prepayments	1,793
Cash and cash equivalents	48
Trade payable	(140)
Other payables	<u>(450)</u>
Net assets disposed of	2,553
Net gain on disposal of subsidiaries	<u>13,447</u>
Net cash inflow arising on disposal:	
Cash consideration ( <i>Note</i> )	16,000
Less: cash and cash equivalents disposed of	<u>(48)</u>
	<u>15,952</u>

*Note:* For the Period, cash consideration of HK\$15,000,000 had been received and the balance of HK\$1,000,000 shall be paid by the Purchasers in cash (or in such any other manner as the Purchasers and Island Kingdom may agree) within 9 months after Completion Date, subject to deductions of (i) a sum equivalent to the severance payment or long service payment payable to the employees of the Vida calculated up to the Completion Date as shown in the completion accounts; and (ii) the amount of any compensation or damages payable by the vendor in respect of any successful claims for Island Kingdom's breach of the warranties as detailed in the S&P Agreement (if any).

## b) 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, 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 HK\$'000
Total cash consideration received	<u>3,000</u>
Analysis of asset and liabilities which control was lost:	
Property, plant and equipment	7
Inventories	2,291
Trade and other receivables	981
Bank overdraft	(152)
Trade and other payables	<u>(648)</u>
Net assets disposed of	2,479
Net gain on disposal of subsidiaries	<u>521</u>
Net cash inflow arising on disposal:	
Cash consideration received	3,000
Add: bank overdraft disposed of	<u>152</u>
	<u>3,152</u>

## 8. DISCONTINUED OPERATION

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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss for the period from discontinued operation				
Revenue	–	112	581	5,156
Cost of sales and services provided	–	(1,186)	(1,611)	(8,737)
Investment and other income	–	–	–	964
Selling and distribution expenses	–	–	–	(782)
Administrative expenses	–	(116)	(113)	(987)
Other operating expenses	–	(148)	(213)	(2,772)
Loss before tax	–	(1,338)	(1,356)	(7,158)
Income tax expense	–	–	–	–
Loss for the period from discontinued operation	–	(1,338)	(1,356)	(7,158)

	Three months ended 31 March		Nine months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Loss for the period from discontinued operation has been arrived at after charging:</b>				
Depreciation of property, plant and equipment	–	146	212	601
Cost of inventories sold	–	6	19	3,551

## 9. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2015 (2014: Nil).

## 10. (Loss) Earnings PER SHARE

	Three months ended 31 March		Nine months ended 31 March	
	2015 (Unaudited)	2014 (Unaudited) (restated)	2015 (Unaudited)	2014 (Unaudited) (restated)
<b>From continuing and discontinued operations</b>				
(Loss) Profit for the period attributable to owners of the Company (HK \$'000)	(5,249)	5,440	(10,572)	981
Weighted average number of shares in issue in the basic (loss) earnings per share calculation	5,693,015,160	5,192,502,338	5,368,227,528	4,939,728,616
Effect of dilution - weighted average number of ordinary share:				
Unlisted Warrants	242,866,146	–	244,341,054	–
	5,935,881,306	5,192,502,338	5,612,568,582	4,939,728,616
Basic and diluted (HK cents per share)	(0.09)	0.10	(0.20)	0.02
<b>From continuing operations</b>				
(Loss) Profit for the period from continuing operations (HK \$'000)	(5,249)	6,778	(9,216)	8,139
Weighted average number of shares in issue in the basic (loss) earnings per share calculation	5,693,015,160	5,192,502,338	5,368,227,528	4,939,728,616
Effect of dilution - weighted average number of ordinary share:				
Unlisted Warrants	242,866,146	–	244,341,054	–
	5,935,881,306	5,192,502,338	5,612,568,582	4,939,728,616
Basic and diluted (HK cents per share)	(0.09)	0.13	(0.17)	0.16

No adjustment has been made to the basic loss per share amounts presented for the three months and nine months ended 31 March 2015 in respect of a dilution as the impact of the unlisted warrants of the Company outstanding as at 31 March 2015, had anti-dilutive effect on the basic loss per share amounts presented.

## 11. SHARE CAPITAL

	Number of shares	Share Capital HK\$'000
<b>Authorised</b>		
As at 30 June 2014, 1 July 2014 and 31 March 2015, ordinary share of HK\$0.05 each	<b>10,000,000,000</b>	500,000
<b>Issued and fully paid:</b>		
As at 30 June 2014 and 1 July 2014, ordinary share of HK\$0.05 each	<b>5,192,502,338</b>	259,625
Issue of 140,000,000 new shares of HK\$0.05 each under general mandate at a price of HK\$0.25 per warrant share by the exercise of warrants in November 2014	<b>140,000,000</b>	7,000
Issue of 140,000,000 new shares of HK\$0.05 each under general mandate at a price of HK\$0.25 per warrant share by the exercise of warrants in December 2014	<b>140,000,000</b>	7,000
Issue of 160,000,000 new shares of HK\$0.05 each under general mandate at a price of HK\$0.25 per warrant share by the exercise of warrants in January 2015	<b>160,000,000</b>	8,000
Issue of 100,000,000 new shares of HK\$0.05 each under general mandate at a price of HK\$0.25 per warrant share by the exercise of warrants in February 2015	<b>100,000,000</b>	5,000
Issue of 60,000,000 new shares of HK\$0.05 each under general mandate at a price of HK\$0.25 per warrant share by the exercise of warrants in March 2015	<b>60,000,000</b>	3,000
As at 31 March 2015	<b>5,792,502,338</b>	289,625



## 12. COMPARATIVE FIGURES

As a result of the discontinued operation as set out in note 8, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in the current period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review


For the nine months ended 31 March 2015 (the "Period"), the Group recorded revenue from continuing operations of approximately HK\$317,253,000 (2014: HK\$77,050,000), representing an increase of 311.75% as compared with that of the corresponding period in 2014. The substantial increase in revenue was mainly contributable to the natural resources related business in trading of other mineral products, which commenced from the first quarter of 2014. The gross profit from continuing operations for the Period was approximately HK\$23,938,000 (2014: HK\$18,508,000), representing an increase of 29.34% as compared with that of the corresponding period last year.

Loss attributable to owners of the Company for the Period was approximately HK\$10,572,000 (2014: profit of HK\$981,000). Notwithstanding an increase in the gross profit of approximately HK\$5,430,000 and a gain of approximately HK\$13,447,000 from the disposal of the manufacturing and sales of medicine business were recognized during the Period, loss was still incurred for the Period, which was contributable mainly to (i) the increase of approximately HK\$14,003,000 in administrative and other operating expenses, which was mainly due to the legal and professional fee incurred for the acquisition of Tai Pu (as defined below) and the increase in staff cost during the Period, as compared to that of the same period last year; and (ii) the share of loss of associates of approximately HK\$2,455,000 recorded during the Period as compared to a share of profit of approximately HK\$22,469,000 for the same period last year.

### *Fluorite Processing and Trading Business*

The Group had diversified into natural resources related business from last period. The Group completed the acquisition of a fluorite processing and trading business located in Outer Mongolia, namely Sino-Mongolia Fluorspar Mining Co., Ltd (together with its subsidiary, the "Sino-Mongolia Group") on 31 July 2013, and the consolidated results of Sino-Mongolia Group have been consolidated to the Group's accounts with effect from 1 August 2013.

On 23 September 2014, a supplemental deed was entered between the Group and the Vendors of Fluorite Business (as defined below) that, amongst others, (i) the Group were released from the obligation and liabilities of the contingent considerations as specified in the sales and purchase agreement entered into between the Group and Ms. Chen Yejun and Mr. Huang



Tianhua (collectively, the “Vendors of Fluorite Business”) on 7 May 2012 as detailed in the circular of the Group dated 28 June 2013, in relation to the acquisition of Sino-Mongolia Group; and (ii) HK\$5,000,000 retained by the Group upon completion of the acquisition was agreed by the Vendors of Fluorite Business to settle the liabilities of Sino-Mongolia Group towards the third parties as at the date of completion.

Due to the continuing low market prices for fluorite products since early 2014, the processing factory had been temporarily suspended in its operation during the Period.

For the Period, the Group’s fluorite processing and trading business recorded a revenue of approximately HK\$7,650,000, which accounted for 2.4% of the Group’s total revenue.

### ***Trading of Other Mineral Products***

During the first quarter of 2014, the Group had set-up a business in the trading of mineral products other than fluorites in PRC, mainly zinc and aluminum ingots. The establishment of the trading of other 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\$284,588,000, which accounted for 89.7% of the Group’s total revenue for the Period.

### ***Advertising and Public Relations Business***

The Group provided advertising and public relations services to customers through PR Asia Consultants Limited (“PR Asia”). For the Period, the Group’s provision of advertising and public relations business recorded revenue of approximately HK\$25,015,000, which accounted for 7.9% of the Group’s total revenue.

PR Asia devises and implements effective business and marketing strategies from a communication perspective for its clients, with a view to enabling them to successfully achieve brand-building and establish an appropriate image to the targeted customer base. It also provides training, through simulating different scenarios of TV and print media interviews, to its clients for different kinds of interviews, media conferences and promotion events to ensure that the key messages are communicated from its clients to the public. PR Asia has continued to contribute stable source of income to the Group.

### ***Investment in Held-for-trading Securities***

The Company had held-for-trading investment in certain listed securities in Hong Kong, the market value amounted to approximately HK\$13,494,000 as at 31 March 2015. During the Period, a gain arising on change in fair value of these securities of approximately HK\$1,339,000 was recorded. The investment in the listed securities is one of the treasury policy of the Group to make use of certain surplus funds retained by the Group.



## **Disposal of Manufacturing and Sales of Pharmaceutical Business**

Due to the increasing operating costs and fierce competition, the manufacturing and sales of pharmaceutical business has incurred losses for the past few years. As it was not expected any turnaround of the operational results of the business in the near future, the Group completed the disposal of this business in November 2014 and a net gain of approximately HK\$13,447,000 was recorded.

## **Outlook**

Upon the completion of the acquisition of the Sino-Mongolia Group in July 2013 and the setting-up of the trading business of other mineral products since early 2014, the Group has diversified its investment into natural resources related business.

Moreover, if the acquisition of the Target Group (as defined and detailed in the section headed “Very Substantial Connected Acquisition” below) is successfully completed, it will steer the Group towards becoming an integrated natural resources related services provider by further developing its natural resources value chain through vertical integration by virtue of (i) expanding the Group’s current down-stream business of mineral products trading by offering to customers the mid-stream services provided by the Target Group, being mining construction engineering and related services; (ii) enhancing the service offering to the customers of the Target Group through the provision of down-stream mineral products trading services; and (iii) bringing in-house a competent team for the provision of mining construction engineering and related services. The management believes that the diversification into the natural resources related business will not only broadening the income base of the Group, but also increasing the shareholders’ value in the long run.

On the other hand, the disposal of the pharmaceutical business has provided the Group with a good opportunity to divest its investment in a loss recurring business and allow the Group to reallocate its resources on other potential and profit-making business.

Looking ahead, the Company will continue to look for good opportunities in the natural resources related business, which is expected to become a major revenue growth driver of the Group in the future.

## **Share Capital**

During the Period, 600,000,000 new shares of the Company of HK\$0.05 each (“Shares”) had been issued upon the exercise of the subscription rights attaching to the unlisted warrants (as detailed below). As at 31 March 2015, the issued share capital of the Company was approximately HK\$289,625,000 divided into 5,792,502,338 Shares.



## **Unlisted Warrants**

On 5 September 2014, an aggregate of 1,000,000,000 unlisted warrants was fully placed and issued to not fewer than six placees at the issue price of HK\$0.01 per warrant in accordance with the terms and conditions of the placing agreement entered into between the Company and Kingston Securities Limited. The holders of the unlisted warrants shall have the rights to subscribe for up to 1,000,000,000 Shares in aggregate at an initial subscription price of HK\$0.25 per warrant share, within one year from the date of issue. Upon the exercise in full of the subscription rights attaching to the unlisted warrants, 1,000,000,000 new Shares will be allotted and issued by the Company. The details of the placing agreement were set out in the Company's announcement dated 18 August 2014.

During the Period, a total of 600,000,000 Shares had been issued upon the exercise of the subscription rights attaching to the unlisted warrants by its holders. As a result, there was a total of 400,000,000 unlisted warrants outstanding as at the end of the Period, which will expire on 4 September 2015, being one year from the date of issue.


Subsequent to the end of Period, an additional 20,000,000 Shares have been issued, as a result, there is a total of 620,000,000 new Shares being issued upon the exercise of the subscription rights attaching to the unlisted warrants as at the date of this report. The proceeds of HK\$155,000,000 from the subscription, which were expected to be used as the Group's general working capital and potential project investments of the Group in the future, have not yet been utilized as at the date of this report.

## **Exchange Exposure**

Most of the trading transactions, assets and liabilities of the Group were denominated either in Hong Kong dollars, Renminbi or U.S. dollars. It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimize currency risks.

## **Very Substantial 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 is the substantial shareholder 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 (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.




The supplemental MOUs were entered between the Company and Mr. Hu to extend the due diligence period and exclusive period. The details were set out in the Company's announcements dated 17 April 2014, 30 May 2014, 29 September 2014, 28 November 2014 and 30 March 2015.

On 2 April 2015, Million Nature Holdings Limited, an indirect wholly-owned subsidiary of the Company (the "Purchaser"), Mr. Hu and Ms. Fan Aixian (collectively, the "Vendors") entered into the conditional sale and purchase agreement (as amended by the supplemental agreement dated 22 April 2015)(collectively, the "Conditional SPA"), pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell, the sale shares, being the entire issued share capital of Everbest Return Limited (the "Target Company") (together with its subsidiaries, the "Target Group") at a total consideration of HK\$760.0 million (the "Consideration") (subject to adjustment), where the entire registered share capital of Tai Pu is indirectly held by the Target Company. The Target Group is principally engaged in the provision of mine construction engineering, mechanical equipment installation and coal production and technical services in the PRC.

The Consideration comprises (i) the earnest money in the amount of HK\$8.0 million (the "Earnest Money") already paid by the Company pursuant to the MOU; (ii) the deposit in the amount of HK\$68.0 million (the "Deposit") already paid by the Company on the date of the Conditional SPA; (iii) the initial completion sum in the amount of HK\$304.0 million (the "Initial Completion Sum"), as the first tranche of the outstanding Consideration (being 50.0% of the total Consideration payable to the Vendors less the Earnest Money and the Deposit) will be settled upon completion by the promissory notes to be issued by the Company; and (iv) the retained completion sum (the "Retained Completion Sum"), as the balance of the Consideration up to the amount of HK\$380.0 million (being the remaining 50% of the total Consideration payable to the Vendors), if any, will also be settled by promissory notes to be issued by the Company.

The Retained Completion Sum will be adjusted based on the audited net profits after tax of the Target Group for the year commencing from 1 July 2015 to 30 June 2016 (the "2016 After-Tax Profits"). If the 2016 After-Tax Profits is less than the guaranteed profits amount of RMB150.0 million (equivalent to HK\$187.5 million based on the fixed exchange rate of RMB1:HK\$1.25) (the "Guaranteed Profits Amount"), the Retained Completion Sum payable by the Company will be reduced by an amount (the "Adjustment Amount") equal to the product of (a) the amount by which the 2016 After-Tax Profits falls below the Guaranteed Profits Amount and (b) 4.053 (i.e. HK\$760.0 million divided by HK\$187.5 million). If the Adjustment Amount equals to or exceeds HK\$380.0 million (being the initial Retained Completion Sum), then: (i) no Retained Completion Sum shall be payable by the Purchaser to the Vendors; and (ii) the Vendors shall jointly and severally pay to the Purchaser an amount equal to the difference between the Adjustment Amount and HK\$380.0 million (the "Paid Consideration Refund Amount") on or before the 10th business day after the 2016 After-Tax Profits has been determined pursuant to the terms



of the Conditional SPA, provided that the Paid Consideration Refund Amount shall be capped at the amount of HK\$380.0 million (being the sum of the Earnest Money, Deposit and Initial Completion Sum) less HK\$1.0.

Completion is conditional upon all the conditions being either satisfied to the satisfaction of the Purchaser or waived by the Purchaser according to the Conditional SPA. Completion shall take place on the date falling within 10 business days after all the conditions having been met to the satisfaction of the Purchaser (or waived, if applicable) (or such other date as the Purchaser and the Vendors may agree in writing). Upon completion, members of the Target Group will become subsidiaries of the Company.

The Company will despatch a circular in accordance with the requirements under the GEM Listing Rules. The above very substantial connected acquisition needs the approval from shareholders of the Company. An extraordinary general meeting will be convened to consider, and if thought fit, to pass the proposed resolution(s) to approve the Conditional SPA and the transactions contemplated thereunder.

### **Capital Commitment**

As at 31 March 2015, the Group had no significant capital commitment.

## **OTHER INFORMATION**

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

As at 31 March 2015, 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 2015, 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 (Note)	Beneficial owner	1,300,000,000	22.44%
Mr. Hu (Note)	Held by controlled entity	1,300,000,000	22.44%
Mr. Hu (Note)	Beneficial owner	38,400,000	0.66%

*Note:* Tai Pu Mining International Co., Ltd is a company incorporated in British Virgin Islands, which is wholly and beneficially owned by Mr. Hu.


Save as disclosed above, as at 31 March 2015, 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.

## Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sub-section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" 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.

## Share Options Scheme

Pursuant to an ordinary resolution passed by the then sole shareholder of the Company on 20 April 2004, the Company had adopted a share options scheme (the "2004 Share Options Scheme"), pursuant to which the Board was authorised to grant options to the eligible participants for the period of 10 years from 20 April 2004. The 2004 Share Options Scheme expired on 19 April 2014 and no further options can be granted pursuant to the 2004 Share Options Scheme. No options under the 2004 Share Options Scheme are currently outstanding.



As the 2004 Share Options Scheme expired on 19 April 2014, an ordinary resolution for the adoption of a new share options scheme was passed by the shareholders of the Company at the annual general meeting of the Company held on 12 December 2014 (the “2014 AGM”), thereby allowing the Company to grant options for subscription of up to total of 533,250,233 shares of the Company, representing 10% of the 5,332,502,338 shares of the Company in issue as at the date of the 2014 AGM. The new share options scheme will enable the Company to reward and provide incentives to, and strengthen the Group’s business relationship with, the eligible participants who may contribute to the growth and development of the Group. No options has been granted under the new share options scheme as at the date of this report.

### **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. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth (committee chairman), Mr. Yan Shengxian and Ms. Tang Qing.

The Group's unaudited condensed consolidated financial statements for the Period, has been reviewed by the Audit Committee, which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

### **Change in Information of Directors**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors since the date of interim report of the Company for the six months ended 31 December 2014 are set out below:

<b>Name of Director</b>	<b>Details of Change</b>
Mr. Cai Da	Appointed as an executive director of Chinese Energy Holdings Limited (stock code:8009) with effect from 16 February 2015

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

By Order of the Board  
**China Natural Investment Company Limited**  
**Cai Da**  
Chairman

Hong Kong, 8 May 2015

*As at the date of this report, the Board comprises (i) seven executive Directors namely, Mr. Cai Da, Mr. Miao Tianfu, Mr. Johnny Huang, Mr. Li Wai Hung, Mr. Chen Youhua, Mr. Chen Liang and Mr. An Fengcun; and (ii) four independent non-executive Directors namely, Mr. Chi Chi Hung, Kenneth, Mr. Yan Shengxian, Ms. Tang Qing and Mr. Wang Zhixiang.*

*\* for identification purpose only*