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 2012

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

*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 its publication and is available for reference on the website of the Company at http://www.chinanatural.com.hk.

FINANCIAL HIGHLIGHTS

For the year ended 30 June 2012:

- The Group recorded revenue of approximately HK$57,245,000 (2011: HK$41,903,000).

- Loss attributable to owners of the Company amounted to approximately HK$16,181,000 (2011: HK$1,907,000). Such loss was mainly due to losses arising on (i) change in fair value of held-for-trading investments; and (ii) increases in administrative and operating expenses of the Group.

As at 30 June 2012:

- The Group had bank balances and cash of approximately HK$32,847,000 (2011: HK$68,900,000). Net current assets amounted to approximately HK$103,314,000 (2011: HK$109,698,000).

- Current ratio (defined as total current assets divided by total current liabilities) was approximately 12.54 times (2011: 8.37 times). Gearing ratio (expressed as the ratio of total liabilities over total assets) was approximately 0.03 (2011: 0.05).

The Board does not recommend the payment of final dividend.

FINANCIAL RESULTS

The board of Directors (the "Board") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2012 together with the comparative figures for the year ended 30 June 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	**Year ended 30 June 2012** *HK$*	Year ended 30 June 2011 *HK$* (restated)
Revenue	*4*	**57,245,184**	41,903,291
Cost of sales and services provided		**(32,085,100)**	(22,776,507)
Gross profit		**25,160,084**	19,126,784
Other income	*6*	**1,615,396**	156,885
Selling and distribution expenses		**(6,888,529)**	(5,155,505)
Administrative expenses		**(34,236,269)**	(20,629,730)
Other operating expenses		**(6,126,074)**	(5,257,483)
(Loss)/gain arising on change in fair value of held-for-trading investments		**(13,361,417)**	7,148,609
Gain on disposal of subsidiaries		**727,801**	–
Gain arising on change in fair value of investment properties		**21,865,750**	10,890,567
Impairment losses recognised in respect of goodwill		**(4,000,000)**	(7,125,121)
Loss before tax		**(15,243,258)**	(844,994)
Income tax expense	*7*	**(938,015)**	(1,062,265)
Loss for the year	*8*	**(16,181,273)**	(1,907,259)
Other comprehensive income for the year			
Gain on revaluation of property upon transfer to investment property		**221,726**	–
Total comprehensive expense for the year		**(15,959,547)**	(1,907,259)
Loss per share	*10*		
Basic and diluted (HK cents per share)		**(1.3)**	(0.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 HK$	As at 30 June 2011 HK$ (restated)	As at 1 July 2010 HK$ (restated)
Non-current assets				
Property, plant and equipment		**5,420,227**	7,440,295	5,762,087
Investment properties		**183,300,000**	149,240,000	55,800,000
Goodwill		**22,261,838**	26,261,838	–
		210,982,065	182,942,133	61,562,087
Current assets				
Inventories		**6,515,295**	5,335,280	–
Trade and other receivables	*11*	**46,807,972**	20,261,683	4,425,542
Held-for-trading investments		**25,906,100**	30,086,292	38,543,793
Tax recoverable		**193,221**	–	–
Bank balances and cash		**32,846,867**	68,900,061	42,972,539
		112,269,455	124,583,316	85,941,874
Current liabilities				
Trade and other payables	*12*	**8,955,004**	13,325,753	1,197,353
Tax payable		**–**	1,559,761	–
		8,955,004	14,885,514	1,197,353
Net current assets		**103,314,451**	109,697,802	84,744,521
Total assets less current liabilities		**314,296,516**	292,639,935	146,306,608
Non-current liabilities				
Deferred tax liabilities		**1,158,746**	675,221	249,696
Net assets		**313,137,770**	291,964,714	146,056,912
Capital and reserves				
Share capital		**83,125,117**	55,416,745	12,961,745
Reserves		**230,012,653**	236,547,969	133,095,167
Total equity attributable to owners of the Company		**313,137,770**	291,964,714	146,056,912

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Share capital HK$	Share premium HK$	Share options reserve HK$	Property revaluation reserve HK$	Accumulated losses HK$ (restated)	Total equity attributable to owners of the Company HK$ (restated)
Balance as at 1 July 2010	12,961,745	190,974,986	6,392,043	–	(64,271,862)	146,056,912
Loss and total comprehensive expense for the year	–	–	–	–	(1,907,259)	(1,907,259)
Issue of new shares by way of placing	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**	**–**	**(60,624,373)**	**291,964,714**
Loss for the year	**–**	**–**	**–**	**–**	**(16,181,273)**	**(16,181,273)**
Gain on revaluation of property upon transfer to investment property	**–**	**–**	**–**	**221,726**	**–**	**221,726**
Total comprehensive expense for the year	**–**	**–**	**–**	**221,726**	**(16,181,273)**	**(15,959,547)**
Issue of new shares by way of open offer	**27,708,372**	**11,083,349**	**–**	**–**	**–**	**38,791,721**
Share issue expenses	**–**	**(1,659,118)**	**–**	**–**	**–**	**(1,659,118)**
Balance as at 30 June 2012	**83,125,117**	**305,759,278**	**837,295**	**221,726**	**(76,805,646)**	**313,137,770**

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 the GEM.

The Company's head office and principal place of business in Hong Kong is located at Unit 1903, 19th Floor, West Tower, Shun Tak Centre, 168-200 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 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 ("HK$"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out 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 the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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 12 "Income Taxes" (applied in advance of their effective date)

The Group has applied amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. The application of the amendments has resulted in deferred tax liabilities being decreased by HK$113,953 and HK$2,650,127 as at 1 July 2010 and 30 June 2011, respectively, with the corresponding adjustment being recognised in accumulated loss under the consolidated statement of changes in equity. In addition, the application has resulted in the Group's income tax expense being reduced by HK$2,536,174 and loss for the year being decreased by the same amount for the year ended 30 June 2011.

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in the Group's income taxes for the year ended 30 June 2012 being reduced by HK$3,688,018 and loss for the year being decreased by the same amount.

Summary of the effect of the above change in accounting policy

The effect of the above change in accounting policy described above on the results for the current and prior periods by line items presented in the consolidated statement of comprehensive income is as follows:

	Year ended 30 June 2012	Year ended 30 June 2011
	HK$	*HK$*
Decrease in income tax expense and loss for the year	**(3,688,018)**	(2,536,174)
Impact on basic and diluted loss per share		
Basic loss per share before adjustment (HK cents)	**(1.6)**	(0.7)
Adjustment in relation to application of amendments to HKAS 12 (HK cents)	**0.3**	0.4
Reported basic and diluted loss per share (HK cents)	**(1.3)**	(0.3)

The effect of the above change in accounting policy on the financial positions of the Group as at 1 July 2010 and 30 June 2011 are as follows:

	As at 1 July 2010 (originally stated)	**Adjustment**	**As at 1 July 2010 (restated)**
	HK$	*HK$*	*HK$*
Deferred tax liabilities	363,649	(113,953)	249,696

	As at 30 June 2011 (originally stated)	**Adjustment**	**As at 30 June 2011 (restated)**
	HK$	*HK$*	*HK$*
Deferred tax liabilities	3,325,348	(2,650,127)	675,221

Except as described above, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [1]
HKAS 19 (as revised in 2011)	Employee Benefits [2]
HKAS 27 (as revised in 2011)	Separate Financial Statements [2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities [3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle [2]
HKFRS 1 (Amendments)	Government Loans [2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance [2]
HKFRS 13	Fair Value Measurement [2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The directors of the Company anticipate that the application of the new and revised standards or 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 2012 *HK$*	Year ended 30 June 2011 *HK$*
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**25,222,535**	27,324,327
Provision of advertising and public relations services	**26,029,520**	11,010,741
Rental income from investment properties	**5,993,129**	3,568,223
	57,245,184	41,903,291

5. SEGMENT INFORMATION

Information reported of the Board of the Company, being the chief operating decision maker, for the purposes of allocating resources to segments and assessing their performance. The Group's operating and reportable segments under HKFRS 8 are as follows:

- 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 2012					
Segment revenue	**25,222,535**	**26,029,520**	**5,993,129**	**–**	**57,245,184**
Segment results	**(13,367,660)**	**(4,644,663)**	**26,946,375**	**–**	**8,934,052**
Other income					**1,615,396**
Loss arising on change in fair value of held-for-trading investments					**(13,361,417)**
Gain on disposal of subsidiaries					**727,801**
Central administration costs					**(13,159,090)**
Loss before tax					**(15,243,258)**
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 held-for-trading investments					7,148,609
Central administration costs					(7,286,695)
Loss before tax					(844,994)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2011: Nil).

Segment result represents the (loss)/profit incurred or earned by each segment without allocation of central administration costs, other income, (loss)/gain arising on change in fair value of held-for-trading investments, gain on disposal of subsidiaries 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 2012 *HK$*	As at 30 June 2011 *HK$* (restated)
Segment assets		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**17,262,515**	52,800,745
Provision of advertising and public relations services	**37,384,242**	44,619,509
Property investment	**184,290,770**	149,475,609
Research and development	**–**	12,735
Total segment assets	**238,937,527**	246,908,598
Unallocated assets	**84,313,993**	60,616,851
Consolidated assets	**323,251,520**	307,525,449
Segment liabilities		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**4,425,775**	8,437,067
Provision of advertising and public relations services	**2,766,150**	2,368,963
Property investment	**1,427,068**	1,772,032
Total segment liabilities	**8,618,993**	12,578,062
Unallocated liabilities	**1,494,757**	2,982,673
Consolidated liabilities	**10,113,750**	15,560,735

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 bank balances and cash) 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 2012 HK$	Year ended 30 June 2011 HK$
Depreciation		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**1,406,199**	1,201,321
Provision of advertising and public relations services	**557,838**	141,903
Unallocated depreciation	**273,633**	31,896
Total	**2,237,670**	1,375,120
Additions to non-current assets		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**682,582**	11,772,659
Provision of advertising and public relations services	**603,638**	28,057,650
Property investment	**16,094,250**	78,252,647
Unallocated non-current assets	**1,469,391**	960,231
Total	**18,849,861**	119,043,187
Impairment losses recognised in respect of goodwill		
Provision of diagnostic testing and healthcare services, manufacturing and sale of pharmaceutical products	**–**	7,125,121
Provision of advertising and public relations services	**4,000,000**	–
Total	**4,000,000**	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 2012 HK$	Year ended 30 June 2011 HK$
Customer A[1]	**7,122,635**	N/A[2]

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 2012 *HK$*	Year ended 30 June 2011 *HK$*
Interest income from bank deposits	**151,201**	52,401
Other interest income	**240,040**	11,302
Dividend income from listed investments	**8,000**	39,360
Services income	**540,000**	–
Sundry income	**676,155**	53,822
	1,615,396	156,885

7. INCOME TAX EXPENSE

	Year ended 30 June 2012 *HK$*	Year ended 30 June 2011 *HK$* (restated)
Current tax:		
Hong Kong profits tax	**449,423**	636,740
Deferred tax:		
Current year	**488,592**	425,525
	938,015	1,062,265

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

8. LOSS FOR THE YEAR

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

	Year ended 30 June 2012 *HK$*	Year ended 30 June 2011 *HK$*
Gross rental income from investment properties	**(5,993,129)**	(3,568,223)
Less: Direct operating expenses	**373,353**	252,374
	(5,619,776)	(3,315,849)
Employee benefits expense:		
Directors' emoluments	**1,712,452**	1,259,286
Other staff's salaries and allowances	**28,426,956**	15,739,162
Other staff's retirement scheme contributions	**862,126**	555,326
Other staff's welfare	**185,835**	71,480
Total employee benefits expense	**31,187,369**	17,625,254
Operating lease rentals in respect of rented premises	**4,501,948**	1,561,611
Depreciation of property, plant and equipment	**2,237,670**	1,375,120
Auditors' remuneration	**480,000**	480,000
Write-off of property, plant and equipment (included in "other operating expenses")	**1,347,036**	53,467
Write-off of inventories (included in "cost of sales and services provided")	**465,205**	482,529
Impairment losses recognised on trade and other receivables (included in "other operating expenses")	**783,768**	–
Impairment losses recognised in respect of goodwill	**4,000,000**	7,125,121
Gain on disposal of subsidiaries	**(727,801)**	–

9. DIVIDEND

No dividend has been paid or declared by the Company for the year (2011: Nil).

10. 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 2012 *HK$*	Year ended 30 June 2011 *HK$* (restated)
Loss		
Loss for the purpose of basic and diluted loss per share (Loss attributable to owners of the Company)	**(16,181,273)**	(1,907,259)

	Year ended 30 June 2012 *Number of shares*	Year ended 30 June 2011 *Number of shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,220,686,649**	652,740,919

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 *HK$*	As at 30 June 2011 *HK$*
Trade receivables	**6,890,681**	8,318,655
Receivables arising from dealing in listed securities	**839,565**	13,932
Deposits paid in respect of a proposed acquisition	**23,000,000**	–
Other deposits paid	**2,873,724**	9,365,976
Prepayments	**791,169**	501,912
Loan receivable	**12,000,000**	–
Other receivables	**412,833**	2,061,208
	46,807,972	20,261,683

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 2012 *HK$*	As at 30 June 2011 *HK$*
0 – 30 days	**3,936,169**	3,745,732
31 – 60 days	**1,544,481**	2,263,530
61 – 90 days	**460,633**	868,409
Over 90 days	**949,398**	1,440,984
	6,890,681	8,318,655

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 recognised 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 presented based on the due date:

	As at 30 June 2012	As at 30 June 2011
	HK$	*HK$*
Up to 90 days	**924,805**	3,218,430
91 – 180 days	**517,420**	611,973
Over 180 days	**542,379**	742,520
	1,984,604	4,572,923

12. TRADE AND OTHER PAYABLES

	As at 30 June 2012	As at 30 June 2011
	HK$	*HK$*
Trade payables	**4,385,135**	3,334,714
Other payables and accruals	**3,359,115**	8,858,889
Rental deposits received	**1,210,754**	1,132,150
	8,955,004	13,325,753

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

	As at 30 June 2012	As at 30 June 2011
	HK$	*HK$*
0 – 30 days	**2,789,016**	2,777,856
31 – 60 days	**489,700**	422,808
61 – 90 days	**638,424**	4,038
Over 90 days	**467,995**	130,012
	4,385,135	3,334,714

The average credit period on purchases 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.

13. EVENTS AFTER THE REPORTING PERIOD

(i) Acquisition of an investment property

In August 2012, the Group acquired an investment property situated in Hong Kong from an independent third party at a cash consideration of HK$6,600,000.

(ii) Disposal of a subsidiary

In July 2012, the Group disposed of its entire equity interest in Core Medical Technology Limited to an independent third party at a cash consideration of HK$360,000.

(iii) Proposed issuance of convertible notes and placing shares

On 30 July 2012, the Company announced that ordinary resolutions were duly passed by the Company's shareholders at an extraordinary general meeting held on 30 July 2012, approving *inter alia* (i) the proposed issuance of convertible notes for a maximum principal amount of HK$100,000,000 pursuant to a placing agreement dated 9 May 2012; and (ii) the proposed issuance of placing shares for a maximum amount of HK$50,000,000 pursuant to a placing agreement dated 9 May 2012. The issuance of the aforesaid convertible notes and placing shares has not been completed as of the date of approval of these financial statements.

(iv) Proposed very substantial disposal and very substantial acquisition ("Transactions")

On 9 September 2012, the Company announced that a sale and purchase agreement (the "SP Agreement") dated 7 September 2012 was entered into between Chemosino International Limited ("CN BVI") (a direct wholly-owned subsidiary of the Company), as vendor, and Town Health Asset Management Limited ("TH Property Holding"), as purchaser. Pursuant to the SP Agreement, CN BVI has conditionally agreed to sell and TH Property Holding has conditionally agreed to acquire the entire issued share capital of Million Worldwide Investment Limited, a company wholly owned by CN BVI, at a consideration of HK$195,000,000 which will be satisfied by the allotment and issue of new shares in the capital of TH Property Holding (the "Consideration Shares") by TH Property Holding to CN BVI upon the completion of the aforesaid disposal. Immediately after the said completion, CN BVI will in turn own 25% of the issued share capital of TH Property Holding as enlarged by the issue of the Consideration Shares. The Transactions constitute a very substantial disposal and a very substantial acquisition on the part of the Company under the GEM Listing Rules, and have not been completed as of the date of approval of these financial statements.

BUSINESS REVIEW

The Group's major business includes the manufacturing and sale of pharmaceutical products, provision of advertising and public relations services, research and development and property investment. The overall business operations of the Group had been on a path of steady growth during the year under review (the "Year").

Despite the fluctuating global economy, the Group reached the target performances in its major business areas and investment properties in the prime locations that continuously generate reasonable returns to its shareholders.

Advertising and Public Relations Business

Hong Kong continues to perform its dynamic role as a regional leader in the financial sector and therefore the advertising and public relations industry is growing concurrently. And with the solid reputation and long presence in Hong Kong's public relations industry, PR ASIA Consultants Limited ("PR ASIA") continues to provide the Group with a steady source of income since 2011.

PR ASIA provides strategic consulting services in corporate communications, media relations, investor relations, issue/crisis management, media training and event management to a wide range of listed companies both in Hong Kong and China. For the Year, the Group's provisions of advertising and public relations services achieved a revenue of approximately HK$26,030,000, accounting for approximately 45.5% of the Group's total revenue.

Assets Investment

For the Year, the Group recorded rental income generated by the retail and office properties of approximately HK$5,993,000, representing an increase of approximately 68.0% compared with the previous financial year. The Group continues to benefit from Hong Kong's vibrant property market as our investment portfolio is expected to bring valuation gains for the Group. The Group enjoyed valuation gains from the investment properties of approximately HK$21,866,000 for the Year.

Due to the economic uncertainties over the global market that resulted from the European debt crisis, Hong Kong stocks showed volatility during the Year. The Group recorded a loss arising on change in fair value of held-for-trading investments of approximately HK$13,361,000 for the Year. With that being said, the Group remains to hold a strong cash position and does not have any bank or other borrowings.

All investment activities including investments in listed and unlisted securities as well as owned properties in prime allocations are carried out under prudent risk management and the Group will cautiously monitor its investment portfolio's performance from time to time.

Manufacturing and Sale of Pharmaceutical Products Business

During the Year, the Group's pharmaceutical business recorded a revenue of approximately HK$25,008,000 in the provision of the manufacturing and sale of pharmaceutical products, accounting for approximately 43.7% of the Group's total revenue. The public's demand for medicine will continue to increase while a sustainable expansion in the pharmaceutical market is expected. The demand is triggered by the rapidly aging population and rising the standard of living in Hong Kong. Nevertheless, the Group will continue to review the development strategy in this business with respect to the new licensing requirement for the operation of a Good Manufacturing Practice certified factory in Hong Kong.

New Business Segment

In order to spread and lower the Group's investment risk and broaden its income base, on 7 May 2012, the Group entered into an acquisition agreement to acquire a group of companies, which are principally engaged in the exploration, exploitation and processing and trading of fluorites, at a total consideration of HK$148,000,000 (subject to adjustment). The Group has taken into consideration of the prospect of fluorite particles and believes that this acquisition would provide an opportunity for the Group to explore a new stream of business in the mining and trading of fluorites and other natural resources in the future.

OUTLOOK

Looking forward, in the view of the uncertainty over the global economic environment, the Group will maintain its diversified investment strategy in order to spread and lower the business risks, broaden the income source and maximise the shareholders' values, so as to secure the sustainable and stable growth across the Group's businesses.

The year 2012 is expected to be a year of complex external macroeconomic conditions. However, the Group believes that opportunities coexist with challenges. With the intensive attention paid to the market changes, the Group will continue to modify its existing business strategies to cope with the changing business environment and make every effort to seek potential investment projects in line with the Group's future development so as to optimise its mix of investments in order to expand the value base for the shareholders.

FINANCIAL REVIEW

For the Year, the Group recorded revenue of approximately HK$57,245,000, representing an increase of 36.6% compared with the previous year.

Gross profit for the Year was approximately HK$25,160,000, representing an increase of 31.5% compared with the previous year.

Basic loss per share for the Year was HK1.3 cents (2011: HK0.3 cents).

Loss attributable to owners of the Company for the Year was approximately HK$16,181,000 (2011: HK$1,907,000). Such loss was mainly due to losses arising on (i) change in fair value of held-for-trading investments; and (ii) increases in administrative and operating expenses of the Group.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group held cash and bank balances of approximately HK$32,847,000 (2011: HK$68,900,000). Net current assets amounted to approximately HK$103,314,000 (2011: HK$109,698,000).

As at 30 June 2012, current ratio (defined as total current assets divided by total current liabilities) was approximately 12.54 times (2011: 8.37 times). Gearing ratio (expressed as the ratio of total liabilities over total assets) was approximately 0.03 (2011: 0.05).

The Group did not have any bank or other borrowings as at 30 June 2012 (2011: Nil).

CAPITAL STRUCTURE

As at 30 June 2012, total equity attributable to owners of the Company was approximately HK$313,138,000 (2011: HK$291,965,000).

Pursuant to an underwriting agreement entered into between the Company and Kingston Securities Limited on 28 February 2012, the Company has raised approximately HK$38,800,000 before expenses by way of an open offer of 554,167,446 offer shares of the Company (the "Offer Share(s)") at a price of HK$0.07 per Offer Share on the basis of one Offer Share for every two existing shares of the Company held on the record date, being 21 March 2012 (the "Open Offer"). The Open Offer was completed in April 2012.

On 9 May 2012, the Company entered into a share placing agreement with Kingston Securities Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place through the Placing Agent on a best effort basis, a maximum of 1,000,000,000 placing shares (the "Placing Share(s)") to not less than six independent placees at the placing price of HK$0.05 per Placing Share ("Share Placing"). The net proceeds from the Share Placing will, if fully placed, be approximately HK$48,200,000.

On 9 May 2012, the Company also entered into a convertible notes placing agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to place the convertible notes ("Convertible Notes") in the maximum aggregate principal amount of HK$100,000,000 to independent placee(s) on a best effort basis ("CN Placing"). The Convertible Notes will carry a right to convert into conversion shares of the Company (the "Conversion Share(s)") at the conversion price of, subject to adjustment, HK$0.05 ("Conversion Price") per Conversion Share. Upon full conversion of the Convertible Notes at the Conversion Price, a total of 2,000,000,000 Conversion Shares will be issued. The net proceeds from the CN Placing will, if fully placed, be approximately HK$96,500,000.

The ordinary resolutions for the Share Placing and the CN Placing were duly passed by the Company's shareholders at an extraordinary general meeting held on 30 July 2012. The Share Placing and the CN Placing are subject to, among others, the granting of the listing of and permission to deal in the Placing Shares and the Conversion Shares, by the Stock Exchange.

Details of both the Share Placing and the CN Placing were disclosed in the announcement of the Company dated 15 May 2012.

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 minimise 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 2012, the Group had no significant capital commitment.

PLEDGE OF ASSETS

As at 30 June 2012, none of the assets of the Group were pledged as security for any banking facilities.

EMPLOYEE INFORMATION

As at 30 June 2012, there were 109 staff members (2011: 129) 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 2012, 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 (the "Code Provisions") 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 SHARES

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

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the Code Provisions. 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.

As at the date of this announcement, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Tam B Ray, Billy, Mr. Chi Chi Hung, Kenneth and Mr. Leung Chi Kin. Mr. Tam B Ray Billy is the chairman of the Remuneration Committee since his appointment on 29 March 2012.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 29 March 2012 with written terms of reference in compliance with the relevant Code Provisions taking effect on 1 April 2012. The principal responsibilities of the Nomination Committee include formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession, developing selection procedures for nomination candidates, reviewing the size, structure and composition of the Board, as well as assessing the independence of independent non-executive Directors.

As at the date of this announcement, the Nomination Committee comprises three independent non-executive Directors, namely Mr. Tam B Ray Billy, Mr. Chi Chi Hung, Kenneth and Mr. Leung Chi Kin. Mr. Tam B Ray, Billy is the chairman of the Nomination Committee since his appointment on 29 March 2012.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code Provisions. 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.

The Audit Committee reviewed the Group's quarterly reports for the three months and nine months ended 30 September 2011 and 31 March 2012 respectively, interim report for the six months ended 31 December 2011 and the Group's audited annual results for the year ended 30 June 2012. The Audit Committee also made recommendations to the Board and the management in respect of 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, Mr. Tam B Ray, Billy and Mr. Leung Chi Kin. Mr. Chi Chi Hung, Kenneth is the chairman of the Audit Committee since his appointment on 29 March 2012.

On behalf of the Board
China Natural Investment Company Limited
Li Wai Hung
Chairman

Hong Kong, 14 September 2012

As at the date of this announcement, the Board comprises (i) three executive Directors namely, Mr. Li Wai Hung, Mr. Chen Liang, and Mr. Bai Jian; and (ii) three independent non-executive Directors namely, Mr. Leung Chi Kin, Mr. Tam B Ray, Billy and Mr. Chi Chi Hung, Kenneth.