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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Natural Investment Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

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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)

- (1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;**
(2) PLACING OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent



KINGSTON SECURITIES LTD.

A notice convening the extraordinary general meeting of the Company to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 30 July 2012 at 2:30 p.m. is set out on pages 19 to 20 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

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

5 July 2012

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CHARACTERISTICS OF GEM

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.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares and Sale Loan by the Purchaser pursuant to an agreement dated 7 May 2012 entered into between Ms. Chen Yejun, Mr. Huang Tianhua and the Company
“Announcement”	the announcement of the Company dated 15 May 2012 in relation to, among other things, the Share Placing under the Specific Mandate and the CN Placing under the Specific Mandate
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays and Sundays)
“CN Placing”	the placing of the Convertible Notes up to an aggregate principal amount of HK\$100,000,000 by the Placing Agent pursuant to the CN Placing Agreement
“CN Placing Agreement”	the placing agreement dated 9 May 2012 entered into between the Company and the Placing Agent in respect of the CN Placing
“Company”	China Natural Investment Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Conversion Price”	the conversion price of HK\$0.05 per Conversion Share (subject to adjustments)
“Conversion Shares”	new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the convertible notes to be issued by the Company in the maximum aggregate principal amount of HK\$100,000,000 due on the maturity date pursuant to the CN Placing Agreement
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Share Placing Agreement and the transactions contemplated thereunder; (ii) the allotment and issue of the Placing Shares under the Specific Mandate; (iii) the CN Placing Agreement and the transactions contemplated thereunder; and (iv) the allotment and issue of the Conversion Shares under the Specific Mandate
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the GEM Listing Rules
“Latest Practicable Date”	3 July 2012 being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Noteholder(s)”	Holder(s) of the Convertible Notes
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares and/or the Convertible Notes pursuant to the Placing Agent’s obligations under the Share Placing Agreement and the CN Placing Agreement
“Placing Agent”	Kingston Securities Limited, a corporation licensed under the SFO to carry on business in Type 1 regulated activities (dealing in securities)
“Placing Shares”	up to a maximum of 1,000,000,000 new Shares to be placed through the Placing Agent pursuant to the Share Placing
“Purchaser”	Huge Discovery Limited, an indirectly wholly-owned subsidiary of the Company

DEFINITIONS

“Sale Loan”	all amounts owed by Sino-Mongolia Fluospar Mining Co., Ltd and MCTT Company Limited to Ms. Chen Yejun and Mr. Huang Tianhua (excluding the deposit made as shareholders’ loan as indicated in the sections headed “Consideration” in the Announcement) at completion of the Acquisition
“Sale Shares”	100 ordinary shares in the capital of Sino-Mongolia Fluospar Mining Co., Ltd
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	the holders of Shares
“Share Placing”	the placing of a maximum of 1,000,000,000 Placing Shares by the Placing Agent on a best effort basis pursuant to the Share Placing Agreement
“Share Placing Agreement”	the placing agreement dated 9 May 2012 entered into between the Company and the Placing Agent in respect of the Share Placing
“Specific Mandate”	the specific mandate to be sought from Shareholders at the EGM to approve, inter alia, the allotment and the issue of the Placing Shares and the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Repurchase
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. LI Wai Hung (*Chairman*)
Mr. CHEN Liang (*Chief Executive Officer and
Compliance Officer*)
Mr. BAI Jian

Registered Office:

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Independent non-executive Directors:

Mr. LEUNG Chi Kin
Mr. TAM B Ray, Billy
Mr. CHI Chi Hung, Kenneth

*Principal place of business
in Hong Kong:*

Unit 1903, 19th Floor
West Tower, Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

5 July 2012

To the Shareholders

Dear Sir or Madam,

**(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) PLACING OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Share Placing under the Specific Mandate and the CN Placing under the Specific Mandate. On 9 May 2012, the Company and the Placing Agent entered into:

- (1) the Share Placing Agreement 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 to not less than six independent Placers at the price of HK\$0.05 per Share; and

LETTER FROM THE BOARD

- (2) the CN Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place the Convertible Notes in the maximum aggregate principal amount of HK\$100,000,000 to independent Placee(s) on a best effort basis.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Share Placing Agreement including the allotment and issue of Placing Shares; (ii) further information regarding the CN Placing Agreement including the allotment and issue of the Conversion Shares; and (iii) a notice of the EGM.

I. THE SHARE PLACING

The Share Placing Agreement

Date

9 May 2012

Parties

(a) the Company; and

(b) the Placing Agent

Placing Agent

The Placing Agent will receive a placing commission of 3.5% of the aggregate principal amount being equal to the Placing Price multiplied by the number of the Placing Shares actually placed, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Shares will be placed to not less than six Placees (who will be independent professional, institutional or other investors) who and whose ultimate beneficial owners are Independent Third Parties. Neither each of the Placees nor the Placing Agent will become a substantial Shareholder (as defined under the GEM Listing Rules) as a result of the Share Placing, pursuant to the clauses contained in the Share Placing Agreement.

LETTER FROM THE BOARD

Number of Placing Shares

A maximum of 1,000,000,000 Placing Shares, representing approximately (i) 60.15% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) 37.56% of the Company's issued share capital as enlarged by the issue of the Placing Shares; and (iii) 21.45% of the Company's issued share capital as enlarged by the issue of the Placing Shares and the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Notes. The maximum aggregate nominal value of the Placing Shares under the Share Placing will be HK\$50,000,000.

Ranking of Placing Shares

The Placing Shares will on issue rank pari passu in all respects with the other Shares then in issue.

Placing Price

The Placing Price of HK\$0.05 per Share represents:

- (i) a discount of approximately 59.68% to the closing price of the Shares of HK\$0.124 per Share as quoted on the Stock Exchange on the date of the Announcement;
- (ii) a discount of approximately 59.55% to the average of the closing prices of the Shares of approximately HK\$0.1236 per Share as quoted on the Stock Exchange for the 5 consecutive trading days prior to date of the Announcement;
- (iii) a discount of approximately 57.77% to the average of the closing prices of the Shares of approximately HK\$0.1184 per Share as quoted on the Stock Exchange for the 10 consecutive trading days prior to date of the Announcement; and
- (iv) a discount of approximately 58.68% to the closing price of the Shares of HK\$0.121 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent with reference to, among other things, (i) the prevailing market price of the Share; (ii) the weak financial market sentiments; and (iii) the response to the open offer conducted by the Company as announced on 28 February 2012 and the result of which was announced on 17 April 2012.

The net proceeds raised per Share upon completion of the Share Placing will be approximately HK\$0.0482.

LETTER FROM THE BOARD

Conditions Precedent

Completion of the Share Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Placing Shares;
- (ii) the passing of resolutions by the Shareholders to approve the Share Placing Agreement and the transactions contemplated thereunder, including the allotment, issue of and dealing in the Placing Shares, at the EGM; and
- (iii) the obligations of the Placing Agent under the Share Placing Agreement becoming unconditional and not being terminated in accordance with the terms therein.

If the conditions precedent are not fulfilled and/or waived in whole or in part by the Placing Agent prior to 5:00 p.m. on the 90th day from the date of the EGM (but not later than 30 September 2012 or such later date to be agreed between the Company and the Placing Agent), the Share Placing will be terminated and will not proceed and all obligations and liabilities of the parties thereunder will forthwith cease and determine and no party will have any claim against the other (save for any antecedent breaches thereof).

Termination

The Placing Agent may terminate the Share Placing Agreement by notice in writing prior to 9:00 a.m. on the completion date of the Share Placing, if

- (a) in the absolute opinion of the Placing Agent, the success of the Share Placing would be materially and adversely affected by any force majeure events:
 - (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Share Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the absolute opinion of the Placing Agent,

LETTER FROM THE BOARD

materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Share Placing to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Share Placing; or

- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation to suspension or material restriction or trading in securities) occurs which affect the success of the Share Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Share Placing.
- (b) If, prior to 9:00 a.m. on the completion date of the Share Placing:
- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Share Placing Agreement; or
 - (ii) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the any announcements or circulars relating to the Share Placing and/or the sale and purchase agreement and the ancillary agreements thereto; or
 - (iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Share Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated, the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Share Placing.

Completion of the Share Placing

Completion of the Share Placing shall take place within four Business Days after the fulfillment of the conditions precedent as set out in the Share Placing Agreement or such later date to be agreed between the Company and the Placing Agent.

Specific Mandate to allot and issue Placing Shares

The Placing Shares are to be allotted and issued by the Company under the Specific Mandate.

LETTER FROM THE BOARD

Application for Listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

II. THE CN PLACING

The CN Placing Agreement

Date

9 May 2012

Parties

- (a) the Company; and
- (b) the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed to place, on a best effort basis, the Convertible Notes which are proposed to be issued in a maximum aggregate principal amount of HK\$100,000,000 to independent Placee(s). The Placing Agent will receive a placing commission of 3.5% of the amount equal to the aggregate principal amount of the Convertible Notes actually placed, which was arrived at after arm's length negotiations between the Company and the Placing Agent. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placee(s)

The Placing Agent will place the Convertible Notes to Placee(s) (who will be independent professional, institutional or other investors) who and whose ultimate beneficial owners are Independent Third Parties.

Conditions Precedent

The CN Placing is conditional upon:

- (i) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Conversion Shares (subject to conditions to which neither the Placing Agent nor the Company may reasonably object); and
- (ii) the grant of approval by Shareholders on the CN Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of the conversion rights under the Convertible Notes) at the EGM;

LETTER FROM THE BOARD

If the conditions are not fulfilled on or prior to the 90th day from the date of the EGM (but not later than 30 September 2012 or such later date as may be agreed between the Company and the Placing Agent), the CN Placing will be terminated and no party will have any claim against the other (save for any antecedent breaches thereof).

Termination

If, at any time prior to 9:00 a.m. on the relevant completion date of CN Placing, in the absolute opinion of the Placing Agent, the success of the CN Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (a) any material breach of any of the representations and warranties set out in the CN Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days (save for the purposes of clearing of the announcement or circulars relating to the CN Placing Agreement); or
- (c) any of the following events:
 - (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Convertible Notes to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the placing of Convertible Notes; or

LETTER FROM THE BOARD

- (iii) any change in market conditions (including without limitation, a suspension or limitation on trading in securities generally on the Stock Exchange) which would materially and adversely affect the success of the placing of the Convertible Notes to potential investor(s) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the placing of the Convertible Notes.

then and in any such case, the Placing Agent may terminate the CN Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 a.m. on the completion date of the CN Placing and provided further that such termination shall not affect any partial completion of the Convertible Notes that have taken place prior to such date of termination.

If the Placing Agent terminates the CN Placing Agreement, all obligations of the Placing Agent and the Company under the CN Placing Agreement will cease and determine and neither party may have any claim against the other party in respect of any matter arising out of or in connection with the CN Placing Agreement except for any breach arising prior to such termination.

Completion

Completion of the CN Placing shall take place within four Business Day after all the conditions as set out in the CN Placing Agreement are fulfilled or such other date to be agreed between the Company and the Placing Agent.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The following summarizes certain of the principal terms of the Convertible Notes:-

Principal amount

A maximum aggregate amount of HK\$100,000,000.

Authorized denomination for issue, transfer, conversion and redemption

HK\$1,000,000 each.

Interest Rate

Zero coupon.

Maturity Date

Three years from the relevant date of issue.

LETTER FROM THE BOARD

Conversion Period

The Noteholder(s) shall have the right to convert the outstanding principal amount of the Convertible Notes in whole or in part into Shares at any time following the relevant date of issue until the Business Day prior to the maturity date of the Convertible Notes (the “**Maturity Date**”).

Conversion Price

The Conversion Price, subject to adjustments, shall be HK\$0.05 per Conversion Share. The Conversion Price was arrived at after arm’s length negotiation between the Company and the Placing Agent and represents:-

- (i) a discount of approximately 59.68% to the closing price of the Shares of HK\$0.124 per Share as quoted on the Stock Exchange on the date of Announcement;
- (ii) a discount of approximately 59.55% to the average of the closing prices of the Shares of approximately HK\$0.1236 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to date of Announcement;
- (iii) a discount of approximately 57.77% to the average of the closing prices of the Shares of approximately HK\$0.1184 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days prior to date of Announcement; and
- (iv) a discount of approximately 58.68% to the closing price of the Shares of HK\$0.121 per Share as quoted on the Stock Exchange for the Latest Practicable Date.

The aggregate nominal value of the Conversion Shares, assuming full conversion of the Convertible Notes, is approximately HK\$100,000,000. The Conversion Price was negotiated on an arm’s length basis between the Company and the Placing Agent with reference to, among other things, (i) the prevailing market price of the Share; (ii) the weak market sentiments; and (iii) the response of the open offer conducted by the Company as announced on 28 February 2012 and the result of which as announced on 17 April 2012.

The net proceeds raised per Conversion Share upon the full conversion of the Convertible Notes will be approximately HK\$0.0483.

The Conversion Price may be adjusted upon the occurrence of certain adjustment events, which include consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie, rights issues or subsequent issue of securities in the Company, and will in any event not be adjusted below the par value of the Shares.

Conversion

Each Noteholder may convert the whole or part of the principal amount of the relevant Convertible Notes (in multiple of HK\$1,000,000 at any one time of conversion) into Conversion Shares unless the principal amount of the outstanding Convertible Notes is less than HK\$1,000,000 in which case the whole (but not part only) of such outstanding principal amount of the Convertible Notes shall be converted.

LETTER FROM THE BOARD

No conversion shall be made by the Noteholder unless the Noteholder provides, to the reasonable satisfaction of the Company, evidence that (i) such Noteholder, its associates will not render Shares held in public hands being less than the minimum public float of the Shares required under the GEM Listing Rules; and (ii) such Noteholder, its associates and its parties acting in concert (as defined under the Takeovers Code) will not become obliged to make a mandatory offer in accordance with the Takeovers Code immediately upon conversion.

Upon full conversion of the HK\$100,000,000 principal amount of the Convertible Notes at the Conversion Price, a total of 2,000,000,000 Conversion Shares (with an aggregate nominal value of HK\$100,000,000) will be allotted and issued, representing approximately (i) 120.30% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) 54.61 % of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares; and (iii) 42.89% of the Company's issued share capital as enlarged by the allotment and issue of the Placing Shares and the Conversion Shares.

Transferability

The Convertible Notes are freely transferable except that the Convertible Notes may not be assigned or transferred to a connected person of the Company. The Company will notify the Stock Exchange should it become aware of the Convertible Notes have been assigned or transferred to a connected person of the Company.

Voting

Noteholder(s) will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of them being holders of the Convertible Notes.

Listing

No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.

Application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes.

Ranking

The Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes shall rank *pari passu* in all respects with all other Shares outstanding at the date of the conversion notice.

Specific Mandate

The Conversion Shares will be allotted and issued under the Specific Mandate. The Specific Mandate will be sought from Shareholders at the EGM.

LETTER FROM THE BOARD

Redemption

The Company shall, at any time before the Maturity Date, have the option to redeem the Convertible Notes in whole or in part by giving not less than 7 clear Business Days' prior notice. The amount payable for any redemption shall be the relevant amount of the principal amount of the Convertible Notes so redeemed.

Status of the Convertible Notes

The Convertible Notes constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and ratably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

REASONS FOR THE SHARE PLACING AND THE CN PLACING AND USE OF PROCEEDS

The maximum gross proceeds and net proceeds of the Share Placing will be approximately HK\$50,000,000 and HK\$48,200,000 respectively. The maximum gross proceeds and net proceeds of the CN Placing will be approximately HK\$100,000,000 and HK\$96,500,000 respectively.

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

In light of the volatile global economy as experienced during the past years, the Board has strived to diversify the Group's investment portfolio for the purpose of lowering the Group's investment risk and broadening its income base.

As detailed in the Announcement, an indirect wholly-owned subsidiary of the Company had entered into an agreement in relation to the Acquisition. The Acquisition will require an aggregate consideration of HK\$148,000,000 in cash (subject to adjustments) and it is also a condition precedent to completion of the Acquisition that the Company raises not less than HK\$150,000,000. Accordingly, the Directors intend to apply the net proceeds obtained from the Share Placing and the CN Placing to satisfy the consideration under the Acquisition and any remaining amount, if any, for general working capital of the target group under the Acquisition.

In the event that the Acquisition does not take place, the Directors intend to apply the proceeds raised for the Group's future investment, including but not limited to natural resources related business and/or property investment, should such opportunities arise. Save for the Acquisition, no specific investment targets have been identified as at the Latest Practicable Date.

LETTER FROM THE BOARD

Since the Acquisition represents a valuable opportunity for the Group to diversity its businesses to the natural resources industry, the Directors consider that it is a suitable timing for the Company to conduct the Share Placing and CN Placing to provide the Company with the necessary funding to complete the Acquisition and its subsequent development. In addition, the Directors also consider that the Share Placing and the CN Placing will give the opportunity to the Company to broaden its shareholder and capital base. Moreover, the issue of Convertible Notes may not result in an immediate dilution effect to the existing Shareholders but provides the Company with immediate funding without incurring any interest, should the Noteholder does not convert the Convertible Notes immediately after the completion of the CN Placing. Accordingly, the Directors consider the Share Placing and the CN Placing are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
28 February 2012	Open offer of 554,167,446 offer shares of the Company ("Offer Shares"), at a price of HK\$0.07 per Offer Share on the basis of one Offer Share for every two existing Shares held by the Shareholders	HK\$37,300,000	HK\$15,000,000 for general working capital and HK\$22,300,000 for future investment when opportunity arises	HK\$23,000,000 used as refundable deposit for the Acquisition and HK\$14,300,000 for future general working capital

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Share Placing and the CN Placing is illustrated as follows:

	As at the Latest Practicable Date		Upon completion of the Share Placing but not taking into account the CN Placing		Upon completion of the CN Placing (assuming the Convertible Notes are placed and converted in full at the Conversion Price) but not taking into account the Share Placing		Upon completion of the Share Placing and the CN Placing (assuming the Convertible Notes are placed and converted in full at the Conversion Price)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Chow Kai Wah (<i>Note</i>)	18,000	0.00%	18,000	0.00%	18,000	0.00%	18,000	0.00%
Placees under the Share Placing	-	-	1,000,000,000	37.56%	-	-	1,000,000,000	21.45%
Noteholder(s)	-	-	-	-	2,000,000,000	54.61%	2,000,000,000	42.89%
Public	1,662,484,338	100.00%	1,662,484,338	62.44%	1,662,484,338	45.39%	1,662,484,338	35.66%
Total	1,662,502,338	100%	2,662,502,338	100%	3,662,502,338	100%	4,662,502,338	100%

Note: Mr. Chow Kai Wah is a former executive Director who resigned in June 2012.

EGM

A notice convening the EGM is set out on pages 19 to 20 of this circular. The EGM will be held for the purpose of considering and, if thought fit, approving, among other things, (i) the Share Placing Agreement and the transactions contemplated thereunder; (ii) the allotment and issue of the Placing Shares under the Specific Mandate; (iii) the CN Placing Agreement and the transactions contemplated thereunder; and (iv) the allotment and issue of the Conversion Shares under the Specific Mandate.

Both the Share Placing and CN Placing is subject to, among other things, the passing of ordinary resolutions by the Shareholders approving the same at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Share Placing Agreement and the CN Placing Agreement. Accordingly, no Shareholder is required to abstain from voting at the EGM.

The voting of the Shareholders at the EGM will be taken by way of poll.

The Share Placing and the CN Placing are not conditional upon each other. As the completion of both the Share Placing and the CN Placing are subject to the fulfillment of the conditions precedent as set out in the Share Placing Agreement and the CN Placing Agreement, the Share Placing and/or the CN Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof, to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

RECOMMENDATION

The Board considers that the terms of the Share Placing Agreement and the CN Placing Agreement are fair and reasonable. The Board also considers that the Share Placing and the CN Placing are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders shall vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Placing Agreement (including the allotment and issue of the Placing Shares), the CN Placing Agreement (including the allotment and issue of the Conversion Shares), and the grant of the Specific Mandate at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of China Natural Investment Company Limited (“**Company**”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Monday, 30 July 2012 at 2:30 p.m. to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

“**THAT:**

- (a) the placing agreement dated 9 May 2012 (the “**Share Placing Agreement**”) entered into between the Company and Kingston Securities Limited (“**Placing Agent**”) in relation with the allotment and issue by way of placing through the Placing Agent, on a best effort basis, a maximum of 1,000,000,000 new shares (“**Placing Shares**”) of HK\$0.05 each in the share capital of the Company and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed in all respects;
- (b) the placing agreement dated 9 May 2012 (the “**CN Placing Agreement**”) entered into between the Company and Kingston Securities Limited (“**Placing Agent**”) in relation to the convertible notes in a maximum aggregate principal amount of HK\$100,000,000 (the “**Convertible Notes**”) on a best effort basis and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares and/or the new Shares to be allotted and issued upon conversion of all or any part of the Convertible Notes in accordance with the terms and conditions attaching thereto (the “**Conversion Shares**”), the allotment and issue of the Placing Shares and the Conversion Shares, pursuant to and subject to the exercise of the conversion rights attached to the Convertible Notes in CN Placing Agreement, be and are hereby approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the directors of the Company (the “**Directors**”) be and are hereby authorised to exercise all the powers of the Company and take all steps as might in his/their opinion be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Share Placing Agreement and the CN Placing Agreement as well as in relation to the allotment and issue of the Placing Shares and the Conversion Shares, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.”

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

Hong Kong, 5 July 2012

Registered office:

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business

in Hong Kong:
Unit 1903, 19th Floor
West Tower, Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority, at the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the extraordinary general meeting or any adjournment thereof should he/she so wish.
- (3) Completion and return of an instrument appointing a proxy should not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) As required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the resolutions will be decided by way of poll.

As at the date hereof, 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.

This notice 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>.