



**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)

Third Quarterly Report

**2010**



## **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.**

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*This report, for which the directors (the “Directors”) of China Natural Investment Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This report 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 publication and on the website of the Company at <http://www.chinanatural.com.hk>.*

## FINANCIAL HIGHLIGHTS

For the nine months ended 31 March 2010:

- The Group recorded turnover from continuing operations amounted to approximately HK\$3,015,000, representing an increase of 1.90% as compared with the corresponding period in 2009.
- Profit attributable to equity holders of the Company amounted to approximately HK\$1,415,000 (2009: HK\$322,019,000). The decrease is mainly due to a fair value gain of convertible bonds issued by the Company of approximately HK\$338,810,000 as recorded in 2009 but not in 2010.
- The Board does not recommend the payment of a dividend (2009: Nil).

## THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31 March 2010, together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2010

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2010 (Unaudited) HK\$	2009 (Unaudited) HK\$	2010 (Unaudited) HK\$	2009 (Unaudited) HK\$
<b>Continuing Operations</b>					
Turnover	4	<b>1,127,911</b>	1,473,528	<b>3,014,848</b>	2,958,588
Cost of sales and services		<b>(537,157)</b>	(999,061)	<b>(1,465,929)</b>	(1,723,072)
Gross profit		<b>590,754</b>	474,467	<b>1,548,919</b>	1,235,516
Other income	5	<b>128,138</b>	346,433	<b>279,513</b>	2,627,937
Administrative expenses		<b>(2,138,233)</b>	(2,139,419)	<b>(10,595,497)</b>	(7,418,002)
Other operating expenses		<b>(2,859,214)</b>	(393,865)	<b>(15,344,484)</b>	(2,680,008)
Net (loss)/gain of financial assets at fair value through profit or loss (held for trading)		<b>(3,685,780)</b>	(427,021)	<b>25,526,350</b>	(10,146,069)
Fair value gain of convertible bonds		-	151,664,891	-	338,810,331
(Loss)/profit before tax	6	<b>(7,964,335)</b>	149,525,486	<b>1,414,801</b>	322,429,705
Income tax expense	7	-	-	-	(125,001)
(Loss)/profit for the period from continuing operations		<b>(7,964,335)</b>	149,525,486	<b>1,414,801</b>	322,304,704
<b>Discontinued Operation</b>	8				
Loss for the period from discontinued operation		-	(95,577)	-	(285,416)
(Loss)/profit for the period and total comprehensive income for the period attributable to equity holders of the Company		<b>(7,964,335)</b>	149,429,909	<b>1,414,801</b>	322,019,288
Dividends	9	-	-	-	-
(Loss)/earnings per share	10				
From continuing and discontinued operations			(Restated)		(Restated)
- Basic		<b>(0.036)</b>	1.012	<b>0.007</b>	2.181
- Diluted		<b>N/A</b>	N/A	<b>0.007</b>	N/A
From continuing operations					
- Basic		<b>(0.036)</b>	1.013	<b>0.007</b>	2.183
- Diluted		<b>N/A</b>	N/A	<b>0.007</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the nine months ended 31 March 2010*

	Reserves					Total HK\$
	Share capital HK\$	Share premium HK\$	Share options reserves HK\$	Accumulated Profit/ (losses) HK\$	Sub-total of reserves HK\$	
Balance at 1 July 2009 (Audited)	<b>8,836,745</b>	<b>143,110,423</b>	<b>837,295</b>	<b>(62,929,810)</b>	<b>81,017,908</b>	<b>89,854,653</b>
Issue of new shares upon placement	<b>1,850,000</b>	<b>21,548,750</b>	-	-	<b>21,548,750</b>	<b>23,398,750</b>
Issue of shares upon exercise of share options	<b>425,000</b>	<b>9,350,000</b>	-	-	<b>9,350,000</b>	<b>9,775,000</b>
Recognition of share-based payments	-	-	<b>9,098,393</b>	-	<b>9,098,393</b>	<b>9,098,393</b>
Transfer of reserve upon exercise of share options	-	<b>3,543,645</b>	<b>(3,543,645)</b>	-	-	-
Total comprehensive income for the period	-	-	-	<b>1,414,801</b>	<b>1,414,801</b>	<b>1,414,801</b>
Balance at 31 March 2010 (Unaudited)	<b>11,111,745</b>	<b>177,552,818</b>	<b>6,392,043</b>	<b>(61,515,009)</b>	<b>122,429,852</b>	<b>133,541,597</b>

*For the nine months ended 31 March 2009*

	Reserves					Total HK\$
	Share capital HK\$	Share premium HK\$	Share options reserves HK\$	Accumulated Profit/ (losses) HK\$	Sub-total of reserves HK\$	
Balance at 1 July 2008 (Audited)	7,381,745	104,171,352	837,295	(375,348,766)	(270,340,119)	(262,958,374)
Total comprehensive income for the period	-	-	-	322,019,288	322,019,288	322,019,288
Balance at 31 March 2009 (Unaudited)	7,381,745	104,171,352	837,295	(53,329,478)	51,679,169	59,060,914

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of diagnostic testing and healthcare services, related research and development, advertising and public relationship services and asset investments.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM and by the Hong Kong Companies Ordinance.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The unaudited condensed consolidated results have been prepared under the historical cost convention, as modified by the valuation of investments and investment properties which are measured at their fair values.

Except as set out below, the accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those adopted in preparing the Group's audited financial statements for the year ended 30 June 2009.

In the current period, the Group has adopted, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA, which are relevant to the Group's operations and effective for the Group's financial year beginning on 1 July 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39	Eligible Hedged Items
HKFRS 2 (Amendments)	Share-based Payment Vesting Conditions and Cancellation
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

Except as described below, the adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

HKAS 1 (Revised in 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the other new and revised HKFRSs would have no material impact on its results of operations and financial positions.

#### 4. TURNOVER

The Group's turnover represents turnover arising on provision of diagnostic testing and healthcare services, advertising and public relationship services and property investment. An analysis of the Group's turnover for the period is as follows:

	Three months ended		Nine months ended	
	31 March		31 March	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
<b>Continuing Operations:</b>				
Provision of diagnostic testing and healthcare services	924,511	430,098	2,012,758	1,705,143
Provision of advertising and public relationship services	–	1,043,430	620,074	1,253,445
Property investment	203,400	–	382,016	–
	<u>1,127,911</u>	<u>1,473,528</u>	<u>3,014,848</u>	<u>2,958,588</u>
<b>Discontinued Operation:</b>				
Sales of health food and pharmaceutical products	–	33,566	–	98,064

## 5. OTHER INCOME

	Three months ended		Nine months ended	
	31 March		31 March	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
Interest income	121,108	318,231	229,297	2,350,250
Dividend income from listed investments	6,400	–	28,400	246,362
Sundry income	630	28,202	21,816	31,325
	<u>128,138</u>	<u>346,433</u>	<u>279,513</u>	<u>2,627,937</u>

## 6. (LOSS)/PROFIT BEFORE TAX

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
Depreciation of property, plant and equipment	173,637	248,438	545,142	632,714
Cost of inventories sold	–	58,735	–	106,424
Share-based payment expenses	–	–	9,098,393	–
	<u>–</u>	<u>–</u>	<u>9,098,393</u>	<u>–</u>



## 7. INCOME TAX EXPENSE

	Three months ended 31 March		Nine months ended 31 March	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Current tax – Hong Kong Profits Tax	-	-	-	-
Under-provision in prior years	-	-	-	125,001
	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,001</u>

No provision for Hong Kong Profits Tax has been made for the three months and nine months ended 31 March 2010 since the companies in the Group either have no assessable profits or have available tax losses brought forward from prior years to offset against current year's estimated assessable profits (2009: Nil).

There was no material unprovided deferred taxation for the three months and nine months ended 31 March 2010 (2009: Nil).

## 8. DISCONTINUED OPERATION

In March 2009, the Company ceased the operation of the sales of health food and pharmaceutical products segment in order to concentrate its financial and human resources on its core businesses.

The results of the discontinued operation included in the unaudited consolidated results of the Company for the three months and nine months ended 31 March 2009 are set out below.

	Three months ended 31 March		Nine months ended 31 March	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Turnover	-	33,566	-	98,064
Cost of sales	-	(58,735)	-	(106,424)
Selling and distribution expenses	-	(17,480)	-	(62,766)
Administrative expenses	-	(41,680)	-	(168,880)
Other operating expenses	-	(11,248)	-	(45,410)
	<u>-</u>	<u>(95,577)</u>	<u>-</u>	<u>(285,416)</u>
Loss before tax	-	(95,577)	-	(285,416)
Income tax expense	-	-	-	-
	<u>-</u>	<u>(95,577)</u>	<u>-</u>	<u>(285,416)</u>
Loss for the period	-	(95,577)	-	(285,416)

**9. DIVIDENDS**

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2010 (2009: Nil).

**10. (LOSS)/EARNINGS PER SHARE**

The calculation of the basic and diluted (loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data.

	Three months ended 31 March		Nine months ended 31 March	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
<b>(Loss)/profit for the purposes of basic and diluted (loss)/ earnings per share</b>				
(Loss)/profit for the period from continuing operations	<b>(7,964,335)</b>	149,525,486	<b>1,414,801</b>	322,304,704
Loss for the period from discontinued operation	-	(95,577)	-	(285,416)
	<hr/>	<hr/>	<hr/>	<hr/>
(Loss)/profit for the period attributable to equity holders of the Company	<b>(7,964,335)</b>	149,429,909	<b>1,414,801</b>	322,019,288
	<hr/>	<hr/>	<hr/>	<hr/>

	Three months ended 31 March		Nine months ended 31 March	
	2010	2009	2010	2009
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>222,234,892</b>	147,634,893	<b>204,669,563</b>	147,634,893
Effect of dilutive potential ordinary shares: – share options issued by the Company	–	–	<b>3,139</b>	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>222,234,892</b>	147,634,893	<b>204,672,702</b>	147,634,893

The computation of diluted (loss)/earnings per share for continuing and discontinued operations for the three months and nine months ended 31 March 2009 did not consider the potential ordinary shares as the exercise price of the Company's outstanding options was higher than the average market price of the shares of the Company for the relevant periods.

The weighted average numbers of ordinary shares for the purposes of the basic and diluted (loss)/earnings per share for the three months and nine months ended 31 March 2010 and 31 March 2009 have been adjusted for (i) the share consolidation on the basis that every ten issued and unissued shares of HK\$0.001 each in the share capital of the Company were consolidated into one consolidated share of HK\$0.01 each with effect from 6 August 2009; and (ii) the share consolidation on the basis that every five issued and unissued shares of HK\$0.01 each in the share capital of the Company were consolidated into one consolidated share of HK\$0.05 each with effect from 21 January 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the period under review, the Group recorded a turnover of approximately HK\$3,015,000. Turnover from our diagnostic testing services for the nine months ended 31 March 2010 added up to approximately HK\$2,013,000 as compared with approximately HK\$1,705,000 of the corresponding period in 2009.

The rental income generated from several investment properties during the period under review was approximately HK\$382,000. With our good investment strategy as well as the Group's solid financial position, the Group has successfully seized the investment opportunities and maximized benefits for the shareholders of the Company.

The Group's investment portfolio included property investment as well as investments in listed securities. The investments held for trading recorded a gain of approximately HK\$25,526,000 for the nine months ended 31 March 2010 but loss of approximately HK\$3,686,000 for the three months ended 31 March 2010. The Group will continue to prudently and effectively manage its financial resources.

### Future Prospects

The Group holds a positive view towards the property market and asset investments. The Group will continue to diversify its investment into the property market prudently. By investing in the property market, a stable source of rental income could be generated. Also, the Group could enjoy the future valuation gain of the investment properties.

On 20 April 2010, the Company entered into two placing agreements with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best effort basis, a maximum of 37,000,000 placing shares under a general mandate and a maximum of 243,000,000 placing shares under a specific mandate respectively at a placing price of HK\$0.43 per placing share to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules). Details were disclosed in the announcement of the Company dated 20 April 2010.

On 4 May 2010, the Company placed an aggregate of 37,000,000 placing shares of the placing price at HK\$0.43 per placing share. Details were disclosed in the announcement of the Company dated 4 May 2010. The net proceeds of approximately HK\$15,200,000 from such placing are intended to be used for (i) investments (including property investments and investments in other projects/business as the Board may consider appropriate); and (ii) general working capital of the Group.

Other than keeping the healthy growth of the provision of diagnostic testing and healthcare services business segment, the Group is seeking quality properties for investment and new business opportunities with potential growth.

## Financial Review

For the nine months ended 31 March 2010, the Group recorded a turnover from continuing operations of approximately HK\$3,015,000 (2009: HK\$2,959,000), representing an increase of 1.90% as compared with that of the corresponding period in 2009.

Gross profit from continuing and discontinued operations for the period under review was approximately HK\$1,549,000 (2009: HK\$1,227,000), representing an increase of 26.22% as compared with that of the prior corresponding period.

Profit attributable to equity holders of the Company for the nine months ended 31 March 2010 was approximately HK\$1,415,000 (2009: HK\$322,019,000).

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the interests of the Directors and the chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and 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 the required standard of dealings in securities by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

#### *Interests in shares, underlying shares and debentures of the Company*

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued/underlying ordinary shares held</b>	<b>Approximate % of the Company's issued share capital as at 31 March 2010</b>
Mr. U Man long ( <i>Note a</i> )	Beneficial owner	60,000,000	27.00%
Mr. Chow Kai Wah, Gary ( <i>Note b</i> )	Beneficial owner	18,000	0.01%

*Notes:*

- a. Mr. U Man long is deemed to have a long position over 3,000,000,000 shares of the Company to be allotted and issued pursuant to the referral agreement as disclosed in the circular of the Company dated 13 March 2008 (the "Referral Agreement"). The number of shares of the Company to be allotted and issued to Mr. U Man long under the Referral Agreement has been adjusted to 60,000,000 shares according to (i) the share consolidation on the basis that every ten issued and unissued shares of HK\$0.001 each in the share capital of the Company were consolidated into one consolidated share of HK\$0.01 each with effect from 6 August 2009; and (ii) the share consolidation on the basis that every five issued and unissued shares of HK\$0.01 each in the share capital of the Company were consolidated into one consolidated share of HK\$0.05 each (the "Share Consolidation"). The Share Consolidation became effective on 21 January 2010.
- b. The number of issued shares of the Company held by Mr. Chow Kai Wah, Gary has been adjusted for the Share Consolidation which became effective on 21 January 2010.

Save as disclosed above, as at 31 March 2010, none of the Directors, the chief executives of the Company, nor their associates 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 SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 31 March 2010, the Company has not been notified by any person (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

**SHARE OPTIONS**

1. A share option scheme (the "Share Option Scheme") was adopted by the shareholders of 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 employee, directors, advisor, consultant, 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, to have contributed to the Group from time to time to take up options to subscribe for shares of the Company.

Details of the movements in the share options granted under the Share Option Scheme during the nine months ended 31 March 2010 are as follows:

Date of grant	Exercise period	Exercise price per share HK\$	Outstanding	Granted during the period	Exercised during the period	Outstanding
			as at 1 July 2009			as at 31 March 2010
9 July 2009 (Notes a(i) & b)	9 July 2009 to 8 July 2010	1.150	-	8,500,000	8,500,000	-
14 August 2009 (Note a(ii) & c)	14 August 2009 to 13 August 2010	0.905	-	18,520,000	-	18,520,000
			-	27,020,000	8,500,000	18,520,000

Notes:

- a.
  - (i) The exercise price and the number of share options granted and exercised were retrospectively adjusted for the share consolidation which became effective on 6 August 2009 and the Share Consolidation which became effective on 21 January 2010; and
  - (ii) The exercise price and the number of share options granted were adjusted for the Share Consolidation which became effective on 21 January 2010.
- b. The fair value of 8,500,000 (as adjusted) share options granted on 9 July 2009 was determined by the Directors to be approximately HK\$3,544,000 with reference to a valuation performed by an independent firm of professional valuer using a Binomial model. The inputs into the model included the then share price of HK\$0.22 per share on the date of grant, the then exercise price of HK\$0.23 per share, historical volatility of 120.504%, expected option life of one year, no expected dividend and estimated annualized risk free interest rate of 0.080%. The 8,500,000 share options exercised during the nine months ended 31 March 2010 resulted in the issue of 8,500,000 ordinary shares of the Company. The then weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$0.24.

- c. The fair value of 18,520,000 (as adjusted) share options granted on 14 August 2009 was determined by the Directors to be approximately HK\$5,555,000 with reference to a valuation performed by an independent firm of professional valuer using a Binomial model. The inputs into the model included the then share price of HK\$0.168 per share on the date of grant, the then exercise price of HK\$0.181 per share, historical volatility of 121.821%, expected option life of one year, no expected dividend and estimated annualized risk free interest rate of 0.230%.

No share option was cancelled or lapsed under the Share Option Scheme during the nine months ended 31 March 2010.

2. Pursuant to an agreement entered into between the Company and The Chinese University of Hong Kong (the "Chinese University") on 8 August 2002 relating to the grant of a right of first refusal to the Company by the Chinese University in respect of certain technology and inventions, as amended and supplemented by agreements dated 31 October 2003 and 16 April 2004, share options would be granted to the Chinese University or such persons as it might direct over the period of the term of such agreements of four years commencing from 18 June 2004.

Details of the movements in the share options granted to the person directed by the Chinese University during the nine months ended 31 March 2010 are as follows:

Date of grant	Exercise period	Exercise price per share HK\$	Outstanding	Granted during the period	Exercised/ Cancelled/ Lapsed during the period	Outstanding
			as at 1 July 2009		as at 31 March 2010	
27 June 2008 (Note)	27 December 2008 to 26 June 2013	6.10	213,114	-	-	213,114

Note: The exercise price and outstanding number of options as at 1 July 2009 were retrospectively adjusted for the share consolidation which became effective on 6 August 2009 and the Share Consolidation which became effective on 21 January 2010.



## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the paragraphs headed "Directors' and chief executives' interests in shares, underlying shares and debentures" and "Share options" in this report, at no time during the nine months ended 31 March 2010 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 debenture of the Company or of any other body corporate.

## **INTERESTS IN COMPETING BUSINESS**

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had any interest in any business which competes or may compete with the business of the Group during the nine months ended 31 March 2010.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 March 2010.

## **COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than 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 for the Directors' securities transactions. 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 nine months ended 31 March 2010.

## **AUDIT COMMITTEE**

The Company has established an 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 report and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

The audit committee comprises three independent non-executive Directors, namely Mr. Chan Yip Man, Norman as the chairman of the audit committee, Mr. Hui Sin Kwong and Mr. Leung Chi Kin. This report, including the Group's unaudited financial statements for the nine months ended 31 March 2010, has been reviewed by the audit committee of the Company.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company endeavours in maintaining good corporate governance standard for the enhancement of shareholders' value. The Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules during the nine months ended 31 March 2010.

By order of the Board

**China Natural Investment Company Limited**

**Chow Kai Wah, Gary**

*Executive Director*

Hong Kong, 11 May 2010

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