



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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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

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This announcement, 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of publication and on the website of the Company at <http://www.chinanatural.com.hk>.

FINANCIAL HIGHLIGHTS

For the six months ended 31 December 2013:

- Revenue from continuing operations amounted to approximately HK\$30,901,000 (2012: HK\$21,704,000), representing an increase of approximately 42.4% as compared with that of the corresponding period in 2012. The increase in revenue was mainly due to the consolidation of the fluorite processing and trading business in the Group's account upon its completion of acquisition in July 2013.
- Loss attributable to owners of the Company amounted to approximately HK\$6,036,000 (2012: profit of approximately HK\$123,000). The increase in loss was mainly due to the increase in administrative and other operating expenses during the current period.

As at 31 December 2013:

- The Group had cash and cash equivalents of approximately HK\$88,457,000 (30 June 2013: HK\$120,984,000). Net current assets amounted to approximately HK\$194,836,000 (30 June 2013: HK\$206,629,000).
- Current ratio (defined as total current assets divided by total current liabilities) was approximately 44.42 times (30 June 2013: 34.72 times). Gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.01 (30 June 2013: 0.01).

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2013 (2012: 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 2013, together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME For the three months and six months ended 31 December 2013

		Three months ended 31 December 2013 (Unaudited) HK\$		Six months ended 31 December 2013 (Unaudited) HK\$	
	Notes	2012 (Unaudited) HK\$	2012 (Unaudited) HK\$	2012 (Unaudited) HK\$	2012 (Unaudited) HK\$
Continuing operations					
Revenue	3	17,695,614	10,535,714	30,900,913	21,703,714
Cost of sales and services provided		(12,252,317)	(5,946,975)	(21,977,173)	(13,270,056)
Gross profit		5,443,297	4,588,739	8,923,740	8,433,658
Other income	5	956,137	441,792	2,365,047	844,346
Selling and distribution expenses		(434,046)	(544,427)	(1,286,449)	(1,875,636)
Administrative expenses		(12,364,304)	(6,984,576)	(21,476,185)	(14,034,597)
Other operating expenses		(2,007,013)	(450,273)	(6,633,406)	(992,243)
Share of results of an associate		4,748,802	12,098	9,063,913	12,098
Finance cost	7	–	(680,401)	–	(680,401)
Gain on disposal of subsidiaries	9	521,078	–	521,078	–
Gain arising on change in fair value of held-for-trading investments		3,700,000	289,850	4,695,040	3,460,750
Loss arising on change in fair value of early redemption option embedded in convertible note issued by the Company		–	(3,406,000)	–	(3,406,000)
Profit/(loss) before tax	6	563,951	(6,733,198)	(3,827,222)	(8,238,025)
Income tax expense	8	(505,567)	(176,470)	(631,963)	(185,819)
Profit/(loss) for the period from continuing operations		58,384	(6,909,668)	(4,459,185)	(8,423,844)
Discontinued operation					
(Loss)/profit for the period from discontinued operation	10	–	(38,250)	–	8,546,748
Other comprehensive income/(expense)		589,623	–	(1,576,596)	–
Profit/(loss) and total comprehensive income/(expense) for the period attributable to owners of the Company		648,007	(6,947,918)	(6,035,781)	122,904
Dividends	11	–	–	–	–
Earnings/(loss) per share					
From continuing and discontinued operations					
– Basic and diluted (HK cents per share)	12	0.01	(0.35)	(0.13)	0.01
From continuing operations					
– Basic and diluted (HK cents per share)		0.01	(0.35)	(0.13)	(0.46)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013 and 30 June 2013

		As at 31 December 2013 (Unaudited) HK\$	As at 30 June 2013 (Audited) HK\$
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		42,021,100	3,937,698
Goodwill	13	50,202,722	17,061,838
Exploration and evaluation assets		1,433,947	–
Interest in an associate		254,078,669	245,014,755
Available-for-sale Investments		23,600,000	–
		<u>371,336,438</u>	<u>266,014,291</u>
Current assets			
Inventories		14,649,700	4,990,720
Trade and other receivables	14	78,316,020	73,182,672
Held-for-trading investments		17,900,000	13,576,900
Current tax assets		–	23,100
Cash and cash equivalents		88,457,493	120,983,545
		<u>199,323,213</u>	<u>212,756,937</u>
Current liabilities			
Trade and other payables	15	4,487,472	6,127,526
Net current assets		<u>194,835,741</u>	<u>206,629,411</u>
Total assets less current liabilities		<u>566,172,179</u>	<u>472,643,702</u>
Non-current liabilities			
Deferred tax liabilities		3,130,898	33,140
Net assets		<u>563,041,281</u>	<u>472,610,562</u>
Capital and reserves			
Share capital	16	259,625,117	233,125,117
Reserves		303,416,164	239,485,445
Total equity attributable to owners of the Company		<u>563,041,281</u>	<u>472,610,562</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Reserves					Total HK\$
	Share capital HK\$	Share premium HK\$	Foreign currency translation reserve HK\$	Accumulated losses HK\$	Sub-total of reserves HK\$	
Balance as at 1 July 2013 (Audited)	<u>233,125,117</u>	<u>303,778,098</u>	<u>(228,693)</u>	<u>(64,063,960)</u>	<u>239,485,445</u>	<u>472,610,562</u>
Loss for the period	-	-	-	(4,459,185)	(4,459,185)	(4,459,185)
Exchange differences on translation of foreign operation	<u>-</u>	<u>-</u>	<u>(1,576,596)</u>	<u>-</u>	<u>(1,576,596)</u>	<u>(1,576,596)</u>
Loss and total comprehensive expense for the period	<u>-</u>	<u>-</u>	<u>(1,576,596)</u>	<u>(4,459,185)</u>	<u>(6,035,781)</u>	<u>(6,035,781)</u>
Issue of new shares by way of share placing	26,500,000	72,440,000	-	-	72,440,000	98,940,000
Transaction costs attributable to issue of new shares	<u>-</u>	<u>(2,473,500)</u>	<u>-</u>	<u>-</u>	<u>(2,473,500)</u>	<u>(2,473,500)</u>
Balance as at 31 December 2013 (Unaudited)	<u>259,625,117</u>	<u>373,744,598</u>	<u>(1,805,289)</u>	<u>(68,523,145)</u>	<u>303,416,164</u>	<u>563,041,281</u>

For the six months ended 31 December 2012

	Reserves							Total HK\$
	Share capital HK\$	Share premium HK\$	Share options reserve HK\$	Property revaluation reserve HK\$	Convertible note equity reserve HK\$	Accumulated losses HK\$	Sub-total of reserves HK\$	
Balance as at 1 July 2012 (Audited)	<u>83,125,117</u>	<u>305,759,278</u>	<u>837,295</u>	<u>221,726</u>	<u>-</u>	<u>(76,805,646)</u>	<u>230,012,653</u>	<u>313,137,770</u>
Profit and total comprehensive income for the period	-	-	-	-	-	122,904	122,904	122,904
Issue of new shares by way of placing	50,000,000	-	-	-	-	-	-	50,000,000
Transaction costs attributable to issue of new shares	-	(1,876,250)	-	-	-	-	(1,876,250)	(1,876,250)
Disposal of subsidiaries	-	-	-	(221,726)	-	-	(221,726)	(221,726)
Recognition of equity component of convertible note	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,048,007</u>	<u>-</u>	<u>45,048,007</u>	<u>45,048,007</u>
Balance as at 31 December 2012 (Unaudited)	<u>133,125,117</u>	<u>303,883,028</u>	<u>837,295</u>	<u>-</u>	<u>45,048,007</u>	<u>(76,682,742)</u>	<u>273,085,588</u>	<u>406,210,705</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash (used in)/generated from operating activities	(45,813,899)	4,909,206
Net cash used in investing activities	(83,178,653)	(24,763,510)
Net cash generated from financing activities	<u>96,466,500</u>	<u>144,497,499</u>
Net (decrease)/increase in cash and cash equivalents	(32,526,052)	124,643,195
Cash and cash equivalents at beginning of period	<u>120,983,545</u>	<u>32,846,867</u>
Cash and cash equivalents at end of period	<u><u>88,457,493</u></u>	<u><u>157,490,062</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	88,457,493	12,700,474
Fixed deposits placed with a security broker	<u>–</u>	<u>144,789,588</u>
	<u><u>88,457,493</u></u>	<u><u>157,490,062</u></u>

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 manufacturing and sale of pharmaceutical products, provision of advertising and public relations services, processing and trading of fluorite products and investment holding.

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 2013 (the “Annual Report 2013”), 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 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

Other than as noted below, the adoption of these new/revised HKFRSs did not change the Group’s accounting policies as followed in the preparation of the Annual Report 2013.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, “Consolidated and separate financial statements” relating to the preparation of consolidated financial statements and HK-SIC 12 “Consolidation — Special purpose entities”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or right to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013. Accordingly, the new accounting policy does not have any material impact on the financial position and the financial result of the Group.

The Group has not early adopted any new and 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 the new and revised HKFRS but is not yet in a position to reasonably estimate whether the new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.

3. REVENUE

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

	Three months ended		Six months ended	
	31 December		31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Continuing operations				
Manufacturing and sale of pharmaceutical products	996,357	5,671,329	5,044,185	11,618,139
Provision of advertising and public relations services	10,634,289	4,864,385	16,972,575	10,085,575
Processing and trading of fluorite products	6,064,968	—	8,884,153	—
	<u>17,695,614</u>	<u>10,535,714</u>	<u>30,900,913</u>	<u>21,703,714</u>

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker 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”:

- Manufacturing and sale of pharmaceutical products
- Provision of advertising and public relations services
- Processing and trading of fluorite products

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 2013

	Manufacturing and sale of pharmaceutical products (Unaudited) HK\$	Provision of advertising and public relations services (Unaudited) HK\$	Processing and trading of fluorite products (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue	<u>5,044,185</u>	<u>16,972,575</u>	<u>8,884,153</u>	<u>30,900,913</u>
Segment results	<u>(5,820,396)</u>	<u>3,825,397</u>	<u>(8,046,292)</u>	(10,041,291)
Other income				1,369,575
Central administration costs				(9,435,537)
Gain arising on change in fair value of held-for-trading investments				4,695,040
Share of results of an associate				9,063,913
Gain on disposal of subsidiaries				<u>521,078</u>
Loss before tax				(3,827,222)
Income tax expense				<u>(631,963)</u>
Loss for the period				<u>(4,459,185)</u>

For the six months ended 31 December 2012

	Manufacturing and sale of pharmaceutical products (Unaudited) HK\$	Provision of advertising and public relations services (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue	<u>11,618,139</u>	<u>10,085,575</u>	<u>21,703,714</u>
Segment results	<u>(3,267,139)</u>	<u>1,126,176</u>	(2,140,963)
Other income			802,127
Central administration costs			(6,285,636)
Gain arising on change in fair value of held-for-trading investments			3,460,750
Loss arising on change in fair value of early redemption option embedded in convertible note issued by the Company			(3,406,000)
Finance cost			(680,401)
Share of results of an associate			<u>12,098</u>
Loss before tax			(8,238,025)
Income tax expense			<u>(185,819)</u>
Loss for the period			<u>(8,423,844)</u>

5. OTHER INCOME

Continuing operations

	Three months ended 31 December		Six months ended 31 December	
	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$
Interest income	950,232	422,274	1,386,142	783,152
Dividend income from listed investments	–	18,975	–	18,975
Sundry income	5,905	543	978,905	42,219
	<u>956,137</u>	<u>441,792</u>	<u>2,365,047</u>	<u>844,346</u>

6. PROFIT/(LOSS) BEFORE TAX

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

Continuing operations

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Depreciation of property, plant and equipment	441,336	362,701	1,170,836	721,321
Cost of inventories expensed	<u>7,044,345</u>	<u>2,450,280</u>	<u>12,655,847</u>	<u>5,010,900</u>

7. FINANCE COST

Continuing operations

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Effective interest of convertible note issued by the Company	<u>-</u>	<u>680,401</u>	<u>-</u>	<u>680,401</u>

8. INCOME TAX EXPENSE

Continuing operations

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Hong Kong profits tax expense	<u>(505,567)</u>	<u>(176,470)</u>	<u>(631,963)</u>	<u>(185,819)</u>

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

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

There was no material unprovided deferred taxation for the three months and six months ended 31 December 2013 (2012: Nil).

9. DISPOSAL OF SUBSIDIARIES

Disposal of Kingston Group Holdings Limited

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

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

10. DISCONTINUED OPERATION

Disposal of Million Worldwide Investment Limited

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

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

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
(Loss)/profit for the period from discontinued operation				
Revenue	–	1,033,175	–	2,520,283
Cost of services provided	–	(59,957)	–	(148,386)
Other income	–	681	–	41,668
Administrative expenses	–	(792,977)	–	(1,827,539)
Other operating expenses	–	(219,172)	–	(568,487)
Gain arising on change in fair value of investment properties	–	–	–	8,650,000
(Loss)/profit before tax	–	(38,250)	–	8,667,539
Income tax expense	–	–	–	(120,791)
(Loss)/profit for the period from discontinued operation	<u>–</u>	<u>(38,250)</u>	<u>–</u>	<u>8,546,748</u>

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Profit for the period from discontinued operation has been arrived at after charging:				
Depreciation of property, plant and equipment	<u>-</u>	<u>18,161</u>	<u>-</u>	<u>45,402</u>

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Cash flows from discontinued operation		
Net cash used in operating activities	-	(4,509,367)
Net cash generated from investing activities	-	1
Net cash generated from financing activities	<u>-</u>	<u>5,473,515</u>
Net cash inflows for the period from discontinued operation	<u>-</u>	<u>964,149</u>

11. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2013 (2012: Nil).

12. EARNINGS/(LOSS) PER SHARE

	Three months ended 31 December 2013 (Unaudited) HK\$		Six months ended 31 December 2013 (Unaudited) HK\$	
		2012 (Unaudited) HK\$		2012 (Unaudited) HK\$
From continuing and discontinued operations				
Profit/(loss) and total comprehensive (expense)/ income for the period attributable to owners of the Company	648,007	(6,947,918)	(6,035,781)	122,904
Weighted average number of shares in issue	4,969,676,251	1,977,719,729	4,816,089,295	1,820,111,034
Basic and diluted (HK cents per share)	0.01	(0.35)	(0.13)	0.01

From continuing operations

Profit/(loss) for the period from continuing operations	648,007	(6,909,668)	(6,035,781)	(8,423,844)
Weighted average number of shares in issue	4,969,676,251	1,977,719,729	4,816,089,295	1,820,111,034
Basic and diluted (HK cents per share)	0.01	(0.35)	(0.13)	(0.46)

For the three months and six months ended 31 December 2013 and 2012, the computation of diluted earnings/(loss) per share from continuing operations and from continuing and discontinued operations did not consider the impact of the potential ordinary shares as the exercise price of the Company's outstanding share options was higher than the average market share price of the Company for the relevant periods and the conversion of the Company's outstanding convertible note would result in an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

13. GOODWILL

	Cost HK\$	Impairment HK\$	Carrying amounts HK\$
Acquisition of Island Kingdom Company Limited and its subsidiaries	7,125,121	(7,125,121)	—
Acquisition of PR Asia Consultants Limited	26,261,838	(9,200,000)	17,061,838
Acquisition of Sino-Mongolia Fluorspar Mining Co. Ltd.	33,140,884	—	33,140,884
Balances as at 30 June 2013 (Audited) and 31 December 2013 (Unaudited)	<u>66,527,843</u>	<u>(16,325,121)</u>	<u>50,202,722</u>

14. TRADE AND OTHER RECEIVABLES

	As at 31 December 2013 (Unaudited) HK\$	As at 30 June 2013 (Audited) HK\$
Trade receivables	17,606,363	5,029,881
Receivables arising from dealing in listed securities	664,733	3,362,979
Deposit paid in respect of a proposed acquisition	–	32,500,000
Other deposits paid	5,043,190	2,289,980
Prepayments	6,591,737	7,476,851
Loan receivables	33,283,583	21,324,918
Other receivables	15,126,414	1,198,063
	<u>78,316,020</u>	<u>73,182,672</u>

The Group grants a credit period ranging from 30 to 90 days to its customers. The following is an aged analysis of trade receivables, presented based on the invoice date:

	As at 31 December 2013 (Unaudited) HK\$	As at 30 June 2013 (Audited) HK\$
0 – 30 days	2,357,858	3,027,360
31 – 60 days	2,778,165	958,421
61 – 90 days	3,992,591	222,351
Over 90 days	8,477,749	821,749
	<u>17,606,363</u>	<u>5,029,881</u>

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due as at 31 December 2013 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.

Aging of past due but not impaired

	As at 31 December 2013 (Unaudited) HK\$	As at 30 June 2013 (Audited) HK\$
Up to 90 days	6,681,606	872,752
91 – 180 days	2,077,907	633,475
Over 180 days	485,715	740,617
	<u>9,245,228</u>	<u>2,246,844</u>

15. TRADE AND OTHER PAYABLES

	As at 31 December 2013 (Unaudited) HK\$	As at 30 June 2013 (Audited) HK\$
Trade payables	1,266,521	2,124,695
Other payables and accruals	3,220,951	4,002,831
	<u>4,487,472</u>	<u>6,127,526</u>

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:

	As at 31 December 2013 (Unaudited) HK\$	As at 30 June 2013 (Audited) HK\$
0 – 30 days	491,195	1,289,141
31 – 60 days	242,255	393,093
61 – 90 days	366	17,455
Over 90 days	532,705	425,006
	<u>1,266,521</u>	<u>2,124,695</u>

16. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the six months ended 31 December 2013 (the “Period”), the Group recorded revenue from continuing operations of approximately HK\$30,901,000 (2012: HK\$21,704,000), representing an increase of 42.4% as compared with that of the corresponding period in 2012. The increase in revenue was mainly due to the consolidation of the results of the fluorite processing and trading business in the Group’s account upon its completion of acquisition in July 2013. The gross profit from continuing operations for the Period was approximately HK\$8,924,000 (2012: HK\$8,434,000), representing an increase of 5.8% as compared with that of the corresponding period last year.

Loss attributable to owners of the Company for the Period was approximately HK\$6,036,000 (2012: profit of approximately HK\$123,000). The loss for the Period was mainly due to the increase of approximately HK\$13,083,000 in administrative and other operating expenses as compared to the corresponding period last year.

Advertising and Public Relations Business

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

For the Period, the Group’s provision of advertising and public relations services recorded a revenue of approximately HK\$16,973,000, which accounted for 54.9% of the Group’s total revenue.

Investment in Held-for-trading Security

The Company had held-for-trading investment in a listed security in Hong Kong, the market value amounted to approximately HK\$17,900,000 as at 31 December 2013. During the Period, a gain of approximately HK\$4,695,000 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.

Manufacturing and Selling Pharmaceutical Products Business

Nowadays with the pursuit of healthy living and increases in Hong Kong’s senior population, the demand for pharmaceutical products is growing rapidly. However, the pharmaceutical industry in Hong Kong continues to be very challenging. In view of the unsatisfactory loss-making results of the market in previous years, the Group has disposed Kingston Group Holdings Limited and its subsidiaries, which principally engaged in marketing and sale of health supplements, traditional Chinese medicines, slimming pills and beauty products. During the Period, the Group’s manufacturing and sales of pharmaceutical products recorded a revenue of approximately HK\$5,044,000, which accounted for 16.3% of the Group’s total revenue.

Fluorite Processing and Trading Business

On 31 July 2013, the Group completed the acquisition of a fluorite processing and trading business located in Outer Mongolia, Sino-Mongolia Fluorspar Mining Co., Ltd. From the completion date to the period ended 31 December 2013, the Group's fluorite processing and trading business recorded a revenue of approximately HK\$8,884,000, which accounted for 28.8% of the Group's total revenue.

Fluorite, also known as fluorspar, is a kind of ore mainly comprising calcium fluoride (CaF₂), which is a basic raw material for downstream metallurgical, fluorine chemical and other industries. The recoverable reserve of fluorite in Mongolia ranks number 4 in the world. The entering into the fluorite processing and trading business will allow the Group to explore fluorite and other nature resources in Mongolia. The management is planning to conduct the exploration and exploitation works for one of the fluorite mines owned by the Group in the coming periods. Due to the scarcity of fluorite in the world and its multi applications in various industries, the management is confident the fluorite processing and trading business will be benefit to the Group in the long run.

Outlook

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

Liquidity and financial resources

As at 31 December 2013, the Group held cash and cash equivalents of approximately HK\$88,457,000 (30 June 2013: HK\$120,984,000). Net current assets amounted to approximately HK\$194,836,000 (30 June 2013: HK\$206,629,000).

As at 31 December 2013, the current ratio (defined as total current assets divided by total current liabilities) was approximately 44.42 times (30 June 2013: 34.72 times). The gearing ratio, being the ratio of total liabilities to total assets, was approximately 0.01 (30 June 2013: 0.01).

The Group had no any bank borrowing as at 31 December 2013 (30 June 2013: Nil).

Capital structure

As at 31 December 2013, total equity attributable to owners of the Company was approximately HK\$563,041,000 (30 June 2013: HK\$472,611,000).

Placing of New Shares Under General Mandate

On 27 September 2013, the Company entered into the placing agreement with Get Nice Securities Limited (the "Placing Agent") to place an aggregate of 300,000,000 shares of HK\$0.05 each at a price of HK\$0.178 per placing share. The aggregate net proceeds was approximately HK\$52,065,000. The issuance of the placing shares had been completed on 31 October 2013.

On 5 November 2013, the Company entered into another placing agreement with the Placing Agent to place an aggregate of 230,000,000 shares of HK\$0.05 each at a price of HK\$0.198 per placing share. The aggregate net proceeds was approximately HK\$44,402,000. The issuance of the placing shares had been completed on 20 November 2013.

As at 30 December 2013, the issued share capital of the Company was 5,192,502,338 shares.

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.

Significant Investments, Acquisitions and Disposals

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

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

(b) Memorandum of Understanding relating to Possible Connected Acquisition

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

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

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

(c) Disposal of Kingston Group Holdings Limited

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

(d) Acquisition of World Sheen International Group Limited

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

Capital Commitment

As at 31 December 2013, the Group had no significant capital commitment.

Pledge of Assets

As at 31 December 2013, none of the assets of the Group were pledged as security for any banking facilities.

Employee Information

As at 31 December 2013, there were 107 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 2013, 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 2013, 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 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2013, so far as is known to the Directors and the chief executive of the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or who was directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group, were as follows:

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

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

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

Save as disclosed above, as at 31 December 2013, so far as is known to the Directors and the chief executive of the Company, and based on the public records filed on the website of the Stock Exchange and records kept by the Company, no other person or corporation has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Share Options

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

As at 31 December 2013, there was no outstanding share options available to subscribe for shares of the Company under the Share Option Scheme. No share options was granted, exercised, cancelled or lapsed during the Period.

Directors’ Rights to Acquire Shares or Debentures

Save as disclosed under the heading “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” and “Share options” in this announcement, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Competing Interests

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

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

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

Compliance with Code of Conduct for Securities Transactions by Directors

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

Code on Corporate Governance Practices

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

Audit Committee

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

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

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

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

Hong Kong, 7 February 2014

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at <http://www.chinanatural.com.hk>.