

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.



中國農林低碳控股有限公司

China Agroforestry Low-Carbon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01069)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE
ISSUED SHARE CAPITAL OF
HUXIANG INTERNATIONAL HOLDINGS LIMITED**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 30 September 2016, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Company the Sale Shares of the Target Company at the Consideration of HK\$93,000,000, which will be satisfied by (i) the Deposit; (ii) HK\$52 million in cash; and (iii) HK\$33 million by the issue of the Promissory Note to the Vendor. Upon Completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATION

As the percentage ratios pursuant to the Listing Rules applicable to the Transaction calculated on an aggregate basis exceed 5% but are less than 25%, the transactions as contemplated under the Acquisition Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

WARNING NOTICE

As Completion is conditional upon fulfilment of the conditions precedent set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

INTRODUCTION

The Board is pleased to announce that on 30 September 2016, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the Vendor the Sale Shares of the Target Company at the Consideration of HK\$93,000,000. Details of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date

30 September 2016

Parties

Purchaser : The Company

Vendor : Mr. Dai Long Gui (戴隆貴先生)

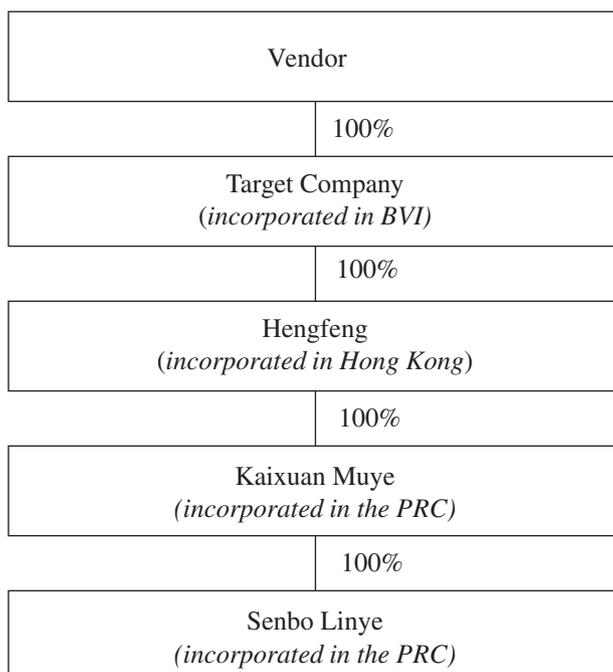
The Vendor is the sole legal and beneficial owner of the entire issued share capital of the Target Company. To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Vendor is an Independent Third Party.

The Acquisition Agreement does not provide for any of the Vendor's and its associates' representatives to be appointed as a Director. The Company confirmed that as at the date of this announcement, it has no intention to appoint any of the Vendor's and its associates' representatives as a Director upon Completion.

Subject Matter and Assets to be Acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the Sale Shares, which represent the entire issued share capital of the Target Company, at a total consideration of HK\$93,000,000. The Target Company is an investment holding company incorporated in the BVI with limited liability. Through its wholly owned subsidiary, Hengfeng, the Target Company holds the entire equity interest in Kaixuan Muye. The principal asset of Kaixuan Muye is its entire equity interest in Senbo Linye, which is principally engaged in the plantation, harvesting and selling of timber in the Forests, and possesses the Forests and the right to be engaged in the operations and management of the Forests.

The shareholding structure of the Target Group as of the date of this announcement is set out below:



The Consideration

Pursuant to the terms of the Acquisition Agreement, upon Completion the Consideration of HK\$93,000,000 shall be satisfied in the following manner:

- (a) a refundable deposit (the “**Deposit**”) in the amount of HK\$8 million has been paid in cash by the Company to the Vendor upon the execution of and in accordance with the terms of the Acquisition Agreement;
- (b) the remaining balance in the amount of HK\$85 million, shall be payable by the Company to the Vendor on Completion as to HK\$52 million shall be paid in cash and HK\$33 million shall be settled by way of the issue of the Promissory Note.

It is agreed by the parties that the Deposit shall be used to satisfy part of the Consideration upon Completion.

If Completion does not take place, the Acquisition Agreement shall cease and terminate (save and except certain clauses under the Acquisition Agreement which shall continue to have full force and effect) and the Vendor shall refund the Deposit (without interest) to the Company, and neither party shall have any obligations and liabilities thereunder and neither party shall take any action to claim for damages or to seek specific performance or any other rights and remedies save for any antecedent breach(es) of the terms thereof.

The Consideration was determined after arm’s length negotiations between the Company and the Vendor with reference to, among other things, (i) the factors stated in the section headed “Reasons for and Benefits of the Acquisition” set out below; (ii) the current financial

position of the Group; and (iii) the Valuation Report dated 23 September 2016 prepared by the Valuer showing that the market value of the entire equity interest in the Target Company was approximately RMB82,150,000 as at 16 September 2016.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, the Board (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

The Completion is conditional upon the fulfilment (or waiver) of the below conditions precedent:

- (i) the Company having completed and being satisfied with the results of its due diligence on the Target Group and related assets, operations, legal status, financial standing and other status;
- (ii) the Company and the Vendor having obtained all necessary approvals, authorisations, consents, licenses, permits, filings and waivers which may be required from the shareholders, third party (including banks), any governmental or regulatory authorities (including but not limited to the Stock Exchange and Securities and Futures Commission of Hong Kong) for the consummation of the transactions contemplated under the Acquisition Agreement;
- (iii) the Company having received written evidence from the Vendor showing that the Target Company is the sole owner of the entire equity interest in Senbo Linye through its indirect wholly owned subsidiaries;
- (iv) the Company being satisfied that there is no material breach of the terms and conditions of the Acquisition Agreement by the Vendor;
- (v) the Company having received an opinion issued by its PRC legal adviser in respect of, among other things, (i) the incorporation, legal status, litigation (if any) and operations of Senbo Linye; and (ii) Senbo Linye's right of ownership in relation to the Forests and the right to be engaged in the operations and management of the Forests, and the form and content of such opinion being satisfactory to the Company; and
- (vi) the representations and warranties given by the Vendor in the Acquisition Agreement remaining true, accurate and correct in all material respects and not misleading.

If the above conditions precedent have not been fulfilled or waived at the sole discretion of the Company and such waiver may be made subject to terms and conditions as determined by the Company (other than conditions (ii), (iii) and (iv) which may not be waived) on or before the Long Stop Date, the Acquisition Agreement shall cease to have any effect and the parties to the Acquisition Agreement shall have no further claims against the other under the Acquisition Agreement for costs, damages compensation or otherwise, save for antecedent breaches. The Vendor shall also refund the Deposit (without interest) to the Company on the Long Stop Date. The other conditions which are capable of being waived are intended to provide flexibility for the Company in implementing commercial transactions of the type of

the Acquisition. Other conditions in the Acquisition Agreement which are indispensable and involve no element of subjectivity such as regulatory compliance and approvals are not capable of being waived. As at the date of this announcement, the Company has no present intention to waive any of the conditions and will only exercise its right to waive such conditions if it is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Completion

Completion shall take place on the third Business Day (or such other date as may be agreed by the Company and the Vendor) after all the conditions precedent to the Acquisition Agreement have been fulfilled (or, if applicable, waived by the Company).

Promissory Note

Set out below are the major terms of the Promissory Note:

| | |
|----------------------------------|---|
| Issuer: | The Company |
| Principal Amount: | HK\$33 million |
| Issue Date: | The Completion Date |
| Maturity date: | Third anniversary of the date of the Promissory Note |
| Interest: | The Promissory Note bear interest at the rate of 3% per annum. The Company shall pay to the Vendor (the “ Noteholder ”) interest on the principal amount or such part thereof for the time being outstanding on the maturity date of the Promissory Note |
| Transferability: | The Noteholder may not assign or transfer the Promissory Note or any part thereof to any third party |
| Early redemption by the Company: | The Company may early redeem the Promissory Note in whole or in part by giving prior written notice of not less than 7 Business Days to the Noteholder |
| Application for listing: | No application will be made for the listing of the Promissory Note on any stock exchange |

The Directors are of the view that the terms of the Promissory Note are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

The Target Company and Hengfeng are investment holding companies incorporated in 2012 in BVI and Hong Kong respectively, and have no track record since inception.

Kaixuan Muye was established with limited liability in the PRC on 5 April 2012. The principal asset of Kaixuan Muye is its entire equity interest in Senbo Linye.

Senbo Linye was established with limited liability in the PRC on 11 November 2013. It is principally engaged in the plantation, harvesting and selling of timber in the Forests, and possesses the Forests, and the right to be engaged in the operations and management of the Forests.

VALUATION

According to the Valuation Report prepared by the Valuer, the fair value of 100% equity interest in the Target Company as at 16 September 2016 was approximately RMB82,150,000. The fair value under the Valuation Report was determined using the income approach with discounted future estimated cash flow method. Accordingly, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”).

For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions upon which the Profit Forecast is based are as follows:

1. Senbo Linye can obtain the necessary license(s) and has the sufficient capacity and resources without structural change and additional costs to fulfill its timber cutting schedule according to its operational projection plan provided;
2. There will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Huxiang;
3. No financial data have been investigated to determine the earning capacity of the operation in which the assets are used, and it was assumed that the prospective earnings would provide a reasonable return on the fair market value of the assets;
4. The technical report (including details as to the species of cypress trees in the Forests, the conditions of the Forests and the estimation of the timber volume in the Forests) dated 27 July 2016 and provided by the forestry specialist consultant is accurate;
5. The characteristics of the forestry plantation area and tree population such as the number of trees per given area, the height and the diameter at breast height of the trees are normally distributed;
6. The base year market price of cypress timber was assumed to be around RMB1,800/m³;
7. The growth rate for the cypress tree price and the operational expenses is estimated based on the average timber price index in PRC over the past years;

8. Senbo Linye has no major capital expenditure needed according to its operational projection plan provided;
9. The yielding rate is assumed to be 66% and the cypress tree's growth rate is assumed to be 5.43% as provided by the forestry specialist expert; and
10. Waiver to the corporate tax continues to be applicable under the provisions of the tax benefit and incentive to the timber industry in the PRC.

The Board has reviewed the principal assumptions upon which the Profit Forecast was based on and is of the view that the Profit Forecast was made after due care and enquiry.

CCTH CPA Limited (“CCTH”), the reporting accountant of the Company, has also reviewed the calculations of the income approach upon which the Valuation Report prepared by the Valuer was based on.

A letter from the Board and a letter from CCTH are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

The following are the qualifications of the experts who have given their opinion in this announcement:

| Name | Qualification |
|---|------------------------------|
| Ascent Partners Valuation Service Limited | Professional valuer |
| CCTH CPA Limited | Certified Public Accountants |

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and CCTH is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither the Valuer nor CCTH has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and CCTH has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

REASONS FOR AND BENEFIT OF THE ACQUISITION

Pursuant to previous acquisitions by the Company, the Group has positioned the forestry business as its core business. The Board has endeavoured to achieve growth by seeking investment and acquisition opportunities in the forestry business. The Target Group is principally engaged in the plantation, harvesting and selling of timber in the Forests which will provide the Company further opportunities to participate in forest harvesting and timber processing. The Directors consider that the Acquisition will allow the Company to further expand its core business. The Acquisition is in line with the Group's growth strategies and shall benefit the Group by strengthening its core business and diversifying its revenue sources.

LISTING RULES IMPLICATION

As the percentage ratios pursuant to the Listing Rules applicable to the Transaction calculated on an aggregate basis exceed 5% but are less than 25%, the transactions as contemplated under the Acquisition Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is conditional upon fulfillment of the conditions precedent set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless otherwise requires.

| | |
|-------------------------|---|
| “Acquisition” | the proposed acquisition of 100% interest in the share capital of the Target Company by the Company from the Vendor pursuant to the Acquisition Agreement |
| “Acquisition Agreement” | the acquisition agreement dated 30 September 2016 entered into between the Company and the Vendor in relation to the Acquisition |
| “associate(s)” | the meaning ascribed thereto in the Listing Rules |
| “Board” | the board of directors of the Company |
| “Business Day” | a day (excluding Saturday and Sunday) on which licenced banks in Hong Kong are open for business |
| “BVI” | British Virgin Islands |
| “Company” | China Agroforestry Low-Carbon Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Acquisition, which shall take place on the date which is third business day after the date of satisfaction (or, if applicable, waived by the Company) of the condition precedents in the Acquisition Agreement |
| “Completion Date” | date of Completion, being the third business day (or such other date as may be agreed by the Company and the Vendor) after all the conditions precedent to the Acquisition Agreement have been fulfilled (or, if applicable, waived by the Company) |

| | |
|--------------------------------|---|
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Consideration” | the consideration of HK\$93,000,000 for the Acquisition |
| “Director(s)” | the director(s) of the Company |
| “Forests” | the forest lands with a total site area of approximately 13,218.9 Chinese Mu (畝) located in the Jiange County of the Sichuan Province, the PRC, owned by Senbo Linye |
| “Group” | the Company and its subsidiaries |
| “Hengfeng” | Hengfeng Investments holdings Limited (恆豐投資控股有限公司), a company incorporated under the laws of Hong Kong with limited liability and whose issued share capital is owned as to 100% by the Target Company as of the date of this announcement, and it is an Independent Third Party of the Company |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons as defined under the Listing Rules |
| “Kaixuan Muye” | Kaixuan Muye (Shenzhen) Limited* (凱軒木業(深圳)有限公司), a company incorporated under the laws of the PRC with limited liability and whose issued share capital is owned as to 100% by Hengfeng as of date of this announcement, and it is an Independent Third Party of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| “Long Stop Date” | 30 November 2016, or such other date as the parties to the Acquisition Agreement may agree |
| “PRC” or “China” | the People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Promissory Note” | the promissory notes in the aggregate principle amount of HK\$33 million to be issued by the Company in favour of the Vendor as part of the consideration of the Acquisition |

| | |
|--------------------|--|
| “Sale Shares” | the entire issued share capital of the Target Company as at the date of Completion |
| “Senbo Linye” | Jiangexian Senbo Linye Company Ltd.* (劍閣縣森博林業有限公司), a company incorporated under the laws of the PRC with limited liability and whose issue share capital will be owned as to 100% by Kaixuan Muye as of date of this announcement |
| “Share(s)” | share(s) of HK\$0.002 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Huxiang International Holdings Limited (湖湘國際控股有限公司), a company incorporated in the BVI with limited liability and wholly owned by the Vendor as at the date of this announcement, and is an Independent Third Party of the Company |
| “Target Group” | collectively the Target Company and its subsidiaries including Hengfeng, Kaixuan Muye and Senbo Linye |
| “Valuation Report” | the valuation report of the Target Company on the valuation of 100% of equity interest in the Target Company prepared by the Valuer |
| “Valuer” | Ascent Partners Valuation Service Limited, an independent professional qualified valuer appointed by the Company for the purpose of preparing a valuation report on the fair market value of the Target Company |
| “Vendor” | Mr. Dai Long Gui (戴隆貴先生) |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent |

* for identification purpose only

This announcement is made by the order of the Board. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

By order of the Board
China Agroforestry Low-Carbon Holdings Limited
Lei Zuliang
Chairman

Hong Kong, 30 September 2016

As at the date of this announcement, the executive Directors are Mr. Lei Zuliang, Professor Fei Phillip, Mr. Long Weihua and Mr. Wang Yue. The non-executive Directors are Professor Liu Zhikun. The independent non-executive Directors are Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang.

APPENDIX I — LETTER FROM THE BOARD

30 September 2016

Listing Division
The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sirs,

Discloseable Transaction — Acquisition of Huxiang International Holdings Limited (the “Target Company”) by China Agroforestry Low-Carbon Holdings Limited (the “Company”)

We refer to the announcement of the Company dated 30 September 2016 concerning the captioned transaction (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuation Report dated 23 September 2016 issued by the Valuer regarding the valuation of 100% equity interests in the Target Company as at 16 September 2016 (the “**Valuation**”), which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report dated 30 September 2016 from CCTH regarding whether the Profit Forecast, so far as the accounting policies and calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report. We have noted that the Profit Forecast in the Valuation are mathematically accurate and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

We hereby confirm that pursuant to the Valuation Report, the Profit Forecast has been made after due and careful enquiry of the Board.

Yours faithfully,
For and on behalf of the Board
China Agroforestry Low-Carbon Holdings Limited
Lei Zuliang
Chairman

APPENDIX II — LETTER FROM THE COMPANY’S REPORTING ACCOUNTANTS



30 September 2016

The Board of Directors
China Agroforestry Low-Carbon Holdings Limited
Rooms 1002–1003, 10/F, Great Eagle Centre,
23 Harbour Road, Wanchai,
Hong Kong

ACCOUNTANTS’ REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE FOREST HELD BY 劍閣縣森博林業有限公司

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Ascent Partners Valuation Service Limited dated 23 September 2016, in respect of the forest (the “**Forest**”) held by 劍閣縣森博林業有限公司 (“**森博林業**”) as at 16 September 2016 (the “**Valuation**”). Details of the Forest are set out in the announcement dated 30 September 2016 which was issued by China Agroforestry Low-Carbon Holdings Limited (the “**Company**”) in connection with the proposed acquisition by the Company of 100% equity interest in Huxiang International Holdings Limited (the “**Target Company**”), a limited company incorporated in the British Virgin Islands. 森博林業 is an entity established in the People’s Republic of China and is indirectly wholly-owned by the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive

system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance about whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the Forest.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

CCTH CPA Limited

Certified Public Accountants

Hong Kong