

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)

2014/2015

Interim Report

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

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 of the Stock Exchange (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: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Da (*Chairman*)

Mr. Miao Tianfu (*Vice Chairman*)

Mr. Johnny Huang (*Chief Executive Officer*)

Mr. Li Wai Hung

Mr. Chen Youhua

Mr. Chen Liang

Mr. An Fengcun

Independent Non-Executive Directors

Mr. Chi Chi Hung, Kenneth

Mr. Yan Shengxian

Ms. Tang Qing

Mr. Wang Zhixiang

AUDIT COMMITTEE

Mr. Chi Chi Hung, Kenneth (*Chairman*)

Mr. Yan Shengxian

Ms. Tang Qing

REMUNERATION COMMITTEE

Ms. Tang Qing (*Chairman*)

Mr. Chi Chi Hung, Kenneth

Mr. Yan Shengxian

NOMINATION COMMITTEE

Ms. Tang Qing (*Chairman*)

Mr. Chi Chi Hung, Kenneth

Mr. Yan Shengxian

COMPANY SECRETARY

Mr. Luk Chi Shing

AUTHORISED REPRESENTATIVES

Mr. Cai Da

Mr. Luk Chi Shing

COMPLIANCE OFFICER

Mr. Cai Da

REGISTERED OFFICE

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1903, 19th Floor

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited

Certified Public Accountants

43/F., The Lee Gardens

33 Hysan Avenue

Causeway Bay

Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited

Hang Seng Bank Limited

Wing Hang Bank Limited

Ping An Bank Co., Ltd

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Corporate Services Limited

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong



FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2014:

- Revenue from continuing operations amounted to approximately HK\$307,837,000 (2013: HK\$25,857,000), representing an increase of 1,090.5% as compared with that of the corresponding period in 2013. The substantial increase in revenue was mainly contributable to the natural resources related business in trading of other mineral products commenced only from the first quarter of 2014.
- Loss and total comprehensive income for the Period attributable to owners of the Company was approximately HK\$3,694,000 (2013: HK\$6,036,000). Notwithstanding a gain of approximately HK\$13,447,000 was recognized from the disposal of the manufacturing and sales of medicine business during the Period, loss was still incurred for the Period as compared to that of the same period last year, which was contributable mainly to (i) the increase of approximately HK\$8,874,000 in administrative and other operating expenses as compared to that of the same period last year; (ii) the share of loss of associates of approximately HK\$977,000 recorded during the Period as compared to a share of profits of approximately HK\$9,064,000 for the same period last year; and (iii) the loss of approximately HK\$2,405,000 arising on change in fair value of held-for-trading investments recorded during the Period as compared to a gain of approximately HK\$4,695,000 for the same period last year.

As at 31 December 2014:

- The Group had cash and cash equivalents of approximately HK\$125,295,000 (30 June 2014: HK\$62,025,000). Net current assets amounted to approximately HK\$248,931,000 (30 June 2014: HK\$169,214,000).
- Current ratio (defined as total current assets divided by total current liabilities) was approximately 23.62 times (30 June 2014: 17.37 times). Gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.02 (30 June 2014: 0.03).

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2014 (2013: Nil).

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 December 2014, together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2014

		Three months ended 31 December		Six months ended 31 December	
	Notes	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)
Continuing operations					
Revenue	3	108,852	16,699	307,837	25,857
Cost of sales and services provided		(102,063)	(10,726)	(291,853)	(14,426)
Gross profit		6,789	5,973	15,984	11,431
Investment and other income	5	1,414	956	4,386	1,401
Selling and distribution expenses		(37)	(225)	(118)	(505)
Administrative expenses		(13,730)	(12,074)	(27,390)	(20,605)
Other operating expenses		(4,108)	(1,533)	(6,098)	(4,009)
(Loss) gain arising on change in fair value of held-for-trading investments		(2,405)	3,700	(2,405)	4,695
Net gain on disposal of subsidiaries	8	13,447	521	13,447	521
Share of results of associates		(1,254)	4,749	(977)	9,064
Profit (loss) before tax	6	116	2,067	(3,171)	1,993
Income tax expense	7	(92)	(506)	(796)	(632)
Profit (loss) for the period from continuing operations		24	1,561	(3,967)	1,361
Discontinued operation					
Loss for the period from discontinued operation	9	(384)	(1,503)	(1,356)	(5,820)
(Loss) profit for the period		(360)	58	(5,323)	(4,459)

		Three months ended 31 December		Six months ended 31 December	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)
Other comprehensive income (expense) for the period, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translating foreign operations		608	590	1,629	(1,577)
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company		248	648	(3,694)	(6,036)
Dividends	10	-	-	-	-
(Loss) earnings per share from continuing and discontinued operations					
Basic and diluted (HK cents per share)		(0.01)	0.00	(0.10)	(0.09)
From continuing operations					
– Basic (HK cents per share)		0.00	0.03	(0.08)	0.03
– Diluted (HK cents per share)		0.00	0.03	(0.08)	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014 and 30 June 2014

	Notes	As at 31 December 2014 (Unaudited) HK\$'000	As at 30 June 2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		50,967	53,663
Goodwill		45,813	45,813
Exploration and evaluation assets		1,261	1,303
Available-for-sale investments		23,600	23,600
Interests in associates		283,319	284,296
		<u>404,960</u>	<u>408,675</u>
Current assets			
Inventories		6,885	8,888
Trade and other receivables	12	66,259	61,979
Loan receivables	13	51,748	33,656
Held-for-trading investments		9,750	13,000
Cash and cash equivalents		125,295	62,025
		<u>259,937</u>	<u>179,548</u>
Current liabilities			
Trade and other payables	14	9,734	9,487
Income tax payables		1,272	847
		<u>11,006</u>	<u>10,334</u>
Net current assets		<u>248,931</u>	<u>169,214</u>
Total assets less current liabilities		<u>653,891</u>	<u>577,889</u>
Non-current liability			
Deferred tax liabilities		5,013	5,017
Net assets		<u>648,878</u>	<u>572,872</u>
Capital and reserves			
Share capital	15	273,625	259,625
Reserves		375,253	313,247
Total equity attributable to owners of the Company		<u>648,878</u>	<u>572,872</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	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	-	-	-	-	(5,323)	(5,323)
Exchange differences on translation of foreign operations	-	-	1,629	-	-	1,629
Loss and total comprehensive income for the period	-	-	1,629	-	(5,323)	(3,694)
Issue of unlisted warrants	-	-	-	9,700	-	9,700
Issue of shares upon exercise of unlisted warrants	14,000	58,716	-	(2,716)	-	70,000
Balance at 31 December 2014 (Unaudited)	273,625	432,461	8,751	6,984	(72,943)	648,878

For the six months ended 31 December 2013

	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
Loss for the period	-	-	-	(4,459)	(4,459)
Exchange differences on translation of foreign operations	-	-	(1,577)	-	(1,577)
Loss and total comprehensive expense for the period	-	-	(1,577)	(4,459)	(6,036)
Issue of new shares by way of share placing	26,500	72,440	-	-	98,940
Share issue expenses	-	(2,473)	-	-	(2,473)
Balance at 31 December 2013 (Unaudited)	259,625	373,745	(1,806)	(68,523)	563,041

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	Six months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash used in operating activities	(15,265)	(45,814)
Net cash used in investing activities	(1,091)	(83,179)
Net cash generated from financing activities	79,700	96,467
Net increase (decrease) in cash and cash equivalents	63,344	(32,526)
Cash and cash equivalents at beginning of period	62,025	120,984
Effect of foreign exchange rate changes	(74)	—
Cash and cash equivalents at end of period, represented by bank balances and cash	125,295	88,458



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 the 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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Company Ordinance.

The unaudited condensed consolidated financial statements 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 financial statements are consistent with those adopted in preparing the Group's audited financial statements for the year ended 30 June 2014 (the "Annual Report 2014"), except that the Group has applied for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2014.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies



Other than as noted below, the application of the above new or revised HKFRSs in the current interim period has had no material effect of the amount reported and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal; and
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

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 December		Six months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)
Continuing operations				
Processing and trading of fluorite products	–	6,065	7,650	8,884
Trading of other mineral products	99,382	–	283,315	–
Provision of advertising and public relations services	9,470	10,634	16,872	16,973
	<u>108,852</u>	<u>16,699</u>	<u>307,837</u>	<u>25,857</u>

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision makers for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group has identified the following operating and reportable segments under HKFRS 8 "Operating Segments":

- Processing and trading of fluorite products
- Trading of other mineral products
- Provision of advertising and public relations services

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

Continuing operations

For the six months ended 31 December 2014

	Processing and trading of fluorite products (Unaudited) HK\$'000	Trading of other mineral products (Unaudited) HK\$'000	Provision of advertising and public relations services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	<u>7,650</u>	<u>283,315</u>	<u>16,872</u>	<u>307,837</u>
Segment results	<u>(8,540)</u>	<u>(786)</u>	<u>4,029</u>	<u>(5,297)</u>
Investment and other income				4,184
Loss arising on change in fair value of held-for-trading investments				(2,405)
Share of results of associates				(977)
Net gain on disposal of subsidiaries				13,447
Central administration costs				<u>(12,123)</u>
Loss before taxation				<u>(3,171)</u>

For the six months ended 31 December 2013

	Processing and trading of fluorite products (Unaudited) HK\$'000	Provision of advertising and public relations services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000 (restated)
Segment revenue	<u>8,884</u>	<u>16,973</u>	<u>25,857</u>
Segment results	<u>(8,046)</u>	<u>3,825</u>	(4,221)
Investment and other income			1,370
Gain arising on change in fair value of held- for-trading investments			4,695
Share of results of associates			9,064
Net gain on disposal of subsidiaries			521
Central administration costs			<u>(9,436)</u>
Profit before taxation			<u>1,993</u>

5. INVESTMENT AND OTHER INCOME

Continuing operations

	Three months ended 31 December		Six months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)
Interest income	1,398	950	2,460	1,386
Gain on disposal of held-for-trading investments	–	–	1,725	–
Sundry income	16	6	201	15
	<u>1,414</u>	<u>956</u>	<u>4,386</u>	<u>1,401</u>

6. PROFIT (LOSS) BEFORE TAX

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

Continuing operations

	Three months ended 31 December		Six months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)
Depreciation of property, plant and equipment	1,189	311	2,095	716
Cost of inventories sold	<u>99,711</u>	<u>7,044</u>	<u>288,007</u>	<u>9,111</u>

7. INCOME TAX EXPENSE

Continuing operations

	Three months ended 31 December		Six months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (restated)
Current profits tax:				
- Hong Kong	(92)	(506)	(796)	(632)
- People's Republic of China ("PRC")	—	—	—	—
	<u>(92)</u>	<u>(506)</u>	<u>(796)</u>	<u>(632)</u>

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 ("EEIT"). Under the Law of Mongolia on EEIT, the tax rate of the Mongolian subsidiary was 10% for both periods.

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

There was no material unprovided deferred taxation for the six months ended 31 December 2014 (2013: Nil).

8. 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.

Vida	
<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, sliming 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	3,000
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	(648)
Net assets disposed of	2,479
Net gain on disposal of subsidiaries	521
Net cash inflow arising on disposal:	
Cash consideration received	3,000
Add: bank overdraft disposed of	152
	3,152

9. DISCONTINUED OPERATION

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

	Three months ended 31 December		Six months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss for the period from discontinued operation				
Revenue	102	996	581	5,044
Cost of sales and services provided	(408)	(1,526)	(1,611)	(7,551)
Investment and other income	–	–	–	964
Selling and distribution expenses	–	(209)	–	(782)
Administrative expenses	(23)	(290)	(113)	(871)
Other operating expenses	(55)	(474)	(213)	(2,624)
Loss before tax	(384)	(1,503)	(1,356)	(5,820)
Income tax expense	–	–	–	–
Loss for the period from discontinued operation	(384)	(1,503)	(1,356)	(5,820)

Loss for the period from discontinued operation has been arrived at after charging:

Depreciation of property, plant and equipment
Cost of inventories sold

Three months ended 31 December		Six months ended 31 December	
2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
53	130	212	455
—	—	19	3,545

Cash flows from discontinued operation

Net cash used in operating activities
Net cash generated from investing activities

Net cash outflows for the period from discontinued operation

Six months ended 31 December	
2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
(15,570)	(2,242)
14,952	2,196
(618)	(46)

10. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2014 (2013: Nil).

11. (LOSS) EARNINGS PER SHARE

	Three months ended 31 December		Six months ended 31 December	
	2014 (Unaudited)	2013 (Unaudited) (restated)	2014 (Unaudited)	2013 (Unaudited) (restated)
From continuing and discontinued operations				
(Loss) profit for the period attributable to owners of the Company (HK\$'000)	(360)	58	(5,323)	(4,459)
Weighted average number of shares in issue in the basic earnings per share calculation	5,268,589,295	4,969,676,251	5,230,545,816	4,816,089,295
Effect of dilution - weighted average number of ordinary share:				
Unlisted Warrants	333,477,816	–	180,841,160	–
	<u>5,602,067,111</u>	<u>4,969,676,251</u>	<u>5,411,386,976</u>	<u>4,816,089,295</u>
Basic and diluted (HK cents per share)	(0.01)	0.00	(0.10)	(0.09)

No adjustment has been made to the basic loss per share amounts presented for the three months and six months ended 31 December 2014 in respect of a dilution as the impact of the unlisted warrants of the Company outstanding as at 31 December 2014, had anti-dilutive effect on the basic loss per share amounts presented.

From continuing operations

Profit (loss) for the period from continuing operations (HK\$'000)	24	1,561	(3,967)	1,361
Weighted average number of shares in issue in the basic earnings per share calculation	5,268,589,295	4,969,676,251	5,230,545,816	4,816,089,295
Effect of dilution - weighted average number of ordinary share:				
Unlisted Warrants	333,477,816	–	180,841,160	–
	5,602,067,111	4,969,676,251	5,411,386,976	4,816,089,295
Basic (HK cents per share)	0.00	0.03	(0.08)	0.03
Diluted (HK cents per share)	0.00	0.03	(0.08)	0.03

No adjustment has been made to the basic loss per share amounts presented for the six months ended 31 December 2014 in respect of a dilution as the impact of the unlisted warrants of the Company outstanding as at 31 December 2014, had anti-dilutive effect on the basic loss per share amounts presented.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2014 (Unaudited) HK\$'000	As at 30 June 2014 (Audited) HK\$'000
Trade receivables	41,206	17,890
Receivables arising from dealing in listed securities	39	664
Other deposits paid	1,938	1,494
Prepayments	8,454	29,989
Other receivables	14,622	11,942
	<u>66,259</u>	<u>61,979</u>

The Group grants a credit period ranging from 30 to 60 days to its customers. The following is an aged analysis of trade receivables, presented based on the invoice date:

	As at 31 December 2014 (Unaudited) HK\$'000	As at 30 June 2014 (Audited) HK\$'000
0 – 30 days	1,566	5,874
31 – 60 days	538	359
61 – 90 days	99	191
Over 90 days	39,003	11,466
	<hr/>	<hr/>
	41,206	17,890
	<hr/>	<hr/>

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due as at 31 December 2014 but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Age of receivables that are past due but not impaired

	As at 31 December 2014 (Unaudited) HK\$'000	As at 30 June 2014 (Audited) HK\$'000
Up to 90 days	29,377	1,735
91 – 180 days	128	404
Over 180 days	10,134	10,652
	<hr/>	<hr/>
	39,639	12,791
	<hr/>	<hr/>

13. LOAN RECEIVABLES

At 31 December 2014, loans to third parties with aggregate principal and accrued interest amounting to approximately HK\$51,748,000 (30 June 2014: HK\$33,656,000) are unsecured, bear interest ranging from 5% to 12% (30 June 2014: 5% to 12%) per annum and repayable within one year and thus classified as current assets.

Included in the loan receivables, approximately HK\$7,461,000 (30 June 2014: HK\$7,461,000) is guaranteed by an independent third party as at 31 December 2014.

The following table illustrated the aging analysis, based on the loan drawdown and/or loan renewal dates, of the loan receivables outstanding at the end of the reporting period:

	As at 31 December 2014 (Unaudited) HK\$'000	As at 30 June 2014 (Audited) HK\$'000
0 – 30 days	5,560	10,220
31 – 60 days	7,461	–
61 – 90 days	7,240	7,241
Over 90 days	31,487	16,195
	<hr/>	<hr/>
	51,748	33,656
	<hr/>	<hr/>

The loan receivables are due for settlement at the date specified in the respect loan agreements.

14. TRADE AND OTHER PAYABLES

	As at 31 December 2014 (Unaudited) HK\$'000	As at 30 June 2014 (Audited) HK\$'000
Trade payables	5,711	4,657
Other payables and accruals	4,023	4,830
	<hr/>	<hr/>
	9,734	9,487
	<hr/>	<hr/>

The average credit period on purchases of certain goods is 30 days. The following is an aged analysis of trade payables based on the invoice date:

0 – 30 days
31 – 60 days
61 – 90 days
Over 90 days

**As at
31 December
2014
(Unaudited)
HK\$'000**

**As at
30 June
2014
(Audited)
HK\$'000**

721

1,424

–

5

102

273

4,888

2,955

5,711

4,657

15. SHARE CAPITAL

Number of shares

**Share Capital
HK\$'000**

Authorised

As at 30 June 2014, 1 July 2014 and 31 December 2014,
ordinary share of HK\$0.05 each

10,000,000,000

500,000

Issued and fully paid:

As at 30 June 2014 and 1 July 2014, ordinary share of
HK\$0.05 each

5,192,502,338

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

140,000,000

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

140,000,000

7,000

As at 31 December 2014

5,472,502,338

273,625

16. COMPARATIVE FIGURES

As a result of the discontinued operation as set out in note 9, 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 six months ended 31 December 2014 (the “Period”), the Group recorded revenue from continuing operations of approximately HK\$307,837,000 (2013: HK\$25,857,000), representing an increase of 1,090.5% as compared with that of the corresponding period in 2013. The substantial increase in revenue was mainly contributable to the natural resources related business in trading of other mineral products commenced only from the first quarter of 2014. The gross profit from continuing operations for the Period was approximately HK\$15,984,000 (2013: HK\$11,431,000), representing an increase of 39.8% as compared with that of the corresponding period last year.

Loss and total comprehensive income attributable to owners of the Company for the Period was approximately HK\$3,694,000 (2013: HK\$6,036,000). Notwithstanding a gain of approximately HK\$13,447,000 was recognized from the disposal of the manufacturing and sales of medicine business during the Period, loss was still incurred for the Period as compared to that of the same period last year, which was contributable mainly to (i) the increase of approximately HK\$8,874,000 in administrative and other operating expenses as compared to that of the same period last year; (ii) the share of loss of associates of approximately HK\$977,000 recorded during the Period as compared to a share of profits of approximately HK\$9,064,000 for the same period last year; and (iii) the loss of approximately HK\$2,405,000 arising on change in fair value of held-for-trading investments recorded during the Period as compared to a gain of approximately HK\$4,695,000 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 (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”) 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 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 during the calendar year 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 2.5% 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\$283,315,000, which accounted for 92.0% of the Group's total revenue for the Period.

Advertising and Public Relations Business

The Group provided advertising and public relations business through PR Asia Consultants Limited ("PR Asia"). For the Period, the Group's provision of advertising and public relations services recorded revenue of approximately HK\$16,872,000, which accounted for 5.5% 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\$9,750,000 as at 31 December 2014. During the Period, a loss arising on change in fair value of these securities of approximately HK\$2,405,000 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.

Outlook

With effect from the second half of 2013, the Group has diversified into natural resources related business upon the completion of the acquisition of the Sino-Mongolia Group. The diversification of the Group's business into new areas of natural resources related business



assists the Group broadening its revenue base. The current prospects for the natural resources related business remains positive although the expected economic growth in the PRC may slow down in the near future.

The advertising and public relation business is expected to be stable in the near future. It will continue a steady growth and contribute stable sources of income to the Group. However, due to the increasing operating costs and fierce competition, the pharmaceutical business has incurred losses for the past few years. As it was not expected any turnaround of the operational results of pharmaceutical business in the near future, the Company decided to dispose of this business in October 2014 and completion of the disposal took place in November 2014. The disposal would provide the Group with a good opportunity to divest its investment in a loss recurring business and facilitate the Group to focus its effort on development of its natural resources related 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.

Liquidity and Financial Resources

As at 31 December 2014, the Group held cash and cash equivalents of approximately HK\$125,295,000 (30 June 2014: HK\$62,025,000). Net current assets amounted to approximately HK\$248,931,000 (30 June 2014: HK\$169,214,000).

As at 31 December 2014, the current ratio (defined as total current assets divided by total current liabilities) was approximately 23.62 times (30 June 2014: 17.37 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.02 (30 June 2014: 0.03).


The Group had no any bank borrowing as at 31 December 2014 (30 June 2014: Nil).

Share Capital

As at 1 July 2014 and 31 December 2014, the authorized share capital of the Company was HK\$500,000,000 divided into 10,000,000,000 shares of HK\$0.05 each. As at 1 July 2014, the issued share capital of the Company was approximately HK\$259,625,000 divided into 5,192,502,338 shares of HK\$0.05 each. During the Period, 280,000,000 new shares had been issued upon the exercise of the subscription rights attaching to the unlisted warrants (as detailed below). As at 31 December 2014, the issued share capital of the Company was approximately HK\$273,625,000 divided into 5,472,502,338 shares of HK\$0.05 each.

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 between the Company and



Kingston Securities Limited. The holders of the 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 share, within one year from the date of issue. Upon the exercise in full of the subscription rights attaching to the warrants, 1,000,000,000 new shares of HK\$0.05 each will be allotted and issued by the Company. The details were set out in the Company's announcement dated 18 August 2014.

As at the date of this report, there were a total of 500,000,000 new shares being issued upon the exercise of the subscription rights attaching to the warrants. The proceeds of HK\$125,000,000 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 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.

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 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 and 28 November 2014.

The due diligence for the Possible Connected Acquisition has been completed. According to the latest supplemental MOU dated 28 November 2014, the Company and Mr. Hu extended the exclusivity period from within five months to within nine months after the due diligence Period, which is due on or before 31 March 2015.

No formal sale and purchase agreement has yet been entered as at the date of this report.



Capital Commitment

As at 31 December 2014, the Group had no significant capital commitment.

Pledge of Assets

As at 31 December 2014, none of the assets of the Group were pledged as security for any banking facilities.

Employee Information

As at 31 December 2014, there were 114 staff members employed by the Group.

The Group remunerates its employees mainly based on industry practices and their respective educational background, experience and performance. On top of the regular remuneration and discretionary bonus, share options may be granted to selected employees by reference to the Group's performance as well as individual's performance. In addition, each employee enjoys mandatory provident fund, medical allowance and other fringe benefits.

Contingent Liabilities

As at 31 December 2014, the Group had no significant contingent liabilities.

OTHER INFORMATION

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

As at 31 December 2014, none of the Directors or 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 December 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	23.76%
Mr. Hu (<i>Note</i>)	Held by controlled entity	1,300,000,000	23.76%
Mr. Hu (<i>Note</i>)	Beneficial owner	38,400,000	0.70%

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

Save as disclosed above, as at 31 December 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.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share option scheme" 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 Option 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 option scheme (the "2004 Share Option 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 Option Scheme expired on 19 April 2014 and no further options can be granted pursuant to the 2004 Share Option Scheme. No options under the 2004 Share Option Scheme are currently outstanding.

As the 2004 Share Option Scheme expired on 19 April 2014, an ordinary resolution for the adoption of a new share option 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 option 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 option has been granted under the new share option 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.

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. Yan Shengxian and Ms. Tang Qing.

This report, including the Group's unaudited condensed consolidated financial statements for the Period, has been reviewed by the Audit Committee.



Change in Information of Director

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 2014 are set out below:

Name of Director	Details of Change
Mr. Chi Chi Hung, Kenneth	(1) Appointed as an executive director of e-Kong Group Limited (stock code: 524) with effect from 26 September 2014; and (2) re-designated as non-executive director from the executive director and chief executive officer of China Sandi Holdings Limited (stock code: 910) with effect from 31 January 2015
Mr. Miao Tianfu	Appointed as an executive Director and vice-chairman of the Company ("Vice-Chairman") with effect from 20 November 2014
Mr. Wang Zhixiang	Appointed as an independent non-executive Director with effect from 20 November 2014
Mr. Cai Da	(1) Appointed as the chairman of the Company ("Chairman"), authorised representative of the Company ("Authorised Representative under the GEM Listing Rules") for the purpose of Rule 5.24 of the GEM Listing Rules and an authorised representative of the Company ("Authorised Representative under the Companies Ordinance") for the service of process and notices under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and (2) ceased to be the Vice-Chairman and also resigned as the chief executive officer of the Company ("Chief Executive Officer") with effect from 9 January 2015
Mr. Johnny Huang	Appointed as Chief Executive Officer with effect from 9 January 2015
Mr. Li Wai Hung	Resigned as the Chairman, an Authorised Representative under the GEM Listing Rules and an Authorised Representative under the Companies Ordinance with effect from 9 January 2015
Mr. An Fengcun	Appointed as an executive Director with effect from 23 January 2015
Ms. Xiong Yun Huan	Resigned as an executive Director with effect from 23 January 2015



Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.05A (1) of the GEM Listing Rules.

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

Hong Kong, 9 February 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.