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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2011

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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 year ended 30 June 2011:

- The Group recorded revenue of approximately HK$41,903,000 (2010: HK$4,704,000).

- Loss attributable to owners of the Company amounted to approximately HK$4,443,000 (2010: HK$1,456,000). The loss was mainly due to the impairment losses recognized in respect of goodwill which arose from the acquisition of the Island Kingdom Group. The aforesaid impairment losses are non-cash in nature and do not have any cash flow impact on the Group.

As at 30 June 2011:

- The Group had cash and bank balances of approximately HK$68,900,000 (2010: HK$42,973,000). Net current assets amounted to approximately HK$109,698,000 (2010: HK$84,745,000).

- Current ratio (defined as total current assets divided by total current liabilities) was approximately 8.37 times (2010: 71.78 times). Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.06 (2010: 0.01).

The Board does not recommend the payment of final dividend.

FINANCIAL RESULTS

The board of Directors (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2011 together with the comparative figures for the year ended 30 June 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Notes	**Year ended 30 June 2011** ***HK$***	Year ended 30 June 2010 *HK$* (restated)
Revenue	*4*	**41,903,291**	4,704,192
Cost of sales and services provided		**(22,776,507)**	(2,280,095)
Gross profit		**19,126,784**	2,424,097
Other income	*6*	**156,885**	435,624
Selling and distribution expenses		**(5,155,505)**	–
Administrative expenses		**(20,629,730)**	(12,135,193)
Finance costs	*7*	**–**	(331,041)
Other operating expenses		**(5,257,483)**	(16,752,288)
Gain arising on change in fair value of financial assets classified as held for trading		**7,148,609**	22,238,798
Gain on disposal of subsidiaries		**–**	3,010,697
Gain arising on change in fair value of investment properties		**10,890,567**	16,950
Impairment losses recognized in respect of goodwill		**(7,125,121)**	–
Loss before tax		**(844,994)**	(1,092,356)
Income tax expense	*8*	**(3,598,439)**	(363,649)
Loss and total comprehensive expense for the year attributable to owners of the Company	*9*	**(4,443,433)**	(1,456,005)
Dividends	*10*	**–**	–
Loss per share	*11*		
Basic (HK cents per share)		**(0.7)**	(0.7)
Diluted (HK cents per share)		**N/A**	(0.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**As at 30 June 2011 HK$**	As at 30 June 2010 HK$ (restated)	As at 1 July 2009 HK$ (restated)
Non-current assets				
Property, plant and equipment		**7,440,295**	5,762,087	1,907,730
Investment properties		**149,240,000**	55,800,000	–
Goodwill		**26,261,838**	–	–
		182,942,133	61,562,087	1,907,730
Current assets				
Trade and other receivables	*12*	**20,261,683**	4,425,542	11,467,771
Held-for-trading investments		**30,086,292**	38,543,793	25,436,887
Inventories		**5,335,280**	–	–
Cash and bank balances		**68,900,061**	42,972,539	52,926,051
		124,583,316	85,941,874	89,830,709
Current liabilities				
Trade and other payables	*13*	**13,325,753**	1,197,353	1,883,786
Tax payable		**1,559,761**	–	–
		14,885,514	1,197,353	1,883,786
Net current assets		**109,697,802**	84,744,521	87,946,923
Total assets less current liabilities		**292,639,935**	146,306,608	89,854,653
Non-current liabilities				
Deferred tax liabilities		**3,325,348**	363,649	–
Net assets		**289,314,587**	145,942,959	89,854,653
Capital and reserves				
Share capital		**55,416,745**	12,961,745	8,836,745
Reserves		**233,897,842**	132,981,214	81,017,908
Total equity attributable to owners of the Company		**289,314,587**	145,942,959	89,854,653

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Share capital *HK$*	Share premium *HK$*	Share options reserve *HK$*	Accumulated losses *HK$*	Total equity attributable to owners of the Company *HK$*
Balance as at 1 July 2009	8,836,745	143,110,423	837,295	(62,929,810)	89,854,653
Loss and total comprehensive expense for the year	–	–	–	(1,456,005)	(1,456,005)
Issue of shares by way of placements	3,700,000	34,970,918	–	–	38,670,918
Issue of shares upon exercise of share options	425,000	9,350,000	–	–	9,775,000
Recognition of equity-settled share-based payments	–	–	9,098,393	–	9,098,393
Transfer of reserve upon exercise of share options	–	3,543,645	(3,543,645)	–	–
Balance as at 30 June 2010 and 1 July 2010	**12,961,745**	**190,974,986**	**6,392,043**	**(64,385,815)**	**145,942,959**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(4,443,433)**	**(4,443,433)**
Issue of shares by way of placements	**42,455,000**	**105,360,061**	**–**	**–**	**147,815,061**
Transfer of reserve upon lapse of share options	**–**	**–**	**(5,554,748)**	**5,554,748**	**–**
Balance as at 30 June 2011	**55,416,745**	**296,335,047**	**837,295**	**(63,274,500)**	**289,314,587**

NOTES TO THE 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's head office and principal place of business in Hong Kong is Unit 1101-2, 11th Floor, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong. Its registered office in the Cayman Islands is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products, provision of advertising and public relations services, research and development, property investment and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised standards and interpretations issued by the HKICPA ("new and revised HKFRSs") have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements. The impact of the application of the new and revised HKFRSs is discussed below.

HKFRSs (Amendment)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendment)	Amendments to HKFRS 5 as part of Improvements to HKFRS 2008
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised in 2008)	Business Combinations
HKAS 17 (Amendment)	Leases
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK-Int 5	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 July 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$4,928,583 as at 30 June 2010 being reclassified to property, plant and equipment.

As at 1 July 2009, the Group did not have any leasehold land that qualifies for finance lease. The application of the amendments to HKAS 17 has had no impact on the reported loss for the current and prior years.

The effects of the above changes in accounting policies are as follows:

	As at 30 June 2011 *HK$*	As at 30 June 2010 *HK$*
Consolidated statement of financial position		
Increase in property, plant and equipment	**668,583**	4,928,583
Decrease in prepaid lease payments	**(668,583)**	(4,928,583)
	–	–

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Consolidated statement of comprehensive income		
Decrease in amortization of prepaid lease payment	**230,750**	41,417
Increase in depreciation of property, plant and equipment	**(230,750)**	(41,417)
	–	–

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendment)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (Revised in 2011)	Employee Benefits[6]
HKAS 24 (Revised in 2009)	Related Party Disclosures[3]
HKAS 27 (Revised in 2011)	Separate Financial Statements[6]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[6]
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of the new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**27,324,327**	3,325,835
Provision of advertising and public relations services	**11,010,741**	620,074
Rental income	**3,568,223**	758,283
	41,903,291	4,704,192

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of allocating resources to segments and assessing their performance. For the purpose of financial reporting, the results of provision of diagnostic testing and healthcare services, and sales of health food and pharmaceutical products were grouped into a single segment. The Group has identified the following four operating and reportable segments under HKFRS 8 Operating Segments:

- Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products
- Provision of advertising and public relations services
- Property investment
- Research and development

Segment revenues and results

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

	Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	Provision of advertising and public relations services	Property investment	Research and development	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 30 June 2011					
Segment revenue	**27,324,327**	**11,010,741**	**3,568,223**	**–**	**41,903,291**
Segment results	**(15,789,666)**	**1,633,200**	**13,302,743**	**(10,070)**	**(863,793)**
Other income					**156,885**
Gain arising on change in fair value of financial assets classified as held for trading					**7,148,609**
Central administration costs					**(7,286,695)**
Loss before tax					**(844,994)**
Year ended 30 June 2010					
Segment revenue	3,325,835	620,074	758,283	–	4,704,192
Segment results	(20,661,062)	(419,669)	(1,636,530)	(9,507)	(22,726,768)
Other income					435,624
Gain arising on change in fair value of financial assets classified as held for trading					22,238,798
Gain on disposal of subsidiaries					3,010,697
Central administration costs					(3,719,666)
Finance costs					(331,041)
Loss before tax					(1,092,356)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2010: Nil).

Segment results represent the profit/(loss) earned or incurred by each segment without allocation of central administration costs, other income, gain arising on change in fair value of financial assets classified as held for trading, gain on disposal of subsidiaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	As at 30 June 2011 *HK$*	As at 30 June 2010 *HK$*
Segment assets		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**52,800,745**	11,914,186
Provision of advertising and public relations services	**44,619,509**	1,374,711
Property investment	**149,475,609**	56,055,268
Research and development	**12,735**	15,806
Total segment assets	**246,908,598**	69,359,971
Unallocated assets	**60,616,851**	78,143,990
Consolidated assets	**307,525,449**	147,503,961
Segment liabilities		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**8,437,067**	292,912
Provision of advertising and public relations services	**2,368,963**	344,595
Property investment	**1,772,032**	181,200
Total segment liabilities	**12,578,062**	818,707
Unallocated liabilities	**5,632,800**	742,295
Consolidated liabilities	**18,210,862**	1,561,002

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets other than unallocated assets (mainly comprising held-for-trading investments and certain cash and bank balances) are allocated to reportable segments; and

- all liabilities other than unallocated liabilities (mainly comprising deferred tax liabilities) are allocated to reportable segments.

Other segment information

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$* (Restated)
Depreciation		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**1,201,321**	653,271
Provision of advertising and public relations services	**141,903**	107,784
Unallocated depreciation	**31,896**	–
Total	**1,375,120**	761,055
Additions to non-current assets		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**11,772,659**	5,351,043
Provision of advertising and public relations services	**28,057,650**	47,400
Property investment	**78,252,647**	55,783,050
Unallocated non-current assets	**960,231**	–
Total	**119,043,187**	61,181,493
Impairment losses recognized in respect of goodwill		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**7,125,121**	–

Geographical information

Substantially all of the Group's revenue from external customers and non-current assets are located in Hong Kong.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Customer A[1]	**N/A[2]**	972,700
Customer B[1]	**N/A[2]**	618,050

[1] Revenue from provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products

[2] The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year

6. OTHER INCOME

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Interest income from bank deposits	**52,401**	12,258
Other interest income	**11,302**	258,228
Dividend income from listed investments	**39,360**	28,400
Sundry income	**53,822**	136,738
	156,885	435,624

7. FINANCE COSTS

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Interest on borrowings wholly repayable within five years	**–**	331,041

8. INCOME TAX EXPENSE

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Current tax:		
Hong Kong Profits Tax	**636,740**	–
Deferred tax		
Current year	**2,961,699**	363,649
	3,598,439	363,649

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Loss before tax	**(844,994)**	(1,092,356)
Tax at Hong Kong Profits Tax rate of 16.5%	**(139,424)**	(180,239)
Tax effect of expenses not deductible for tax purpose	**2,947,060**	2,519,953
Tax effect of income not taxable for tax purpose	**(2,050,867)**	(103,027)
Tax effect of temporary differences not recognized	**2,677,631**	–
Utilization of tax losses previously not recognized	**(685,368)**	(2,171,348)
Tax effect of tax losses not recognized	**849,407**	298,310
Income tax expense for the year	**3,598,439**	363,649

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$* (restated)
Gross rental income from investment properties	**(3,568,223)**	(758,283)
Less: Direct operating expenses	**252,374**	61,780
	(3,315,849)	(696,503)
Employee benefits expense:		
Directors' emoluments	**1,259,286**	5,185,117
Other staff's salaries and allowances	**15,739,162**	1,326,934
Other staff's retirement scheme contributions	**555,326**	40,668
Other staff's share-based payments	**–**	555,475
Other staff's welfare	**71,480**	8,238
Total employee benefits expense	**17,625,254**	7,116,432

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$* (restated)
Total equity-settled share-based payments recognized in profit or loss	**–**	9,098,393
Operating lease rentals in respect of rented premises	**1,561,611**	234,832
Depreciation of property, plant and equipment	**1,375,120**	761,055
Auditors' remuneration	**480,000**	275,000
Write off of property, plant and equipment (included in "other operating expenses")	**53,467**	740,372
Write-off of inventories (included in "cost of sales and services provided")	**482,529**	–
Gain on disposal of subsidiaries	**–**	(3,010,697)
Impairment of other receivables	**–**	11,358
Impairment losses recognized in respect of goodwill	**7,125,121**	–

10. DIVIDENDS

No dividend has been paid or declared by the Company for the year (2010: Nil).

11. LOSS PER SHARE

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

	Year ended 30 June 2011 *HK$*	Year ended 30 June 2010 *HK$*
Loss		
Loss for the purpose of basic and diluted loss per share (Loss attributable to owners of the Company)	**(4,443,433)**	(1,456,005)

	Year ended 30 June 2011 *Number of shares*	Year ended 30 June 2010 *Number of shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**652,740,919**	214,928,317
Effect of dilutive potential ordinary shares: Share options issued by the Company	**–**	4,297
Weighted average number of ordinary shares for the purpose of diluted loss per share	**652,740,919**	214,932,614

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2011 *HK$*	As at 30 June 2010 *HK$*
Trade receivables	**8,318,655**	520,194
Receivables arising from dealing in listed securities	**13,932**	3,101,585
Deposits paid	**9,365,976**	29,531
Prepayments	**501,912**	258,349
Other receivables	**2,061,208**	515,883
	20,261,683	4,425,542

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 30 June 2011 *HK$*	As at 30 June 2010 *HK$*
0 – 30 days	**3,745,732**	246,977
31 – 60 days	**2,263,530**	47,320
61 – 90 days	**868,409**	31,325
Over 90 days	**1,440,984**	194,572
	8,318,655	520,194

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period 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.

Ageing of past due but not impaired

	As at 30 June 2011 *HK$*	As at 30 June 2010 *HK$*
Up to 90 days	**3,218,430**	78,645
91 – 180 days	**611,973**	970
Over 180 days	**742,520**	193,602
	4,572,923	273,217

13. TRADE AND OTHER PAYABLES

	As at 30 June 2011 *HK$*	As at 30 June 2010 *HK$*
Trade payables	**3,334,714**	71,855
Other payables and accruals	**8,858,889**	956,998
Rental deposits received	**1,132,150**	168,500
	13,325,753	1,197,353

The following is an aged analysis of trade payables based on the invoice date:

	As at 30 June 2011 *HK$*	As at 30 June 2010 *HK$*
0 – 30 days	**2,777,856**	66,393
31 – 60 days	**422,808**	–
61 – 90 days	**4,038**	–
Over 90 days	**130,012**	5,462
	3,334,714	71,855

The average credit period on purchase of certain goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

BUSINESS REVIEW

Pleasant financial results were driven by a full year of active financial planning and strategic management. In light of the improving economy, the Group has made use of this opportunity to broaden its business scope by acquiring well-established companies and properties in the prime locations that will bring high returns to our shareholders.

Manufacturing and Sale of Pharmaceutical Products Business

In recent years, the demand for pharmaceutical products and health supplements keeps surging. In view of that, the Group took a large step forward to re-enter the local healthcare and pharmaceutical markets by acquiring Island Kingdom Company Limited and its subsidiaries (the "Island Kingdom Group") which operate a Good Manufacturing Practice certified factory in Hong Kong. The Island Kingdom Group mainly manufactures and supplies western pharmaceutical products such as remedies for cold and flu, cough, fever and skin infection to doctors and the Hospital Authority in Hong Kong. The Island Kingdom Group also engages in the marketing and sale of health supplements. During the year ended 30 June 2011 (the "Year"), the manufacturing and sale of pharmaceutical products business recorded revenue of approximately HK$24,888,000, accounted for 59.39% of the Group's total revenue.

With this acquisition, the Group can benefit from participating in an all-rounded process in the pharmaceutical industry. Nevertheless, the Group has foreseen the challenges to be faced ahead with respect to the new licensing requirement and will review the development strategy in this segment from time to time.

Remarkable Results from Investments Segment

1) Property Market Investment

Taking advantage of the prospering property market, the Group has been actively participating in building its property investment portfolio for the Year. In addition, the renewal of rental contracts with increased rents contributed higher return on investment. For the Year, the rental income generated by the investment properties is approximately HK$3,568,000.

In September 2010, the Group announced the acquisition of the public carpark nos. P101-P150 together with the shroff's office on 1st Floor, Citimark, No.28 Yuen Shun Circuit, Shatin, New Territories, Hong Kong for HK$17,300,000. In the first quarter of 2011, the Group acquired a property for commercial use which is located at Shop No. 21, Ground Floor, Grandway Garden, No.16 Mei Tin Road and Nos.15 and 35 Tsuen Nam Road, Shatin, New Territories, Hong Kong at a consideration of HK$40,427,000. Most recently, in June 2011, the Group announced its acquisition of a property for commercial use located at Flat K, 9th Floor, Champion Building, Nos.301-309 Nathan Road, Kowloon, Hong Kong at a consideration of HK$15,500,000. These investments are expected to deliver stable rental income and bring valuation gains for the Group.

2) *Asset Investment-Related Business*

To fully utilize our resources as well as diversifying our investment portfolio, the Group also invests in listed and unlisted securities in Hong Kong. With our professional investment team and prudent investment strategy, the Group recorded a gain arising on change in fair value of financial assets of approximately HK$7,149,000.

Strengthening of Advertising and Public Relations Business

With the booming economy in both Hong Kong and the People's Republic of China, there is a growing demand for public relations services. In January 2011, the Group acquired PR ASIA Consultants Limited ("PR ASIA"), a Hong Kong-based public relations company focusing on financial communications. Since its establishment in 2001, PR ASIA has been providing strategic consulting services in corporate communications, media relations, investor relations, issue/crisis management, media training and event management to different clients including Hong Kong listed companies, private banks, quasi-government bodies and multinational corporations headquartered in major cities around the world. On the strength of its good reputation and rich experience, the Group is confident that PR ASIA would gain the momentum to expand its market share in the near future and generate pleasing results for our shareholders. For the Year, the Group's provision of advertising and public relations business achieved revenue of approximately HK$11,011,000, accounted for 26.28% of the Group's total revenue.

OUTLOOK

Looking forward, in view of the recent economic fluctuation, the Group will maintain its prudent and diversifying investment strategy in order to protect the interests of our shareholders. Along with a team of sophisticated management professionals, the Group will continue to seek new investment opportunities in various fields and strive to enhance our current investment portfolio by identifying potential business opportunities so as to generate great returns for the Group.

The acquisition of PR ASIA represents a strategic opportunity to strengthen our presence in the advertising and public relations field. Hong Kong is keeping abreast with the international finance affairs and the attraction of substantial global investment. This advantage will further fuel the demand for the finance consultation services in the years ahead. We expect the growth to be driven by leveraging the professional services to the customers in the active corporate finance activities and IPO projects in Hong Kong.

FINANCIAL REVIEW

For the Year, the Group recorded revenue of approximately HK$41,903,000, representing an increase of 790.76% compared with the previous year.

Gross profit for the Year was approximately HK$19,127,000, representing an increase of 689.03% compared with the previous year.

Basic loss per share was HK0.7 cents (2010: HK0.7 cents).

Loss attributable to owners of the Company for the Year was approximately HK$4,443,000 (2010: HK$1,456,000). The loss was mainly due to the impairment losses recognized in respect of goodwill which arose from the acquisition of the Island Kingdom Group during the Year. Nevertheless, the aforesaid impairment losses are non-cash in nature and do not have any cash flow impact on the Group.

The Board does not recommend the payment of final dividend for the Year.

REVIEW OF OPERATIONS

During the Year, the Group acquired two groups of companies whose principal activities are (i) manufacturing and sale of pharmaceutical products and (ii) provision of advertising and public relations services respectively. Revenue from manufacturing and sale of pharmaceutical products, and provision of advertising and public relations services for the Year were approximately HK$24,888,000 and HK$11,011,000 respectively.

For the Year, the property and asset investments markets enjoyed strong growth. The Group recorded rental income generated by the investment properties of approximately HK$3,568,000 and enjoyed valuation gains from the investment properties of approximately HK$10,891,000.

The Group recorded a gain arising on change in fair value of financial assets classified as held for trading of approximately HK$7,149,000 for the Year.

The Group's revenue represents revenue arising on three main segments of business, namely (i) provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products; (ii) provision of advertising and public relations services; and (iii) property and asset investment. Riding on the steady economic growth in Hong Kong, provision of high quality products and services, together with the Group's vision on prudent business acquisition and strong investment portfolio management, we believe that the prudent investment strategy will create value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group held cash and bank balances of approximately HK$68,900,000 (2010: HK$42,973,000). Net current assets amounted to approximately HK$109,698,000 (2010: HK$84,745,000).

As at 30 June 2011, current ratio (defined as total current assets divided by total current liabilities) was 8.37 times (2010: 71.78 times). Gearing ratio, expressed as a percentage of total liabilities over total assets was approximately 0.06 (2010: 0.01).

The Group had no bank borrowing as at 30 June 2011 (2010: Nil).

CAPITAL STRUCTURE

As at 30 June 2011, total equity attributable to owners of the Company was approximately HK$289,315,000 (2010: HK$145,943,000).

On 20 April 2010, the Company entered into a placing agreement with a placing agent pursuant to which the Company conditionally agreed to place, through the placing agent and on a best effort basis, a maximum of 243,000,000 new shares at a placing price of HK$0.43 per share to not fewer than six independent placees under a specific mandate (the "SM Placing I"). On 7 July 2010, the Company entered into a supplemental placing agreement with the placing agent pursuant to which the placing price was revised to HK$0.22 per share. Details were disclosed in the announcements of the Company dated 20 April 2010 and 7 July 2010 respectively. The SM Placing I was completed on 17 September 2010.

On 24 November 2010, the Company entered into two placing agreements with a placing agent pursuant to which the Company conditionally agreed to place, through the placing agent and on a best effort basis, (i) a maximum of 100,400,000 new shares at a placing price of HK$0.165 per share to not fewer than six independent placees under a general mandate (the "GM Placing"); and (ii) a maximum of 505,700,000 new shares at a placing price of HK$0.165 per share to not fewer than six independent placees under a specific mandate (the "SM Placing II") respectively. Details were disclosed in the announcement of the Company dated 3 December 2010. The GM Placing and the SM Placing II were completed on 16 December 2010 and 16 March 2011 respectively.

For future expansion and development of the Group, the Board proposed an increase in the authorised share capital of the Company from HK$50,000,000 divided into 1,000,000,000 shares to HK$500,000,000 divided into 10,000,000,000 shares by creating additional 9,000,000,000 shares. Details were disclosed in the announcement of the Company dated 24 December 2010. Such increase in authorised share capital was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 January 2011.

EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars. It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimize currency risks. The Group had an insignificant exchange risk exposure since the principal businesses were conducted and recorded in Hong Kong dollars during the Year.

CAPITAL COMMITMENT

As at 30 June 2011, the Group had no significant capital commitment.

PLEDGE OF ASSETS

As at 30 June 2011, none of the assets of the Group were pledged as security for any banking facilities.

EMPLOYEE INFORMATION

As at 30 June 2011, there were 129 staff members (2010: 8) 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 30 June 2011, the Group had no significant contingent liabilities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company endeavours in maintaining good standard of corporate governance for the enhancement of shareholders' value. The Company has applied the principles of and complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules throughout the Year.

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 the 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 Year.

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 Year.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the Group completed the acquisition of an investment property from an independent third party at a cash consideration of HK$15,500,000 on 15 August 2011.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with specific terms of reference. The Remuneration Committee is mainly responsible for making recommendation to the Board on policies and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and accounts, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising 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. Chan Yip Man, Norman, Mr. Hui Sin Kwong and Mr. Leung Chi Kin. Mr. Chan Yip Man, Norman is the chairman of the Audit Committee since his appointment on 30 September 2009.

The Audit Committee held four meetings during the Year. One of the meetings was attended by the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns with the auditors.

The Audit Committee reviewed the Group's quarterly reports for the three months and nine months ended 30 September 2010 and 31 March 2011 respectively, interim report for the six months ended 31 December 2010 and the Group's audited annual results for the Year. The Audit Committee also made recommendations to the Board and the management in respect of the Group's financial reporting and internal control procedures.

By order of the Board
China Natural Investment Company Limited
Chow Kai Wah, Gary
Executive Director

Hong Kong, 22 September 2011

As at the date of this announcement, the executive Directors are Mr. U Man Iong, Mr. Li Wai Hung, Mr. Chow Kai Wah, Gary and Ms. Wu Mei Chu; and the independent non-executive Directors are Mr. Chan Yip Man, Norman, Mr. Hui Sin Kwong and Mr. Leung Chi Kin.