

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL
ACQUISITION:
DISPOSAL OF CN PROPERTY GROUP**

DISPOSAL OF CN PROPERTY GROUP

On 7 September 2012 (after trading hours), CN BVI (a wholly-owned subsidiary of the Company), as vendor, and TH Property Holding, as purchaser, entered into the SP Agreement pursuant to which CN BVI has conditionally agreed to sell, and TH Property Holding has conditionally agreed to acquire, the Sale Shares at the Consideration of HK\$195 million. The Consideration will be satisfied by the allotment and issue of the Consideration Shares by TH Property Holding to CN BVI upon Completion.

Immediately after Completion, CN Property Holding will become a wholly-owned subsidiary of TH Property Holding which will be in turn owned as to 75% by TH BVI and 25% by CN BVI.

Pursuant to the SP Agreement, TH Property Holding also agreed to grant the First Right to CN BVI to subscribe for shares of TH Property Holding at a maximum consideration of HK\$100 million during the First Right Period.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Disposal as contemplated under the SP Agreement constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. The allotment and issue of the Consideration Shares by TH Property Holding to CN BVI and the transactions as

contemplated under the First Right Subscription constitute a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. The Transactions are subject to reporting, announcement and shareholders' approval requirements.

A circular containing, among other things, (i) details of the SP Agreement; (ii) other information as required to be disclosed under the GEM Listing Rules; and (iii) the notice of the EGM will be despatched to the Shareholders on or before 28 September 2012.

The Board is pleased to announce that on 7 September 2012 (after trading hours), CN BVI (a wholly-owned subsidiary of the Company), as vendor, and TH Property Holding, as purchaser, entered into the SP Agreement pursuant to which CN BVI has conditionally agreed to sell, and TH Property Holding has conditionally agreed to acquire, the Sale Shares at the Consideration of HK\$195 million.

THE SP AGREEMENT

Major terms of the SP Agreement are set out below.

Date:

7 September 2012

Parties:

- (1) CN BVI (a wholly-owned subsidiary of the Company); and
- (2) TH Property Holding.

The principal activity of TH Property Holding is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, TH Property Holding and its ultimate beneficial owners are Independent Third Parties. To the best knowledge of the Directors, as at the date of this announcement, TH Group is holding 16,424,000 Shares (representing approximately 0.99% of the issued share capital of the Company as at the date of this announcement).

Assets to be disposed of:

CN BVI has conditionally agreed to sell, and TH Property Holding has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of CN Property Holding.

Consideration:

The Consideration is HK\$195 million which will be satisfied by the allotment and issue of the Consideration Shares, which will represent 25% of the issued share capital of TH Property Holding as enlarged by the allotment and issue of the Consideration Shares upon Completion.

The Consideration was determined after arm's length negotiation between TH Property Holding and CN BVI on normal commercial terms with reference to (i) the market value of the CN Properties attributable to CN Property Group as at 30 June 2012 and the market value of the TH Properties attributable to TH Property Group as at 30 June 2012 of approximately HK\$753,740,000 as indicated in the preliminary valuation report of an independent property valuer; and (ii) the unaudited combined net asset value of TH Property Group and CN Property Group as at 30 June 2012 taking into account the adjustments as set out in the paragraphs headed "Information about CN Property Group" and "Information about TH Property Group" below.

Conditions Precedent:

Completion shall be conditional upon the following conditions precedent:

- (a) the sale and purchase of the Sale Shares, the allotment and issue of the Consideration Shares, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement having been approved by the shareholders of TH Holding (who are not required to abstain from voting in such respect under the Listing Rules or otherwise) at the TH Holding General Meeting;
- (b) the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement having been approved by the Shareholders (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the EGM;
- (c) TH Property Holding being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that TH Property Holding may consider necessary) on CN Property Group and its assets, properties, liabilities, activities, operations, prospects and other status which TH Property Holding, its agents or professional advisers think reasonably necessary and appropriate to conduct including, in particular, that the relevant CN Property Group's titles to the relevant CN Properties being proved to the reasonable satisfaction to TH Property Holding;
- (d) CN BVI being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that CN BVI may consider necessary) on the TH Property Group and its assets, properties, liabilities, activities, operations, prospects and other status which CN BVI, its agents or professional

advisers think reasonably necessary and appropriate to conduct including, in particular, that the relevant TH Property Group's titles to the relevant TH Properties being proved to the reasonable satisfaction to CN BVI;

- (e) the fair value of CN Properties as at a date not more than four (4) months from the date of the TH Holding General Meeting as valued by an independent professional valuer and indicated in its valuation report being not less than HK\$189,900,000;
- (f) the fair value of the TH Properties as at a date not more than four (4) months from the date of the EGM as valued by an independent professional valuer and indicated in its valuation report being not less than HK\$571,250,000;
- (g) (if applicable) all such waivers, consents or other documents as TH Property Holding may require in relation to the completion of the transactions contemplated under the SP Agreement;
- (h) (if applicable) all such waivers, consents or other documents as CN BVI may require in relation to the completion of the transactions contemplated under the SP Agreement;
- (i) there is no breach of any of the representations and warranties given by CN BVI under the SP Agreement; and
- (j) there is no breach of any of the representations and warranties given by TH Property Holding under the SP Agreement.

The Conditions Precedent referred to in items (a), (b), (e), (f), (g) and (h) above are not capable of being waived by any of the parties.

TH Property Holding may waive the Conditions Precedent referred to in items (c) and (i) by written notice to CN BVI.

CN BVI may waive the Conditions Precedent referred to in items (d) and (j) by written notice to TH Property Holding. CN BVI does not have any current intention to waive any of the abovementioned Conditions Precedent.

If any of the Conditions Precedents cannot be fulfilled or waived (if applicable) on or before the Long Stop Date, the obligations of the parties to proceed with Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

Completion:

Completion will take place on the fifth Business Day after the last outstanding Conditions Precedent is fulfilled or waived or such other date as TH Property Holding and CN BVI shall agree in writing.

Immediately after Completion, (i) each member of CN Property Group will cease to be a subsidiary of the Company; and (ii) CN Property Holding will become a wholly-owned subsidiary of TH Property Holding which will in turn be owned as to 75% by TH BVI and 25% by CN BVI.

Shareholders' Agreement

At Completion, TH BVI and CN BVI will enter into a Shareholders' Agreement to set out the arrangements in relation to their participation and respective shareholding in TH Property Holding. The major terms of the Shareholders' Agreement are set out below:

- (1) CN BVI shall be entitled to nominate one person to act as a director of TH Property Holding out of a total of four directors of TH Property Holding with the remaining three to be nominated by the TH BVI;
- (2) the following matters of the TH Property Group would require the consent, authorization or ratification of all shareholders of TH Property Holding individually holding not less than 20% of voting shares of TH Property Holding:
 - (a) change in the share capital structure of any member of the Enlarged Group, including but not limited to any consolidation or subdivision of shares and any increase or reduction in the share capital;
 - (b) in respect of any member of the Enlarged Group, save as contemplated in the SP Agreement and/or the Shareholders' Agreement, issue of any new shares or granting any option over or right to acquire any shares or creating or granting any rights or interests convertible or exchangeable into shares or securities convertible or exchangeable into shares;
 - (c) change in the nature or scope of the business of any member of the Enlarged Group; and
 - (d) approving any resolution to wind up any member of the Enlarged Group (whether by way of compulsory winding-up or creditors' voluntary winding-up or otherwise) or enter into receivership or make any composition or arrangement with its creditors.

- (3) Subject to any applicable legal requirements, the provisions of the constitution documents of TH Property Holding, any restrictions imposed under any loan agreements, security documents or other contracts, not less than 20% of the profits or, where applicable, the consolidated profits of the TH Property Holding attributable to the shareholders for each financial year, after making adequate reserve for the following items, shall be distributed to the shareholders:
- (a) taxation of any form;
 - (b) actual or contingent liabilities;
 - (c) reasonable working capital;
 - (d) accumulated amount of losses; and
 - (e) other purposes which the directors of TH Property Holding shall consider reasonable.
- (4) Subject to the right of first refusal as mentioned below, CN BVI shall not mortgage, pledge, charge or transfer any of the Consideration Shares and any shares of TH Property Holding which may be allotted and issued to CN BVI as contemplated under the First Right Subscription.
- (5) If either CN BVI or TH BVI proposes to transfer any of the shares held by them in TH Property Holding to any third party, the existing shareholder(s) shall have a right of first refusal to acquire such shares.

FIRST RIGHT OF SUBSCRIPTION

Under the SP Agreement, TH Property Holding has further agreed and undertaken that, within the First Right Period, in case TH Property Holding proposes to raise fund by issue of new shares of TH Property Holding, it shall offer the First Right to CN BVI to subscribe for the First Right Shares to be effected by a notice in writing (“**Funding Notice**”) to CN BVI which shall specify (i) the amount of consideration (“**Subscription Consideration**”) to be payable by CN BVI upon exercise of the First Right, provided that the aggregate amounts stated in all the Funding Notices (whether paid or payable), in case there are more than one, shall not exceed HK\$100 million; (ii) the Adjusted NAV (as defined below) being the basis for determining the number of First Right Shares and (iii) the number of First Right Shares and the percentage of holding in TH Property Holding that such First Right Shares represent (as a percentage of the issued share capital of TH Property Holding as enlarged by the allotment and issue of the First Right Shares).

CN BVI shall, upon receipt of the Funding Notice, within twenty (20) Business Days reply in writing to TH Property Holding stating its agreement to exercise (“**Exercise Notice**”) the First Right which shall be in respect of the whole (but not part only) of the Subscription Consideration.

In case CN BVI does not give the Exercise Notice within the prescribed period of time, the First Right under the relevant Funding Notice shall cease to be valid and TH Property Holding shall be entitled to raise fund by (i) rights issue, if agreed by all the then shareholders of TH Property Holding; or (ii) other means agreed by TH Property Holding and its shareholders.

Upon receipt of the Exercise Notice issued by CN BVI, TH Property Holding shall be obliged to allot and issue to CN BVI the number of the First Right Shares (and not part only) as stated in the Funding Notice. Completion of the allotment and issue of the First Right Shares shall be completed on the fifth Business Day (or such other date as agreed between CN BVI and TH Property Holding) after TH Property Holding’s receipt of the Exercise Notice.

CN BVI and TH Property Holding agree that in order to determine the number of First Right Shares to be allotted and issued upon exercise of the First Right, TH Property Holding shall arrange for a valuation of the properties (“**Subscription Property Valuation**”) then owned by the Enlarged Group to estimate the fair value (“**Subscription Property Fair Value**”) of such properties as at the last calendar day of the then preceding calendar month (“**Valuation Date**”) to be indicated in a valuation report (“**Subscription Property Valuation Report**”) to be issued by an independent professional valuer engaged by TH Property Holding (“**Valuer**”).

TH Property Holding shall then prepare the unaudited management accounts (“**Pro forma Management Accounts**”) of the Enlarged Group for the period ended on the Valuation Date after taking into account the Subscription Property Fair Value as indicated in the Subscription Property Valuation Report and any acquisition or disposal of the properties by the Enlarged Group since the Valuation Date in accordance with applicable accounting standards within ten (10) Business Days upon issuance of the Subscription Property Valuation Report by the Valuer.

The number of First Right Shares to be allotted and issued to CN BVI shall be determined in accordance with the following formula:

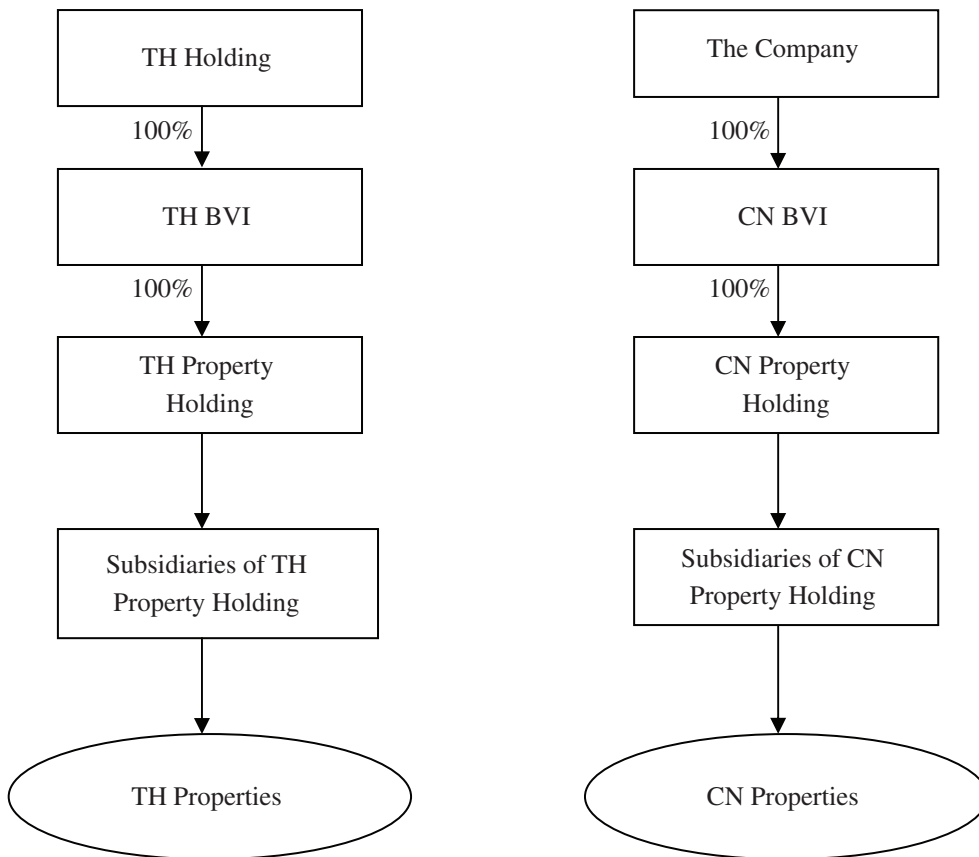
$$N = (S + N) \times \frac{C}{\text{Adjusted NAV} + C}$$

“N”	=	number of First Right Shares to be allotted and issued to CN BVI (rounded down to the nearest whole number), provided that the total number of First Right Shares to be subscribed by CN BVI during the First Right Period (whether pursuant to one or more than one Funding Notice) shall not be more than 25% of the total number of issued shares of TH Property Holding immediately after Completion
“S”	=	total number of issued shares of TH Property Holding as at the date of the Funding Notice
“C”	=	Subscription Consideration specified in the Funding Notice
“Adjusted NAV”	=	The net asset value of the Enlarged Group as shown in the Pro forma Management Accounts

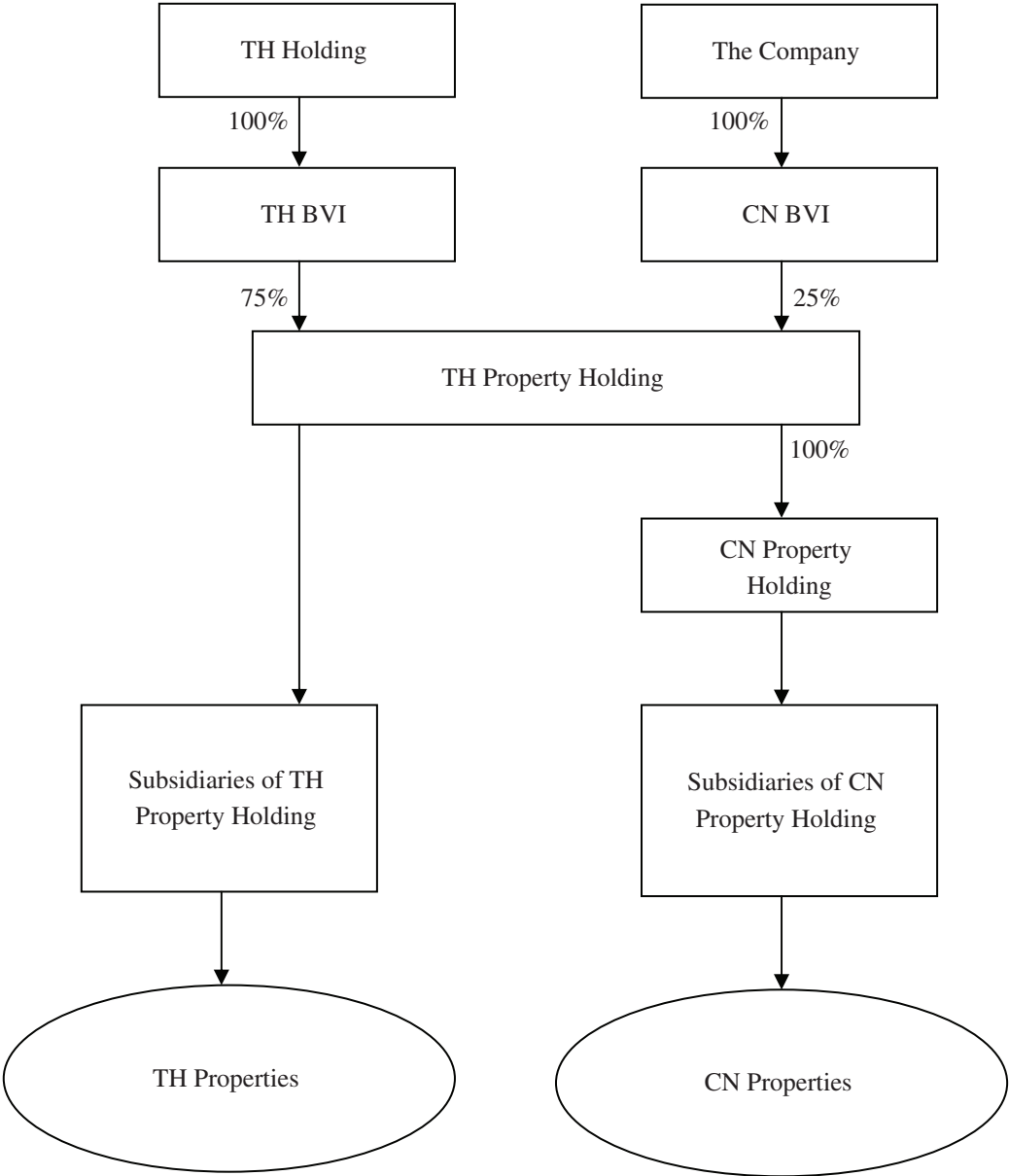
For the avoidance of doubt, under the First Right subscription the actual Subscription Consideration will be determined by TH Property Holding with a cap of HK\$100,000,000, and CN BVI’s maximum percentage of shareholding in TH Property Holding after the First Right Subscription (which shall be determined by reference to the formula above) will be capped at 40% of the enlarged issued share capital of TH Property Holding. If the First Right has been accepted and exercised by CN BVI in full, CN BVI shall pay the Subscription Consideration of HK\$100,000,000 to TH Property Holding to subscribe for the First Right Shares (in such number representing not more than 25% of the total number of issued shares of TH Property Holding immediately after Completion). Upon completion of such exercise of the First Right and assuming that (i) there is no other change of share capital of TH Property Holding from the Completion Date to the date of such exercise of the First Right and (ii) the First Right Shares as determined in accordance with the above formula will represent 25% of the total issued shares of TH Property Holding immediately after Completion, TH Property Holding will then be owned as to approximately 60% by TH BVI and 40% by CN BVI.

SHAREHOLDING STRUCTURE

Set out below is the simplified shareholding structure of TH Property Group and CN Property Group as at the date of the SP Agreement.



Set out below is the simplified shareholding structure of TH Property Group and CN Property Group immediately upon Completion.



INFORMATION ABOUT CN PROPERTY GROUP

CN Property Group is principally engaged in properties investment. Set out below are the locations of the CN Properties:

	Location	Attributable interest to CN Property Group
1.	Flat A on 12th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon	100%
2.	Flat K on 9th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon	100%
3.	Shop nos. 53 and 56, 54 and 57 on Ground Floor, Commercial Centre, Fullview Garden, No. 18 Siu Sai Wan Road, Hong Kong	100%
4.	Shop no. G12 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	100%
5.	Flat G on 14th Floor, Tai Shan Mansion, Kao Shan Terrace, No. 7 Taikoo Shing Road, Taikoo Shing, Hong Kong	100%
6.	Shop nos. G27 and G28 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	100%
7.	Public Carpark nos. P101-P150 together with Shroff's Office on First Floor, Citimark, No. 28, Yuen Shun Circuit, Shatin, New Territories	100%
8.	Shop no. 21 on Ground Floor, Grandway Garden, No. 16 Mei Tin Road and Nos. 15 & 35 Tsuen Nam Road, Shatin, New Territories	100%

All of the CN Properties are leased to Independent Third Parties (one of which is a subsidiary of TH Holding).

Set out below is a summary of certain unaudited combined financial information of the CN Property Group for the two years ended 30 June 2010 and 30 June 2011:

	For the year ended 30 June 2010 HK\$'000	For the year ended 30 June 2011 HK\$'000
Turnover	758	3,327
Net (loss)/profit (before taxation and extraordinary items)	(897)	8,671
Net (loss)/profit (after taxation and extraordinary items)	(1,053)	8,181

Note: The above financial information was extracted from the unaudited financial statements of CN Property Holding for the two years ended 30 June 2011 and does not include the financial results relating to properties nos. 1, 2 and 5, which were acquired by CN Property Group after 30 June 2011.

The unaudited combined total asset value and net asset value of CN Property Group as at 30 June 2012 were approximately HK\$188,976,000 and HK\$5,400,000 respectively. The book value of the CN Properties (excluding property no. 5 as set out in the paragraph headed “Information about CN Property Group” above which was completed in August 2012) as at 30 June 2012 was approximately HK\$161,213,000. The market value of the CN Properties attributable to the CN Property Group (excluding property no. 5 as set out in the paragraph headed “Information about CN Property Group” above which was completed in August 2012) as at 30 June 2012 is HK\$183,300,000 as indicated in the preliminary valuation report of an independent property valuer. After 30 June 2012 but before the date of the SP Agreement, CN Property Holding has capitalised a shareholder’s loan in the amount of approximately HK\$161,600,000. The unaudited combined net asset value of the CN Property Group as at 30 June 2012 was increased by HK\$183,687,000 as a result of the aforesaid the revaluation of the CN Properties and the capitalisation of the shareholder’s loan.

INFORMATION ABOUT TH PROPERTY GROUP

The TH Property Group is principally engaged in properties investment. Set out below are the locations of the TH Properties:

Location	Attributable interest to TH Property Group
1. Workshop nos. 1 and 2 on 12th Floor, Entrepot Centre, No. 117 How Ming Street, Kowloon	100%
2. Shop 9 on Ground Floor, No. 49 Kai Tin Road, Kowloon	100%
3. Shop no. G29 on Ground Floor, Commercial Podium, Sincere House, No. 83 Argyle Street, Kowloon	100%
4. Shop 37 on Level 1 and Carpark 39 at Level 2, Garden Rivera, Nos. 20-30 Tai Chung Kiu Road, Shatin, New Territories	100%
5. Ground Floor, Ultragrace Commercial Building, No. 5 Jordan Road, Kowloon	100%
6. Shop 3 on Ground Floor, Bo Yan Building, No.1 Horse Shoe Lane, Kowloon	100%
7. Shop no. 74, Harmony Garden, No. 9 Siu Sai Wan Road, Hong Kong	100%
8. Shop 7 on Ground Floor, Tin Po Building, Nos. 94, 96, 98 & 102 Tai Wai Road & Nos. 102-108 Chik Fuk Street, Shatin, New Territories	100%
9. Office and ancillary areas on 6th Floor, Silver Fortune Plaza, No. 1 Wellington Street, Hong Kong	100%
10. Commercial unit 16B on Ground Floor of Commercial & Garage Block, Carado Garden, Nos. 20-30 Tin Sam Street, Shatin, New Territories	100%
11. Flat E on 5th Floor of Block 3, Wai Wah Centre, Nos. 11-17 Shatin Centre Street, Shatin, New Territories	100%
12. Shop 1D on First Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories	100%
13. Shop C on Ground Floor, Carprio Mansion, No. 1 Lai Chi Kok Road, Kowloon	100%
14. Town Health Technology Centre, Whole block of Nos. 10-12 Yuen Shun Circuit, Sha Tin Town Lot No. 282, New Territories	100%
15. Shop C2 of Shop C on Ground Floor, Carson Mansion, Nos. 4-6 Dung Fat Street, Nos. 46-50 Lo Tak Court, Nos. 3-5 On Wing Street, Tsuen Wan, New Territories	70%

All of the TH Properties above are investment properties, most of which have been leased out to the Independent Third Parties or subsidiaries of TH Holding.

TH Property Group also holds the following land and properties which are self-used by the TH Group:

Location	Attributable interest to TH Property Group
1. Workshop 17 and 18 on 4th Floor, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories	100%
2. Workshop 20 with Lavatories and Flat Roof on 3rd Floor (otherwise known as Upper Ground Floor), Goldfield Industrial Centre, No. 1 Sui Wo Road, Shatin, New Territories	100%
3. Flat 3 on 25th Floor of Block D, Hilton Plaza, Nos. 3-9 Sha Tin Centre Street, Shatin, New Territories	100%

Set out below is a summary of certain unaudited combined financial information of the TH Property Group for the two years ended 31 December 2010 and 31 December 2011:

	For the year ended 31 December 2010	For the year ended 31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	8,228	25,639
Net profit (before taxation and extraordinary items)	26,951	25,042
Net profit (after taxation and extraordinary items)	26,526	24,572

The unaudited combined total asset value and net asset value of TH Property Group as at 30 June 2012 were approximately HK\$654,198,000 and HK\$150,366,000 respectively. The book value of the TH Properties attributable to TH Property Group as at 30 June 2012 was approximately HK\$494,900,000. The market value of the TH Properties attributable to the TH Property Group as at 30 June 2012 is HK\$563,840,000 as indicated in the preliminary valuation report of an independent property valuer. After 30 June 2012 but before the date of the SP Agreement, TH Property Holding has capitalised a shareholder's loan in the amount of approximately HK\$427,317,000. The unaudited combined net asset value of TH Property Group as at 30 June 2012 was increased to HK\$580,722,000 as a result of the aforesaid the revaluation of the TH Properties and the capitalisation of the shareholder's loan.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Prior to the entering into the SP Agreement, there were prior business relationship between the Group and TH Group. At present, the Group is providing public relationship advisory services to TH Group and one of the CN Properties is leased to a subsidiary of TH Group. The senior management of the Group and TH Group were therefore acquainted with each other for some time. In or around July 2012, the senior management of CN Property Group and TH Property Group have started to evaluate the possibility of forming a joint venture for property investment in Hong Kong. Thereafter, due diligence works have been started to evaluate the market value of the property portfolio of each other and finally the Group and TH Group have agreed to form a joint venture to consolidate each other's investment property portfolio so as to form a larger property investment group.

In return for the Disposal, the Company will receive 25% shareholding in TH Property Holding. TH Property Holding will become a joint venture between the Group and TH Group for property investment in Hong Kong. As set out in the paragraph headed "Information about TH Property Group", TH Property Group has a wide portfolio of property investment in Hong Kong. The Directors believe that the Group is able to invest in a larger portfolio of property investment through the joint venture, which can increase shareholder's value in a long run. The Directors also trust that the joint venture with TH Group could ride on the synergies of TH Group in terms of scale and management structure. TH Group has its own asset management team which is responsible for managing the property portfolio and identifying potential investment properties. It also has established relationship with a number of renowned property agencies who will periodically prepare property investment proposal and introduce potential investment properties to TH Group. After the Disposal, the Group will be benefited from sharing the profits of the Enlarged Group which will be managed by the professional and experienced asset management team of TH Group and the network of the TH Group as described above. The Directors believe that such enhanced network and potential investment opportunities are expected to bring better return to the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is the current intention of the Company that all its future property investment business will be carried out under the Enlarged 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 Group after the Disposal according to its shareholding in TH Property Holding.

Apart from the property investment business, the Group's two core business segments are (i) manufacturing and sale of pharmaceutical products; and (ii) provision of advertising and public relations services.

Provision of advertising and public relations business

The Group's public relations segment achieved revenue of approximately HK\$18,997,000, which accounted for 43.99% of the Group's total revenue for the nine months ended 31 March 2012. This business segment continues to provide the Group with a steady source of income and the Group would strengthen this core business segment at the right time to widen the profitability.

Manufacturing and sale of pharmaceutical products

Revenue from the pharmaceutical business was approximately HK\$19,062,000, which accounted for 44.14% of the Group's total revenue for the nine months ended 31 March 2012. Through the existing well-established distribution network, the pharmaceutical business continues generate steady returns to the Group. Nevertheless, the Group is facing the challenges ahead with respect of the new licensing requirement as regards operating a Good Manufacturing Practice certified factory in Hong Kong. The Group will review and modify the development strategy in this segment at the right time.

Save as disclosed by the Company in its announcement dated 15 May 2012, the Company does not have any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about (i) any disposal, termination, and/or scaling-down of the Company's existing businesses and major assets of the Group up to the date of this announcement; and (ii) any possible business or assets acquisition up to the date of this announcement.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group will not receive any sale proceeds from the Disposal. For illustrative purposes only and subject to audit, it is expected that the Group will record a gain (before expenses) of approximately HK\$1,426,000 as a result of the Disposal, being the difference between the Consideration of HK\$195 million and the unaudited combined net asset value of the CN Property Group as at 30 June 2012 of approximately HK\$193,574,000 (taking into account the effect of the acquisition of property no. 5 as set out in the paragraph headed "Information about CN Property Group" which was completed in August 2012 and the capitalisation of the shareholder's loan of CN Property Holding).

IMPLICATIONS UNDER THE GEM LISTING RULES

The Disposal as contemplated under the SP Agreement constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. The allotment and issue of the Consideration Shares by TH Property Holding to CN BVI and the transactions as contemplated under the First Right Subscription constitute a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. The Transactions are subject to reporting, announcement and shareholders' approval requirements.

The EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Disposal and the transactions as contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement. To the best knowledge of the Directors, as at the date of this announcement, TH Group is holding 16,424,000 Shares (representing approximately 0.99% of the issued share capital of the Company as at the date of this announcement) who is required to abstain from voting at the EGM in respect of the resolutions relating to the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement. Save as aforesaid, no other Shareholder has a material interest in the transactions contemplated under the SP Agreement who will be required to abstain from voting at the EGM in respect of the resolutions relating to the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement.

A circular containing, among other things, (i) details of the SP Agreement; (ii) other information as required to be disclosed under the GEM Listing Rules; and (iii) the notice of the EGM will be despatched to the Shareholders on or before 28 September 2012.

INFORMATION ON THE GROUP

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.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning signal no.8 or above or a “black” rainstorm warning is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“CN BVI”	Chemosino International Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company

“CN Properties”	the properties owned by CN Property Group as at the date of the SP Agreement
“CN Property Group”	the group of companies consisting of CN Property Holding and its subsidiaries
“CN Property Holding”	Million Worldwide Investment Limited, a company incorporated in BVI with limited liability and wholly owned by CN BVI as at the date of the SP Agreement
“Company”	China Natural Investment Company Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on GEM
“Completion”	completion of the Disposal
“Completion Date”	the fifth Business Day after the last outstanding Conditions Precedent shall have been fulfilled or waived (or such other date as TH Property Holding and CN BVI shall agree in writing) on which Completion is to take place
“Conditions Precedent”	the conditions precedent to which Completion is subject as set out in the paragraph headed “Conditions Precedent” under the section “The SP Agreement” in this announcement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the sum of HK\$195 million, being the consideration for the sale and purchase of the Sale Shares
“Consideration Shares”	225 new shares of TH Property Holding, which shall represent 25% of the issued share capital of TH Property Holding as enlarged by the issue of such shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by CN BVI pursuant to the terms and conditions of the SP Agreement
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement

“Enlarged Group”	the group of companies consisting of TH Property Holding and its subsidiaries after Completion
“First Right”	the right to subscribe for the First Right Shares during the First Right Period pursuant to the terms of the SP Agreement
“First Right Period”	period of two (2) years commencing from the Completion Date to the last day of the two-year period immediately following the Completion Date (both dates inclusive)
“First Right Shares”	such number of shares of TH Property Holding as determined in accordance with the terms of the SP Agreement to be allotted and issued to CN BVI upon exercise of the First Right and payment of the consideration of the First Right Subscription
“First Right Subscription”	the subscription of the First Right Shares by CN BVI in accordance with the provisions of the SP Agreement
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 31 December 2012 or such other date as CN BVI and TH Property Holding shall agree in writing
“Sale Shares”	the 100 ordinary shares of US\$1 each, representing the entire issued share capital of CN Property Holding
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company

“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between TH BVI and CN BVI at Completion setting out the arrangements in relation to their participation and respective shareholding in TH Property Holding
“SP Agreement”	the agreement dated 7 September 2012 entered into between TH Property Holding and CN BVI in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TH BVI”	Town Health (BVI) Limited, a company incorporated in BVI with limited liability, being the sole shareholder of TH Property Holding and a wholly-owned subsidiary of TH Holding
“TH Group”	TH Holding and its subsidiaries
“TH Holding”	Town Health International Investments Limited, a company incorporated in the Cayman Island and continued in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886)
“TH Holding General Meeting”	a special general meeting of TH Holding to be convened for the purpose of considering and, if thought fit, approving the sale and purchase of the Sale Shares, the allotment and issue of the Consideration Shares, the transactions contemplated under the First Right Subscription and other transactions as contemplated under the SP Agreement
“TH Properties”	the investment properties owned by the TH Property Group as at the date of the SP Agreement
“TH Property Group”	the group of companies consisting of TH Property Holding and its subsidiaries
“TH Property Holding”	Town Health Asset Management Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of TH BVI

“Transactions”

the Disposal, the allotment and issue of the Consideration Shares by TH Property Holding to CN BVI and the possible subscription of additional shares of TH Property Holding pursuant to the First Right Subscription, all as contemplated under the SP Agreement

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

Hong Kong, 9 September 2012

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

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven (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>.