



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

2013



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 the information contained in this report 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 report misleading.

FINANCIAL HIGHLIGHTS

For the nine months ended 31 March 2013:

- Revenue from continuing operations amounted to approximately HK\$33,178,000 (2012: HK\$38,497,000), representing a decrease of 13.82% as compared with that of the corresponding period in 2012.
- Loss attributable to owners of the Company amounted to approximately HK\$4,221,000 (2012: HK\$27,476,000). The significant reduction in loss was mainly due to gains arising on changes in fair values of both held-for-trading investments and investment properties.

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2013 (2012: Nil).

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company announces herewith the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 March 2013, together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2013

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2013 (Unaudited) HK\$	2012 (Unaudited) HK\$	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$
Continuing operations					
Revenue	3	11,473,797	13,053,527	33,177,511	38,496,554
Cost of sales and services provided		(7,658,879)	(7,331,358)	(20,928,935)	(22,434,745)
Gross profit		3,814,918	5,722,169	12,248,576	16,061,809
Other income	4	1,254,624	24,815	2,098,970	602,462
Selling and distribution expenses		(658,264)	(1,492,610)	(2,533,900)	(5,300,838)
Administrative expenses		(6,280,219)	(8,435,537)	(20,314,816)	(22,398,725)
Other operating expenses		(994,787)	(1,847,462)	(1,987,030)	(3,339,399)
Share of results of an associate		680,889	–	692,987	–
Finance cost	6	(1,980,201)	–	(2,660,602)	–
Gain arising on change in fair value of held-for-trading investments		2,459,550	–	5,920,300	(2,218,907)
Loss arising on change in fair value of early redemption option embedded in convertible note issued by the Company		(2,716,400)	–	(6,122,400)	–
Loss before tax	5	(4,419,890)	(6,028,625)	(12,657,915)	(16,593,598)
Income tax credit/(expense)	7	75,836	(37,101)	(109,983)	(423,743)
Loss for the period from continuing operations		(4,344,054)	(6,065,726)	(12,767,898)	(17,017,341)
Discontinued operation (Loss)/profit for the period from discontinued operation	8	–	(111,316)	8,546,748	(10,459,121)
Loss and total comprehensive expense for the period attributable to owners of the Company		(4,344,054)	(6,177,042)	(4,221,150)	(27,476,462)
Dividends	9	–	–	–	–
Loss per share	10				
From continuing and discontinued operations					
– Basic and diluted (HK cents per share)		(0.16)	(0.56)	(0.20)	(2.48)
From continuing operations – Basic and diluted (HK cents per share)		(0.16)	(0.55)	(0.60)	(1.54)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 March 2013

	Reserves							Total HK\$
	Share capital HK\$	Share premium HK\$	Share options reserves HK\$	Property revaluation reserve HK\$	Convertible note equity reserve HK\$	Accumulated losses HK\$	Sub-total of reserves HK\$	
Balance as at 1 July 2012 (Audited)	83,125,117	305,759,278	837,295	221,726	-	(76,805,646)	230,012,653	313,137,770
Loss and total comprehensive expense for the period	-	-	-	-	-	(4,221,150)	(4,221,150)	(4,221,150)
Issue of new shares by way of share placing	50,000,000	-	-	-	-	-	-	50,000,000
Transaction costs attributable to issue of new shares	-	(1,928,690)	-	-	-	-	(1,928,690)	(1,928,690)
Disposal of subsidiaries	-	-	-	(221,726)	-	-	(221,726)	(221,726)
Recognition of equity component of convertible note	-	-	-	-	45,048,007	-	45,048,007	45,048,007
Issue of new shares upon conversion of convertible note	40,000,000	7,440,587	-	-	(18,019,203)	-	(10,578,616)	29,421,384
Balance as at 31 March 2013 (Unaudited)	173,125,117	311,271,175	837,295	-	27,028,804	(81,026,796)	258,110,478	431,235,595

For the nine months ended 31 March 2012

	Reserves						Total HK\$
	Share capital HK\$	Share premium HK\$	Share options reserves HK\$	Accumulated losses HK\$	Sub-total of reserves HK\$		
Balance as at 1 July 2011 (Audited)	55,416,745	296,335,047	837,295	(60,624,373)	236,547,969	291,964,714	
Loss and total comprehensive expense for the period	-	-	-	(27,476,462)	(27,476,462)	(27,476,462)	
Balance as at 31 March 2012 (Unaudited)	55,416,745	296,335,047	837,295	(88,100,835)	209,071,507	264,488,252	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands, and its shares are listed on GEM.

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and sale of pharmaceutical products, investment holding and provision of advertising and public relations services.

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 and Interpretation 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 GEM Listing Rules and by the Hong Kong Companies Ordinance.

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

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 2012.

In the current period, the Group has adopted all the new and revised HKFRS issued by HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2012. The adoption of these new and revised HKFRS did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior periods.

The Group has not early adopted any new/revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results of operations and financial position.

3. REVENUE

The Group's revenue represents revenue arising from manufacturing and sale of pharmaceutical products and provision of advertising and public relations services. An analysis of the Group's revenue for the period is as follows:

	Three months ended 31 March		Nine months ended 31 March	
	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$
Continuing operations				
Manufacturing and sale of pharmaceutical products	5,740,031	7,790,694	17,358,170	19,069,500
Provision of advertising and public relations services	5,733,766	5,262,833	15,819,341	18,997,054
Others	–	–	–	430,000
	11,473,797	13,053,527	33,177,511	38,496,554

4. OTHER INCOME

Continuing operations

	Three months ended 31 March		Nine months ended 31 March	
	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$
Interest income	1,254,351	18,725	2,037,503	130,090
Dividend income from listed investments	–	–	18,975	–
Sundry income	273	6,090	42,492	472,372
	1,254,624	24,815	2,098,970	602,462

5. LOSS BEFORE TAX

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

Continuing operations

	Three months ended		Nine months ended	
	31 March		31 March	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Depreciation of property, plant and equipment	343,392	566,884	1,064,713	1,549,278
Cost of inventories sold	2,535,971	2,958,029	7,546,871	6,566,397

6. FINANCE COST

Continuing operations

	Three months ended		Nine months ended	
	31 March		31 March	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Effective interest of convertible note issued by the Company	1,980,201	—	2,660,602	—

7. INCOME TAX CREDIT/(EXPENSE)

Continuing operations

	Three months ended		Nine months ended	
	31 March		31 March	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Hong Kong profits tax credit/(expense)	75,836	(37,101)	(109,983)	(423,743)

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

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

8. DISCONTINUED OPERATION

On 7 September 2012, Chemosino International Limited ("**Chemosino**"), a wholly-owned subsidiary of the Company and Town Health Asset Management Limited entered into a sale and purchase agreement in relation to the entire issued capital of Million Worldwide Investment Limited ("**Million Worldwide**"), a wholly-owned subsidiary of the Company. The consideration will be satisfied by the allotment and issue of 225 new ordinary shares of HK\$1.00 each in the issued share capital of Town Health Asset Management Limited to Chemosino upon completion. Million Worldwide (together with its subsidiaries, the "Million Worldwide Group") carried out all of the Group's property investment business. The deemed disposal and acquisition was completed on 10 December 2012. Immediately after completion, each company in the Million Worldwide Group ceased to be a subsidiary of the Company.

During the nine months ended 31 March 2013, profit for the period from discontinued operation was mainly attributable to the gain arising on change in fair value of investment properties. The results of the discontinued operation included in the condensed consolidated statement of comprehensive income are set out below.

	Three months ended		Nine months ended	
	31 March		31 March	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Loss for the period from discontinued operation				
Revenue	–	1,497,730	2,520,283	4,684,649
Cost of services provided	–	(134,151)	(148,386)	(523,998)
Other income	–	3,981	41,668	23,564
Administrative expenses	–	(848,062)	(1,827,539)	(4,264,801)
Other operating expenses	–	(881,491)	(568,487)	(1,633,537)
Profit/(Loss) arising on change in fair value of held-for-trading investments	–	337,700	–	(8,485,860)
Gain arising on change in fair value of investment properties	–	–	8,650,000	–
(Loss)/Profit before tax	–	(24,293)	8,667,539	(10,199,983)
Income tax expenses	–	(87,023)	(120,791)	(259,138)
(Loss)/Profit for the period from discontinued operation	–	(111,316)	8,546,748	(10,459,121)

9. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 March 2013 (2012: Nil).

10. LOSS PER SHARE

	Three months ended		Nine months ended	
	31 March	2012	31 March	2012
	2013	(Unaudited)	2013	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
From continuing and discontinued operations				
Loss and total comprehensive expense for the period attributable to owners of the Company	(4,344,054)	(6,177,042)	(4,221,150)	(27,476,462)
Weighted average number of shares in issue	2,786,946,782	1,108,334,892	2,137,684,820	1,108,334,892
Basic and diluted (HK cents per share)	(0.16)	(0.56)	(0.20)	(2.48)
From continuing operations				
Loss for the period from continuing operations	(4,344,054)	(6,065,726)	(12,767,898)	(17,017,341)
Weighted average number of shares in issue	2,786,946,782	1,108,334,892	2,137,684,820	1,108,334,892
Basic and diluted (HK cents per share)	(0.16)	(0.55)	(0.60)	(1.54)

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

11. SHARE CAPITAL

Number of share HK\$

Ordinary shares of HK\$0.05 each

Authorised:

At 30 June 2012 and 31 March 2013	<u>10,000,000,000</u>	<u>500,000,000</u>
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Issued and fully paid:

As at 30 June 2012 and 1 July 2012	1,662,502,338	83,125,117
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Issue of 1,000,000,000 new shares at the issue price of HK\$0.05 per share by way of share placing (<i>Note 1</i>)	1,000,000,000	50,000,000
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Issue of 800,000,000 new shares at the conversion price of HK\$0.05 per conversion share upon conversion of convertible note (<i>Note 2</i>)	<u>800,000,000</u>	<u>40,000,000</u>
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At 31 March 2013	<u>3,462,502,338</u>	<u>173,125,117</u>
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Note

1. On 3 December 2012, a total of 1,000,000,000 new shares of HK\$0.05 each was issued at the issue price of HK\$0.05 per share, pursuant to the share placing agreement entered into between the Company and the placing agent on 9 May 2012.
2. On 18 March 2013, a total of 800,000,000 new shares of HK\$0.05 each was issued at the conversion price of HK\$0.05 per conversion share, due to the conversion of a principal amount of HK\$40,000,000 by the holder of the convertible note, pursuant to the convertible note placing agreement entered into between the Company and the placing agent on 9 May 2012.
3. Subsequent to the end of the period under review, on 2 May 2013, the remaining outstanding principle amount of HK\$60,000,000 owed to the holder of the convertible note was fully converted to shares of the Company, resulting in the issue of 1,200,000,000 new shares of HK\$0.05 each, at the conversion price of HK\$0.05 per conversion share, pursuant to the convertible note placing agreement dated 9 May 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the nine months ended 31 March 2013 (the “**Period**”), the Group recorded revenue from continuing operations of approximately HK\$33,178,000 (2012: HK\$38,497,000), representing a decrease of 13.82% compared with that of the corresponding period in 2012. The gross profit from continuing operations for the Period was approximately HK\$12,249,000 (2012: HK\$16,062,000), representing a decrease of 23.74% as compared with that of the corresponding period last year.

Loss attributable to owners of the Company for the Period was approximately HK\$4,221,000 (2012: Loss of HK\$27,476,000). The significant reduction in loss as compared to the corresponding period last year, was mainly due to the gains arising on changes in fair values of both held-for-trading investments and investment properties, which amounted approximately HK\$5,920,000 (2012: Loss of HK\$2,219,000) and HK\$8,650,000 (2012: Loss of HK\$8,486,000) respectively.

Advertising and Public Relations Business

As Hong Kong is the world’s leading financial centre, and with the more dynamic growth of the Asian economies, demand for financial services is blooming and the public relations industry is growing concurrently.

Benefited from the favorable market conditions and the Group’s strategic deployment, PR Asia Consultants Ltd (“**PR Asia**”) achieved to gain growing reputation and stronger foothold in the financial public relations industry in both Hong Kong and the PRC, and PR Asia continues to contribute stable source of income to the Group.

With wider spectrum of clientele and increased public relations projects for both listed and non-listed companies, the Group’s advertising and public relations services recorded revenue of approximately HK\$15,819,000 during the Period, which accounted for 47.68% of the Group’s total revenue.

Assets Investment

According to the circular of the Company dated 29 October 2012, the Group and Town Health Asset Management Limited (“**TH Property Holding**”) have agreed to form a joint venture to consolidate each other’s investment property portfolio so as to form a large property investment group, which can increase shareholder’s value in long run.



It is the current intention of the Group that all its future property investment business will be carried out under the enlarged TH Property Holding and its subsidiaries ("**TH Property Group**"). After the disposal, rental income from the Group's property investment segment will cease to be a revenue generator of the Group. Instead, the Group will share the results of the enlarged TH Property Group after the disposal according to its shareholding in TH Property Holding. During the Period, the Group recorded a share of profit of approximately HK\$693,000 from the investment business of the joint venture.

Manufacturing and Selling Pharmaceutical Products Business

Nowadays with the pursuit of healthy living and increases in Hong Kong's senior population, the demand for pharmaceutical products is growing rapidly. During the Period, the Group's manufacturing and sales of pharmaceutical products recorded revenue of approximately HK\$17,358,000, which accounted for 52.32% of the Group's total revenue.

Proposed Acquisition of Fluorite Processing and Trading Business

As announced by the Company on 15 May 2012, a sales and purchase agreement was entered into between the vendors and the Group on 7 May 2012, pursuant to which the Group will acquire a fluorite processing and trading business located in Outer Mongolia, at a consideration of HK\$148,000,000 (subject to adjustment) in cash (the "Acquisition"). The directors considered that the Acquisition will not only broaden the income base of the Group, but also allow the Group to explore a new opportunity emerging in the fluorite business. The Acquisition has not been completed at the date of this report.

Outlook

Despite the global economic challenges in 2012, the Group was still able to maintain stable growth in its revenue during the first nine months of the current business year at a largely stable level.

Heading into 2013, it is believed that global economic growth remains modest whereas China's economy has bottomed out. With the Chinese government's stimulus measures of boosting domestic consumption and sustaining growth, together with Hong Kong government's dedication to bolstering the city's financial sector, the Group believes that the Group's businesses will benefit from the favorable market environment.

The Group holds a prudently optimistic view towards the coming operation environment and expects its advertising and public relations business as well as pharmaceutical business will continue to grow stably. The Group will continue to enhance its core businesses, at the same time, explore and develop new business opportunities with cooperative partners, and capture attractive investment opportunities as and when they arise, in order to increase the source of income of the Group. Furthermore, The Group will strive to maintain a healthy financial and liquidity position for future sustainable growth.

Significant Investments and Acquisitions

(a) 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.

(b) 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.

(c) 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 directly 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 would 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 was completed on 10 December 2012.

OTHER INFORMATION

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

As at 31 March 2013, none of the Directors and chief executives of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2013, so far as was known to any director of the Company, persons who have an interest or a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of shares of share capital carrying rights to vote in all circumstances at general meeting of the Company pursuant to section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Substantial shareholders

Name of shareholders	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the Company's issued share capital
Tai Pu Mining International Co., Ltd ("Tai Pu")	Beneficial owner	800,000,000	1,200,000,000 (Note)	2,000,000,000	57.76%
Mr. Hu Zhixiong ("Mr. Hu")	Controlled entity	800,000,000	1,200,000,000 (Note)	2,000,000,000	57.76%

Note: The underlying shares represent the new shares to be issued upon conversion of the convertible note due 2015 by its holder, in the outstanding principal amount of HK\$60,000,000 at the initial conversion price of HK\$0.05 per conversion share. The entire issued capital of Tai Pu is wholly and beneficially owned by Mr. Hu.

Save as disclosed above, as at 31 March 2013 so far as was known to any director of the Company, no other persons had an interest or a short position in the shares, underlying shares or debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Share Options

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

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

2. Pursuant to an agreement dated 8 August 2002 entered into between the Company and The Chinese University of Hong Kong (the "Chinese University") 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 of the share options granted to the person directed by the Chinese University during the Period are as follows:

Date of grant	Exercise period	Exercise price	Outstanding as at
		per share (Note) HK\$	1 July 2012 and 31 March 2013 (Note)
27 June 2008	27 December 2008 to 26 June 2013	4.966	261,778

Note: The exercise price and outstanding number of options as at 1 July 2012 and 31 March 2013 have been adjusted for (i) the share consolidation which became effective on 6 August 2009; (ii) the share consolidation which became effective on 21 January 2010 and (iii) the open offer which became effective on 18 April 2012.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sub-sections headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" and "Share options" respectively under the section headed "Other information" in this announcement, at no time during the Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Competing Interests

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

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

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

Compliance with Code of Conduct for Securities Transactions by Directors

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

Code on Corporate Governance Practices

The Company endeavours in maintaining 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 during the Period.

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.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chi Chi Hung, Kenneth (appointed as chairman of the Audit Committee since 29 March 2012), Mr. Tam B Ray, Billy and Mr. Yan Shengxian.

This report, including the Group's unaudited condensed consolidated financial statements for the nine months ended 31 March 2013, has been reviewed by the Audit Committee.

By order of the Board
China Natural Investment Company Limited
Chen Liang
Chief Executive Officer

Hong Kong, 9 May 2013

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