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**THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 a 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 Grand Forestry Resources Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHINA GRAND FORESTRY RESOURCES GROUP LIMITED**

**中國林大資源集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock code: 00910)

**DISCLOSEABLE AND CONNECTED TRANSACTION  
PROPOSED DISPOSAL OF ASSETS**

**Financial adviser to China Grand Forestry Resources Group Limited**



**KINGSTON CORPORATE FINANCE LIMITED**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**



**大華證券(香港)有限公司**

**GRAND CATHAY SECURITIES (HONG KONG) LIMITED**

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A letter from the Board is set out on pages 3 to 9 of this circular. A letter from the Independent Board Committee is set out on pages 10 to 11 of this circular. A letter from Grand Cathay, the independent financial adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 16 of this circular.

A notice convening the special general meeting to be held at 11:00 a.m. on Thursday, 28 February 2008 (or any adjourned meeting thereof) at Room 1906, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong is set out on pages 41 to 42 of this circular. Form of proxy for use in the special general meeting is enclosed. Whether or not you propose 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 of the special general meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting thereof, should you so wish.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	China Grand Forestry Resources Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of the entire issued share capital of Holt Hire pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 16 January 2008 entered into between Mr. Ng and the Company in relation to the Disposal
“Grand Cathay”	Grand Cathay Securities (Hong Kong) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal
“Group”	the Company and its subsidiaries
“Holt Hire”	Holt Hire Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“Holt Hire Group”	Holt Hire and its subsidiaries
“Independent Board Committee”	a board comprising all the independent non-executive Directors to advise the Independent Shareholders as to the terms of the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Ng and his associates and those who are required to abstain from voting on the relevant resolution approving the Disposal at the SGM under the Listing Rules and their respective associates (if any)

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## DEFINITIONS

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“Latest Practicable Date”	1 February 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Leung Ho, the chairman, an executive Director and a substantial Shareholder of the Company
“PRC”	the People’s Republic of China
“Reorganization”	the reorganization of the corporate structure of the Group involving the removal of the nano business and some securities investment from Holt Hire Group so that the garment business, software development business, properties and securities investment of the Holt Hire Group will be disposed of under the Disposal
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened at 11:00 a.m. on Thursday, 28 February 2008 (or any adjournment thereof) at Room 1906, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for considering and, if though fit, approving, among other matters, the Disposal and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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## LETTER FROM THE BOARD

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### CHINA GRAND FORESTRY RESOURCES GROUP LIMITED

中國林大資源集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 00910)

*Executive Directors:*

Mr. Ng Leung Ho (*Chairman*)  
Ms. Cao Chuan (*Deputy Chairman*)  
Ms. Lee Ming Hin  
Mr. Hu Xiaoming  
Mr. Cheung Wai Tak

*Non-executive Director:*

Mr. John MacMillan Duncanson

*Independent Non-executive Directors:*

Mr. Zou Zi Ping  
Mr. Lo Cheung Kin  
Mr. Zhu Jian Hong

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal*

*Place of Business in Hong Kong:*  
Unit 3405  
34th Floor, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

5 February 2008

*To the Shareholders*

Dear Sir/Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF ASSETS

#### INTRODUCTION

On 16 January 2008, the Company and Mr. Ng (being the chairman, an executive Director and a substantial Shareholder of the Company) entered into the Disposal Agreement pursuant to which the Company has conditionally agreed to dispose of and Mr. Ng has conditionally agreed to purchase the entire issued share capital of Holt Hire at a total consideration of HK\$189 million in cash.

The completion of the Disposal is conditional upon, among other things, the completion of the Reorganization, which is the reorganization of the corporate structure of the Group involving the removal of the nano business and some securities investment from Holt Hire Group so that the garment business, software development business, properties and securities investment of the Holt Hire Group will be disposed of under the Disposal.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules. According to the Listing Rules, the Disposal is subject to, among other things, the Independent Shareholders' approval at the SGM by way of poll. Mr. Ng and his associates are required to abstain from voting on the relevant resolution in respect of the Disposal Agreement and the transactions contemplated thereunder at the SGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter from Grand Cathay to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM which shall be convened for the purpose of considering and, if thought fit, approving the resolution in respect of the Disposal Agreement and the transactions contemplated thereunder.

### THE DISPOSAL AGREEMENT

**Date:**

16 January 2008

**Parties:**

Vendor: The Company

Purchaser: Mr. Ng Leung Ho, the chairman, an executive Director and a substantial Shareholder of the Company

**Assets subject to be disposed**

The assets subject to be disposed of by the Company are the entire issued share capital of Holt Hire. Holt Hire is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of garments, property investment, securities investment, software development and investment in jointly-controlled entities which are principally engaged in nano business. The completion of the Disposal is conditional upon, among other things, the completion of the Reorganization. The Reorganization is the reorganization of the corporate structure of the Group involving the removal of the nano business and some securities investment from Holt Hire Group so that the garment business, software development business, properties and securities investment of the Holt Hire Group will be disposed of under the Disposal.

**Consideration**

Mr. Ng shall settle the consideration for the Disposal of HK\$189 million by payment in cash in the following manner:

- (i) HK\$10 million was paid by Mr. Ng as initial deposit upon the signing of the Disposal Agreement; and
- (ii) the remaining balance of HK\$179 million shall be payable upon completion of the Disposal.

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## LETTER FROM THE BOARD

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The consideration for the Disposal was determined after arm's length negotiation between the Company and Mr. Ng with reference to, (i) the unaudited consolidated net asset value of Holt Hire Group of approximately HK\$120 million as at 30 September 2007; (ii) HK\$69 million for the assignment of the loans owing by the Holt Hire Group to the Company; and (iii) the historical business performance of Holt Hire Group for the past three financial years and six months ended 30 September 2007.

Based on the valuation report set out in Appendix I to this circular, the aggregate market value of the properties to be disposed of under the Disposal was approximately HK\$72.2 million as at 31 December 2007. Having compared to such market value to the book value as at 30 September 2007, there are no material discrepancies.

The Directors confirm that there has been no material change in the value of the assets to be disposed of and the consideration is fair and reasonable.

### **Conditions precedent**

Completion of the Disposal is conditional upon the following conditions:

- (1) the Reorganization having been completed to the satisfaction of Mr. Ng;
- (2) the passing by the Independent Shareholders at the SGM of the necessary resolution by way of poll approving the Disposal in accordance with the requirements of the Listing Rules; and
- (3) all necessary consents, approvals and authorizations having been obtained from all relevant governmental and regulatory authorities (including the Stock Exchange) in relation to the Disposal.

As at the Latest Practicable Date, condition (3) above has been fulfilled.

The Company has agreed to use its best endeavours to procure the fulfillment of the above conditions on or before 25 March 2008. All conditions under the Disposal Agreement cannot be waived.

### **Completion of the Disposal**

Completion of the Disposal is expected to take place within 14 business days after fulfillment of the conditions set out above or such other date as mutually agreed by the Company and Mr. Ng. Upon completion of the Disposal, the Company will no longer have any shareholding interests in Holt Hire and Holt Hire will cease to be a subsidiary of the Company.

### **REASONS FOR THE DISPOSAL**

The Group is principally engaged in the ecological forestry business and manufacture and sale of garment.

In the view that the main stream of revenue and income of the Company is materially derived from ecological forestry business and the results of the garment business and software development business have become relatively insignificant to the Group, the Directors consider that the garment business has

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## LETTER FROM THE BOARD

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caused the usage of the Group's resources inefficiently and therefore the Disposal provides an opportunity for the Group to (i) primarily focus its corporate resources on further cultivating the ecological forestry business; (ii) better develop and sculpt itself at a better position in the PRC ecological forestry industry; and (iii) realize its investment in the garment business and software development business so that the Company can deploy the Group's resources in a more profitable way.

The Directors are of the view that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Set out below is the summary of the consolidated financial results of the Holt Hire Group for the year ended 30 June 2006, the year ended 31 March 2007 and the six months ended 30 September 2007 (before the completion of the Reorganization):

	<b>For the year ended 30 June 2006</b>	<b>For the year ended 31 March 2007</b>	<b>For the six months ended 30 September 2007</b>
	<i>(Audited)</i>	<i>(Note)</i> <i>(Audited)</i>	<i>(Unaudited)</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Turnover	141,540	95,792	50,352
Gross profit	19,213	5,769	129
Net profit/(loss) before tax	(1,172)	14,911	(17,309)
Net profit/(loss) after tax	(1,309)	15,597	(17,309)
	<b>As at 30 June 2006</b>	<b>As at 31 March 2007</b>	<b>As at 30 September 2007</b>
	<i>(Audited)</i>	<i>(Note)</i> <i>(Audited)</i>	<i>(Unaudited)</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total assets	419,386	304,871	327,148
Total liabilities	(309,220)	(178,543)	(214,273)
Net assets	110,166	126,328	112,875

*Note:*

The financial year end date of the Company has been changed from 30 June to 31 March since the financial year ended 30 June 2006, details of which are set out in the Company's announcement dated 4 July 2006.

The Directors confirm that there would be no material difference in the financial information of the Holt Hire Group after the Reorganization.



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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE DISPOSAL

The Disposal is expected to realize no significant gain or loss (being the difference between the net proceeds of approximately HK\$189 million and the unaudited consolidated net asset value of the Holt Hire Group of approximately HK\$120 million as at 30 September 2007 together with the outstanding loans due from Holt Hire Group to the Company of HK\$69 million). The Disposal is expected to reduce the value of the assets and liabilities of the Group by approximately HK\$108 million and HK\$108 million respectively. Therefore, the Disposal would have no material impact on the net asset of the Group accordingly.

### USE OF PROCEEDS FROM THE DISPOSAL

The estimated net proceeds from the Disposal of approximately HK\$189 million are intended to be used for general working capital of the Group.

### GENERAL

Having reviewed all the relevant percentage ratios as set out in the Listing Rules, two of the percentage ratios are more than 5% but less than 25% and accordingly, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Mr. Ng, being the chairman, an executive Director and a substantial Shareholder of the Company with shareholding of approximately 17.27% of the issued share capital of the Company as at the Latest Practicable Date, is a connected person of the Company according to the Listing Rules. Therefore, the Disposal also constitutes a connected transaction under Chapter 14A of the Listing Rules.

According to the Listing Rules, the Disposal is subject to, among other things, the Independent Shareholders' approval at the SGM by way of poll. Mr. Ng and his associates in aggregate interested in 17.27% of the issued share capital of the Company are required to abstain from voting on the relevant resolution in respect of the Disposal Agreement and the transactions contemplated thereunder at the SGM.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Disposal. Grand Cathay has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal.

### THE SGM

The SGM will be held to consider and, if thought fit, pass the resolution to approve the Disposal. Notice of the SGM is set out on pages 41 to 42 of this circular. The SGM will be held at 11:00 a.m. on Thursday, 28 February 2008 (or any adjournment thereof) at Room 1906, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong (or any adjournment thereof).

Mr. Ng and his associates in aggregate interested in approximately 17.27% of the issued share capital of the Company are required to abstain from voting on the relevant resolution in respect of the Disposal Agreement and the transactions contemplated thereunder at the SGM. Only the Independent Shareholders will be permitted to vote by way of poll on the relevant resolution.

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## LETTER FROM THE BOARD

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Form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

### RECOMMENDATION

The independent non-executive Directors, after taking into account the advice of Grand Cathay, consider that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution in respect of the Disposal to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 10 to 11 of this circular. Your attention is also drawn to the letter of advice from Grand Cathay which contains, among other things, their advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, and the principal factors and reasons considered by them in arriving at such advice. The text of the letter from Grand Cathay is set out on pages 12 to 16 of this circular.

### PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the bye-laws 73 to 78 of the Company, a resolution put to vote of the meeting shall be decided on a show of hands unless a poll is required by the stock exchange in the relevant territory or a poll is (before or on the declaration of the result on the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) if required by the rules of the stock exchange in the relevant territory, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Please refer to the appendices to this circular for additional information.

By Order of the Board  
**CHINA GRAND FORESTRY RESOURCES GROUP LIMITED**  
**Lau Che Yue, Stephen**  
*Company Secretary*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**CHINA GRAND FORESTRY RESOURCES GROUP LIMITED**

**中國林大資源集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock code: 00910)

5 February 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
PROPOSED DISPOSAL OF ASSETS**

**INTRODUCTION**

We refer to the circular dated 5 February 2008 (the “Circular”) of China Grand Forestry Resources Group Limited (the “Company”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Disposal Agreement are fair and reasonable and whether the Disposal is in the interests of the Company and the Shareholders as a whole.

Grand Cathay has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of Disposal.

We wish to draw your attention to the letter from the Board as set out on pages 3 to 9 of the Circular and the letter from Grand Cathay as set out on pages 12 to 16 of the Circular which contains, inter alia, its advice and recommendations to us regarding the terms of the Disposal and the principal factors and reasons taken into consideration for its advice and recommendations.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having taken into account the advice and recommendations of Grand Cathay and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the terms of the Disposal Agreement are fair and reasonable so far as the interests of the Company and the Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,

For and on behalf of the  
Independent Board Committee

**Mr. Zou Zi Ping**  
*Independent non-executive Director*

**Mr. Lo Cheung Kin**  
*Independent non-executive Director*

**Mr. Zhu Jian Hong**  
*Independent non-executive Director*

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## LETTER FROM GRAND CATHAY

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*The following is the letter of advice from Grand Cathay to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, which has been prepared for the purpose of inclusion in this circular.*



**GRAND CATHAY SECURITIES (HONG KONG) LIMITED**

香港中環花園道3號中國工商銀行大廈7樓705至706室

Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong

Tel: 852-2521-2982 Fax: 852-2521-0085 www.gcsc.com.tw

5 February 2008

*To the Independent Board Committee and  
the Independent Shareholders of  
China Grand Forestry Resources Group Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF ASSETS**

#### **INTRODUCTION**

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, particulars of which are set out in the letter from the Board (the “Letter from the Board”) contained in the Company’s circular dated 5 February 2008 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 16 January 2008, the Company and Mr. Ng (being the chairman, an executive Director and a substantial Shareholder of the Company) entered into the Disposal Agreement pursuant to which the Company has conditionally agreed to dispose of and Mr. Ng has conditionally agreed to purchase the entire issued share capital of Holt Hire at a total consideration of HK\$189 million in cash.

Mr. Ng, being the chairman, an executive Director and a substantial Shareholder of the Company with shareholding of approximately 17.27% of the issued share capital of the Company as at the Latest Practicable Date, is a connected person of the Company according to the Listing Rules. Therefore, the Disposal also constitutes a connected transaction under Chapter 14A of the Listing Rule and is subject to, among other things, the approvals of the Independent Shareholders at the SGM by way of poll. Mr. Ng and his associates in aggregate interested in 17.27% of the issued share capital of the Company are required to abstain from voting in the relevant resolutions in respect of the Disposal Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising Mr. Zou Zi Ping, Mr. Lo Cheung Kin and Mr. Zhu Jian Hong, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Disposal Agreement. We, Grand Cathay Securities (Hong Kong) Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM GRAND CATHAY

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### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular and provided to us by the management of the Company and the Directors, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion and we have relied on such information and opinions. We consider that we have performed all reasonable steps as required under the Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group or Holt Hire nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal.

### **PRINCIPAL FACTORS CONSIDERED**

In assessing the Disposal and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### **1. Background and reasons for the Disposal**

The Group is principally engaged in the ecological forestry business and manufacture and sale of garment.

It is stated in the Letter from the Board that as the main stream of revenue and income of the Company are materially derived from ecological forestry business and the results of the garment business and software development business have become relatively insignificant to the Group, the Directors consider that the garment business has caused the usage of the Group's resources inefficiently and therefore the Disposal provides an opportunity for the Group to (i) primarily focus its corporate resources on further cultivating the ecological forestry businesses; (ii) better develop and sculpt itself at a better position in the PRC ecological forestry industry; and (iii) realize its investment in the garment business and software development business so that the Company can deploy the Group's resources in a more profitable way.

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## LETTER FROM GRAND CATHAY

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In view of the above, the Company and Mr. Ng (being the chairman, an executive Director and a substantial Shareholder of the Company) entered into the Disposal Agreement on 16 January 2008, pursuant to which the Company has conditionally agreed to dispose of and Mr. Ng has conditionally agreed to purchase the entire issued share capital of Holt Hire at a total consideration of HK\$189 million in cash.

Holt Hire is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of garments, property investment, securities investment, software development and investment in jointly entities which are principally engaged in nano business. The completion of the Disposal is conditional upon, among other things, the completion of the Reorganization. The Reorganization is the reorganization of the corporate structure of the Group involving the removal of the nano business and some securities investment from Holt Hire Group so that the garment business, software development business, properties and securities investment of the Holt Hire Group will be disposed of under the Disposal.

As set out in the 2006/2007 annual report of the Group (for the financial year from 1 July 2006 to 31 March 2007), the Group's turnover for the financial year ended 31 March 2007 was approximately HK\$828.9 million, of which only approximately HK\$95.8 million of turnover was generated from the garment business. For the financial year ended 31 March 2007, the segment profit of garment business was approximately HK\$15.7 million.

On the other hand, it is noted that the ecological forestry business segment has become the principal business unit of the Group which was in consistent with the Company's corporate strategy in recent years. For the financial year ended 31 March 2007, the turnover derived from the ecological forestry business was approximately HK\$733.1 million, representing about 88.4% of the Group's total turnover. Besides, the ecological forest business contributed the Group with a segment profit of approximately HK\$1,490.8 million for the financial year ended 31 March 2007.

According to the Directors, the software development business of Holt Hire Group was dormant in recent year. Regarding the investment in nano-technology business, the Group's share of losses of jointly-controlled entities amounted to HK\$1.4 million for the financial year ended 31 March 2007.

As set out in the Letter from the Board, the unaudited turnover of Holt Hire Group was approximately HK\$50.4 million with a gross profit of only approximately HK\$129,000 for the six months ended 30 September 2007. In this period, Holt Hire Group incurred an unaudited net loss after tax of approximately HK\$17.3 million.

In view of the above, we consider the performance for the garment and software development businesses of the Group were unsatisfactory.

We understand from the Directors that the properties held and occupied by Holt Hire Group are mainly related to the garment business, and the securities investment under the Disposal is immaterial as compared to the total assets of Holt Hire Group under the Disposal.



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## LETTER FROM GRAND CATHAY

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On this basis, we concur with the Directors' view that the Disposal provides an opportunity for the Group to (i) primarily focus its corporate resources on further cultivating the ecological forestry businesses; (ii) better develop and sculpt itself at a better position in the PRC ecological forestry industry; and (iii) realize its investment in the garment business and software development business so that the Company can deploy the Group's resources in a more profitable way. Therefore, we are of the view that the Disposal is in the interest of the Company and its Shareholders as a whole.

### **2. Basis of Consideration and payment terms**

Pursuant to the Disposal Agreement, the Consideration for the Disposal was HK\$189 million in cash and shall be settled by Mr. Ng in the following manner:

- (i) as to HK\$10 million as initial deposit upon the signing of the Disposal Agreement; and
- (ii) the remaining balance of HK\$179 million shall be payable upon completion of the Disposal.

We consider the above payment term of the Disposal Agreement is a normal commercial term so far as the Independent Shareholders are concerned.

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiation between the Company and Mr. Ng with reference to: (i) the unaudited consolidated net asset value of Holt Hire group of approximately HK\$120 million as at 30 September 2007; (ii) HK\$69 million for the assignment of the loans owing by Holt Hire Group to the Company; and (iii) the historical business performance of Holt Hire Group for the past three financial years and six months period ended 30 September 2007.

After the Reorganization, the garment business, software development business, properties and securities investment of the Holt Hire Group will be disposed of under the Disposal. We have reviewed the management accounts of Holt Hire Group before and after the Reorganization as at 30 September 2007 provided by the Company and note that the net asset values of both accounts have no significant difference. The unaudited net asset value of Holt Hire Group (including the loans owing by Holt Hire Group to the Company) after the completion of the Reorganization was approximately HK\$120.0 million.

We note that the book value of securities investment by Holt Hire Group, representing approximately 1% of the total assets of Holt Hire Group as at 30 September 2007, was immaterial as compared to the total assets of Holt Hire Group under the Disposal. Besides, we have compared the market value of the securities investment of Holt Hire Group as at 16 January 2008, being the date of the Disposal Agreement, to its book value and note that there are no material discrepancies in value.

In respect of the properties held and occupied by Holt Hire Group ("Properties"), we have reviewed the valuation report ("LCH Valuation Report") set out in appendix I to the Circular, which is prepared by LCH (Asia- Pacific) Surveyors Limited ("LCH"), an independent valuer.

We enquired into LCH on the methodology adopted and the assumptions using in arriving at the valuation of the Properties, the details of which are set out in Appendix I to the Circular. During our discussion with LCH, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the valuation of the Properties.

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## LETTER FROM GRAND CATHAY

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Based on the LCH Valuation Report, the aggregate market value of the Properties was approximately HK\$72.2 million as at 31 December 2007. Having compared to such market value to the book value of Properties as at 30 September 2007, we do not see any material discrepancies.

Therefore, as the Consideration was determined by reference to the net book value of the Holt Hire Group as at 30 September 2007 and the garment business, being the core business of Holt Hire Group, was loss-making for the six months ended 30 September 2007, we are of the view that the Consideration is fair and reasonable so far as the Independent Shares are concerned.

### 3. Financial effects of the Disposal on the Group

#### *Net asset value*

The Directors expect that no significant gain or loss would be realized as a result of the Disposal (being the difference between the net proceeds of approximately HK\$189 million and the unaudited consolidated net asset value of the Holt Hire Group of approximately HK\$120 million as at 30 September 2007 together with the outstanding loans due from Holt Hire Group to the company of HK\$69 million). Therefore, we consider the Disposal would have no material impact on the net asset value of the Group.

#### *Earnings*

As advised by the Directors, the Disposal would have limited impact on the earnings of the Group.

#### *Gearing, working capital and liquidity*

As set out in the Letter from the Board, the estimated net proceeds from the Disposal of approximately HK\$189 million are intended to be used for general working capital of the Group. As a result, it is expected that the gearing ratio, working capital and liquidity of the Group would be improved by the net proceeds from the Disposal.

### RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the terms of the Disposal Agreement are on the normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions approving the Disposal and the transaction contemplated thereunder at the SGM.

Yours faithfully,

For and on behalf of

**Grand Cathay Securities (Hong Kong) Limited**

**Kim Chan**

*Director*

**Kevin Chan**

*Director*

The following is the text of the letter, summary of values and valuation certificate on property interests to be disposed of under the Disposal by the Group as at 31 December 2007 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.



利駿行測量師有限公司

**LCH (Asia-Pacific)** Surveyors Limited

CANADA • HONG KONG • PRC • PHILIPPINES

REGISTERED PROFESSIONAL SURVEYORS

PLANT AND MACHINERY VALUERS • BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the “IVS”) published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the “HKIS Standards”) published by the Hong Kong Institute of Surveyors (the “HKIS”). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor  
Champion Building  
No. 287-291 Des Voeux Road Central  
Hong Kong

5 February 2008

The Directors  
China Grand Forestry Resources Group Limited  
Unit 3405 on 34th Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road, Central  
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of China Grand Forestry Resources Group Limited to us to value the properties held and occupied by the Company and its subsidiaries (collectively, hereinafter together with the Company referred to as the “Group”) in Hong Kong, Macau and in the People’s Republic of China (hereinafter referred to as the “PRC” or “China”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 31 December 2007 (hereinafter referred to as the “Date of Valuation”) for the Company’s internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the properties and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the properties. Our findings and conclusion in this valuation are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in this summary report also apply to the valuation report.

#### **BASIS OF VALUATION AND ASSUMPTIONS**

According to the International Valuation Standards (hereinafter referred to as "IVS"), Eighth Edition, 2007 published by the International Valuation Standards Committee, which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we are instructed to have our opinions of values of the properties on the market value basis.

The term "Market Value" is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

There are three generally accepted approaches to value in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach. In valuing the properties in Groups I and II, we have adopted the comparable sales method of the Market Approach (also called sales comparison approach) on the assumption that the properties are sold with the benefit of vacant possession as at the Date of Valuation. The comparable sales method considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

Our valuations of properties in Group III have been made on the assumptions, that

1. the legally interested parties in the properties sell the properties in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the values of the properties;
2. the legally interested parties in the properties have free and uninterrupted rights to use or assign the property interests for the whole of the unexpired terms as granted and any premiums payable have already been fully paid; and
3. the properties can be freely disposed and transferred free of all encumbrances at the Date of Valuation for its existing or alternative uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the values as reported.

Having considered the general and inherent characteristics of properties in Group III, we have adopted the depreciated replacement cost approach which is an application of the Cost Approach in valuing specialised properties like the properties in Group III. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use rights of these properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuations of these properties are on the assumption that the properties are subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the date of valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the date of valuation, the work having commenced at the appropriate time.

We need to state that our opinion of values of the properties in Group III are not necessarily intended to represent the amount that might be realised from disposition of land use rights or various buildings of each of the properties on piece meal basis in the open market.

**MATTERS THAT MIGHT AFFECT THE VALUES REPORTED**

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

**ESTABLISHMENT OF TITLES**

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the properties, the Group, has free and uninterrupted rights to assign, to mortgage or to let the properties (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the properties from the relevant authorities.

For the sake of valuation, we have been provided with copies of the title documents regarding the properties and have relied on the legal opinion as disclosed in the listing prospectus of the Company dated 17 November 1998. We have conducted title searches of the properties in Groups I and II in the Land Registry of Hong Kong and Conservatória do Registo Predial 物業登記局 of Macau, respectively. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted. However, the inherent defects in the land registration system of China forbidden us to inspect the original documents of properties in Group III filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. No responsibility or liability is assumed.

In our valuations, we have assumed that the legally interested parties in the properties in Group III have obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested parties to continue the ownership of the properties. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

**INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VS4  
OF THE HKIS STANDARDS**

As part of the agreed-upon procedures, we have conducted a limited scope of inspection and made reference to our previous inspection records of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its values.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.



We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

#### **SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS**

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

The scope of valuations has been determined by reference to the property list provided by the management of the Company. The management of the Company has confirmed to us that it has no property interests other than those specified on the list supplied to us.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

To the best of our knowledge, all data set forth in the attached valuation certificate are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.



We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars. In valuing the property in Group II and properties in Group III, the adopted exchange rates were the prevailing rates as at the Date of Valuation, being HK\$1.00 to Macau Pataca (MOP) 1.0458 and HK\$1.00 to Renminbi (RMB) 0.937 Yuan, respectively and no significant fluctuation in exchange rates has been found between that date and the date of our report.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

#### **LIMITING CONDITIONS OF THIS SUMMARY REPORT**

Our opinion of values of the properties in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

**STATEMENTS**

The attached valuation certificate is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the HKIS Standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Company, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,

For and on behalf of

**LCH (Asia-Pacific) Surveyors Limited**

**Joseph Ho Chin Choi**

B.Sc. Pg.D. RPS (GP)

*Managing Director*

**Elsa Ng Hung Mui**

B.Sc. M.Sc. RPS (GP)

*Associate Director*

Contributing valuer:

**Terry Fung Chi Hang BSc**

*Notes:*

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Scotland, Germany, Finland, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 19 years of experience in valuing real estate properties in mainland China.
2. Ms Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 9 years of experience in valuing properties in mainland China. She obtained a Master Degree of Science in Finance and involved in various financial assets valuations in the past years.
3. Both Mr. Joseph Ho Chin Choi and Ms. Elsa Ng Hung Mui are valuers on the List of Property Valuers for Undertaking valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with takeovers and Mergers published by the HKIS.

## SUMMARY OF VALUES

**Group I – Properties owned and occupied by the Group in Hong Kong and valued on the basis of market value by market evidence**

<b>Property</b>	<b>Amounts of valuation in existing state as at 31 December 2007 HK\$</b>	<b>Interest attributable to the Group</b>	<b>Amounts of valuation in existing state attributable to the Group as at 31 December 2007 HK\$</b>
1. Unit 06 on 19th Floor Nanyang Plaza No. 57 Hung To Road Kwun Tong Kowloon Hong Kong	10,500,000	100%	10,500,000
2. Workshop No. 8 and Storeroom A on 5th Floor Hewlett Centre No. 54 (formerly known as Nos. 52-54) Hoi Yuen Road Kwun Tong Kowloon Hong Kong	3,200,000	100%	3,200,000
<b>Sub-total:</b>	<b>HK\$13,700,000</b>		<b>HK\$13,700,000</b>

Group II – Property owned and occupied by the Group in Macau and valued on the basis of  
market value by market evidence

<b>Property</b>	<b>Amounts of valuation in existing state as at 31 December 2007 HK\$</b>	<b>Interest attributable to the Group</b>	<b>Amounts of valuation in existing state attributable to the Group as at 31 December 2007 HK\$</b>
3. 11° Andar “N” and Car Parking Space No. 59 on Level B3 Centro Financeiro (also known as Macau Finance Centre) N° 202-A Rua De Pequim SÉ, Macau	1,300,000	100%	1,300,000
<b>Sub-total:</b>	<b>HK\$1,300,000</b>		<b>HK\$1,300,000</b>

Group III – Properties held and occupied by the Group in the PRC and valued on the basis of  
market value by DRC approach

<b>Property</b>	<b>Amounts of valuation in existing state as at 31 December 2007 HK\$</b>	<b>Interest attributable to the Group</b>	<b>Amounts of valuation in existing state attributable to the Group as at 31 December 2007 HK\$</b>
4. A Factory Complex erected on a parcel of land located at Chengbian Village Jiaowei Town Xianyou County Putian City Fujian Province The PRC	19,000,000	100%	19,000,000
5. A Factory Complex erected on two adjoining parcels of land (adjacent to Property 1 in Group III as mentioned above) located at Chengbian Village Jiaowei Town Xianyou County Putian City Fujian Province The PRC	38,200,000	100%	38,200,000
<b>Sub-total:</b>	<b>HK\$57,200,000</b>		<b>HK\$57,200,000</b>
<b>Grand Total:</b>	<b>HK\$72,200,000</b>		<b>HK\$72,200,000</b>

## VALUATION CERTIFICATE

**Group I – Properties owned and occupied by the Group in Hong Kong and valued on the basis of market value by market evidence**

Property	Description and tenure	Particulars of occupancy	Amounts of valuation in existing state attributable to the Group as at 31 December 2007 HK\$
1. Unit 06 on 19th Floor Nanyang Plaza No. 57 Hung To Road Kwun Tong Kowloon Hong Kong	The property comprises a workshop unit on the 19th Floor of a 31-storey (including car parking, loading and unloading facilities) industrial/office building which was completed in 1996.	The property is currently occupied by the Group for ancillary office purpose.	10,500,000 (100% interest)
38/6,624th shares of and in Kun Tong Inland Lot No. 46	The property has a gross floor area of approximately 3,364 sq.ft. (312.52 sq.m.) and a saleable area of approximately 2,422 sq.ft. (225.01 sq.m.).  Under relevant government leases ordinances, the lease term of the Government Lease had already been extended to 30 June 2047 at a Government Rent of 3 per cent. of the rateable value for the time being of the property.		

*Note:*

The registered owner of the property is Good Country Investment Limited, a wholly-owned subsidiary of the Company, vide Assignment dated 10 December 1998 and registered at the Land Registry by Memorial No. 7647551 on 5 January 1999.

Property	Description and tenure	Particulars of occupancy	Amounts of valuation in existing state attributable to the Group as at 31 December 2007 <i>HK\$</i>
2. Workshop No. 8 and Storeroom A on 5th Floor Hewlett Centre No. 54 (formerly known as Nos. 52-54) Hoi Yuen Road Kwun Tong Kowloon Hong Kong	The property comprises a workshop unit and a storeroom on the 5th Floor of a 16-storey industrial building (including car parking spaces at basement level). The building was completed in 1989.	The property is currently occupied by the Group for storage purpose.	3,200,000 (100% interest)
24/6,898th shares of and in Kun Tong Inland Lot No. 56	The property has a total gross floor area of approximately 1,804 sq.ft. (167.60 sq.m.) and a saleable area of approximately 1,317 sq.ft. (122.35 sq.m.). The storeroom has an area of approximately 56 sq. ft. (5.20 sq. m.).  Under relevant government lease ordinances, the lease term of the Government Lease had already been extended to 30 June 2047 at a Government Rent of 3 per cent. of the rateable value for the time being of the property.		

*Note:*

The registered owner of the property is Cannon Ape Company Limited, a wholly-owned subsidiary of the Company, vide Assignment dated 16 March 1990 and registered at the Land Registry by Memorial No. 4372493 on 30 March 1990.



Group II – Property owned and occupied by the Group in Macau and valued on the basis of  
market value by market evidence

Property	Description and tenure	Particulars of occupancy	Amounts of valuation in existing state attributable to the Group as at 31 December 2007 <i>HK\$</i>
3. 11° Andar “N” and Car Parking Space No. 59 on Level B3 Centro Financeiro (also known as Macau Finance Centre) N° 202-A Rua De Pequim SÉ, Macau	<p>The property comprises an office unit on 11th Floor of a 21-storey office building (including 3-level car parking spaces at basement levels) which was completed in 1996.</p> <p>According to the information available to us, the property has an area of approximately 62.3 sq.m.</p>	The property is currently occupied by the Group for office purpose.	1,300,000 (100% interest)

*Notes:*

1. According to two registration certificate no. 46793G and 46127G dated 7 May 2002 and 17 May 2002, respectively issued by Conservatória do Registo Predial of Macau, Good Fellow Comercial Offshore De (Macau) Limitada (金威 (澳門) 離岸商業服務有限公司), a wholly-owned subsidiary of the Company, was the registered owner of the Property.
2. According to the certificate no. 46127G, there was no designated numbering for the car parking space.

Group III – Properties held and occupied by the Group in the PRC and valued on the basis of  
market value by DRC approach

Property	Description and tenure	Particulars of occupancy	Amounts of valuation in existing state attributable to the Group as at 31 December 2007 <i>HK\$</i>
4. A Factory Complex erected on a parcels of land located at Chengbian Village Jiaowei Town Xianyou County Putian City Fujian Province The PRC	The property comprises ten various buildings and structures erected on a parcel of land having a site area of approximately 9,128.40 sq. m. The buildings and structures ranged from single to 5-storey in height and have a total gross floor area of approximately 11,715.03 sq. m. and were completed between 1993, 1994, 1996 and 2001 (see Note 4 below).	The property is currently occupied by the Group for production, storage, office, sales office, dormitory and ancillary supporting purposes.	19,000,000 (100% interest)
	We noticed that there was a single storey office structure without building ownership certificate erected on the land. As per information provided by the Company, the gross floor area of the structure was approximately 200 sq. m. and was used as a sales office.		
	The property is subject to a right to use the land for a term of 45 years commencing from 31 August 1998 to 31 August 2043 for industrial usage.		

*Notes:*

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Good Fellow Garment (Fujian) Co., Ltd(金威服装(福建)有限公司), a wholly-owned subsidiary of the Company, through the following ways:
  - (i) according to a Contract for the Grant of State-owned Land Use Rights dated 8 June 1998 and issued by Fujian Province Xianyou County Land Administration Bureau (福建省仙遊縣土地管理局), the land use rights for a parcel of land having a site area of approximately 9,128.4 sq.m., in which 793.2 sq.m. is used for public road was granted to Good Fellow Garment (Fujian) Co., Ltd. for a term of 50 years commencing from 8 June 1993 for industrial usage; and
  - (ii) according to a confirmation letter issued by Fujian Province Xianyou County Land Administration Bureau (福建省仙遊縣土地管理局) dated 5 October 1998, Good Fellow Garment (Fujian) Co., Ltd. has paid 30%, which is RMB287,564.40, of the land premium of the land having a site area of approximately 8,335.2 sq.m. and the remaining 70% of the land premium has been exempted.
2. According to a State-owned Land Use Rights Certificate known as Pu Guo Yong(1998) Zi Di Y9800408 Hao issued by The People's Government of Putian City and dated 25 August 1998, Good Fellow Garment (Fujian) Co., Ltd. has the right to use the land having a site area of 9,128.4 sq.m., in which 793.2 sq.m. is used for public road, for a term of 45 years commencing from 31 August 1998 to 31 August 2043 for industrial usage.
3. According to three various Building Ownership Certificates known as Xian Zheng Fang Quan Zheng GY Zi Di 2002257 Hao dated 14 October 2002, Xian Zheng Fang Quan Zheng GY Zi Di 990063 Hao dated 9 September 1999 and Xian Zheng Fang Quan Zheng GY Zi Di 2002232 Hao dated 24 September 2002, and all issued by the People's Government of Xianyou County, the legally interested party in the various major buildings and structures of the property is Good Fellow Garment (Fujian) Co., Ltd.
4. The area breakdowns of the major buildings and structures covered by the Building Ownership Certificates as mentioned in Note 3 above are listed as follows:

<b>Buildings/Structures</b>	<b>Gross Floor Area (sq.m.)</b>
(i) A single storey guard house	22.31
(ii) A single storey electrical switch room	46.58
(iii) A 3-storey warehouse	3,130.20
(iv) A 2-storey carport/warehouse	120.54
(v) A 5-storey dormitory(composite building)	1,791.29
(vi) A single storey boiler room	87.50
(vii) A single storey lavatory/bathroom	64.96
(viii) A single storey bicycle shed(carport)	84.80
(ix) A 5-storey composite building(New)	4,561.75
(x) A 5-storey dormitory(New)	1,805.10
<b>Total</b>	<b><u>11,715.03</u></b>

5. Pursuant to a valid Enterprise Legal Person Business License dated 6 August 1998, Good Fellow Garment (Fujian) Co., Ltd. (金威服装(福建)有限公司) is a wholly foreign owned enterprise for an operational period commencing from 13 September 1991 to 13 September 2061.

Property	Description and tenure	Particulars of occupancy	Amounts of valuation
			in existing state attributable to the Group as at 31 December 2007 HK\$
5. A Factory Complex erected on two adjoining parcels of land (adjacent to Property 1 in Group III as mentioned above) located at Chengbian Village Jiaowei Town Xianyou County Putian City Fujian Province The PRC	<p>The property comprises six major buildings and structures erected on two adjoining parcels of land having a total site area of approximately 17,016 sq.m.</p> <p>The six various major buildings and structures range from single to 5-storey in height and have a total gross floor area of approximately 13,279.74 sq.m. They were completed between 1999 and 2006 (see Notes 2 to 5 below).</p> <p>The property is subject to a right to use the land for a term of 50 years till 10 May 2053 for industrial usage (see Note 1 below).</p>	The property is currently occupied by the Group for production, office and ancillary supporting purposes.	38,200,000 (100% interest) (see Note 6 below)

*Notes:*

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to 金威服裝(福建)有限公司 (Good Fellow Garment (Fujian) Co., Ltd.), a wholly-owned subsidiary of the Company, through the following ways:
  - (i) according to a Contract for the Grant of State-owned Land Use Rights dated 8 February 1999 and issued by Fujian Province Xianyou County Land Administration Bureau (福建省仙遊縣土地管理局), the land use rights for a parcel of land having a site area of approximately 8,864.73 sq.m. was granted to Good Fellow Garment (Fujian) Co., Ltd. for a term of 50 years commencing from 8 June 1993 for industrial usage; and
  - (ii) according to a Contract for the Grant of State-owned Land Use Rights dated 2 March 1999 and issue by Fujian Province Xianyou County Land Administration Bureau (福建省仙遊縣土地管理局), the land use rights of a parcel of land having a site area of approximately 10,791 sq.m. was granted to Good Fellow Garment (Fujian) Co., Ltd. for a term of 50 years.

According to a State-owned Land Use Rights Certificate known as Xian Guo Yong (2003) Zi Di 078037 Hao issued by The People's Government of Xianyou County and dated 10 May 2003, the legally interested party in the land having a site area of 17,016 sq.m. was Good Fellow Garment (Fujian) Co., Ltd. for a term till 10 May 2053 for industrial usage.

According to the confirmation of the management of the Company, this certificate covers the two parcels of adjoining land mentioned under the Contracts for the Grant of State-owned Land Use Rights as mentioned in Note 1 (i) and (ii).

2. According to a Building Ownership Certificate known as Xian Zheng Fang Quan Zheng GY Zi Di 2003070 Hao dated 15 July 2003 and issued by the People's Government of Xianyou County (仙遊縣人民政府), the legally interested party in two 3-storey workshops having a total gross floor area of approximately 5,798.74 sq.m. is Good Fellow Garment (Fujian) Co., Ltd.
3. Pursuant to a Planning Permit for Using Construction Usage Land dated 19 June 2003, Good Fellow Garment (Fujian) Co., Ltd. was permitted to develop a 3-storey workshop (workshop No.3) having a total gross floor area of approximately 3,053 sq.m. According to the information provided by the management of the Company, the workshop was completed in 2003.
4. Pursuant to a Planning Permit for Using Construction Usage Land and a Permit for Commencement of Construction Works dated 21 July 2005 and 22 July 2005, respectively, 金威服裝(福建)有限公司 (Good Fellow Garment (Fujian) Co., Ltd.) was permitted to develop a 5-storey office building. Upon completion, the building will have a gross floor area of approximately 4,300 sq.m.. According to the information provided by the management of the Company, the building was completed in 2006.
5. According to the information provided by the management of the Company, the breakdowns of each major buildings and structures of the property are as follows:

<b>Building</b>	<b>Gross Floor Area</b> ( <i>sq.m.</i> )
(i) A 3-storey workshop No. 1	2,899.37
(ii) A 3-storey workshop No. 2	2,899.37
(iii) A 3-storey workshop No. 3	3,053.00
(iv) A single storey boiler room	96.00
(v) A single storey electrical and transformer room	32.00
(vi) A 5-storey office building	4,300.00

6. Pursuant to a valid Enterprise Legal Person Business License dated 6 August 1998, 金威服裝(福建)有限公司 (Good Fellow Garment (Fujian) Co., Ltd.) is a wholly foreign owned enterprise for an operational period commencing from 13 September 1991 to 13 September 2061.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for all the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and chief executive's interests or short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the issued share capital (approximate)	Interests in underlying shares (share options)	Total interests (including underlying shares) as % of issued share capital (approximate)	Note
Mr. Ng Leung Ho	8,000,000	-	960,000,000	968,000,000	17.27%	6,000,000	17.38%	1, 2
Ms. Cao Chuan	-	-	-	-	0%	10,000,000	0.18%	3
Ms. Lee Ming Hin	4,000,000	-	-	4,000,000	0.07%	6,000,000	0.18%	3
Mr. Hu Xiaoming	-	-	-	-	0%	3,000,000	0.05%	3
Mr. Cheung Wai Tak	-	-	-	-	0%	6,000,000	0.11%	3
Mr. John MacMillan Duncanson	125,000	-	-	125,000	0.01%	3,000,000	0.06%	3
Mr. Zou Zi Ping	1,500,000	-	-	1,500,000	0.03%	-	0.03%	3
Mr. Lo Cheung Kin	300,000	-	-	300,000	0.01%	900,000	0.02%	3
Mr. Zhu Jian Hong	1,500,000	-	-	1,500,000	0.03%	-	0.03%	3

*Notes:*

1. The interests in 960,000,000 shares attributable to Mr. Ng Leung Ho was held by Golden Prince Group Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Prince Group Limited is directly and wholly-owned by Mr. Ng Leung Ho.
2. The interests in underlying shares attributable to Mr. Ng Leung Ho includes share options to subscribe for 6,000,000 new shares in the Company, exercisable at a price of HK\$0.98 per Share and granted pursuant to the Company's existing share option scheme, as adopted by the Shareholders in the Company's annual general meeting held on 23 November 2001.
3. The interests in underlying shares attributable to these directors represent share options to subscribe for new shares in the Company, exercisable at a price of HK\$0.98 per Share and granted pursuant to the Company's existing share option scheme, as adopted by the Shareholders in the Company's annual general meeting held on 23 November 2001.

Save as disclosed above, none of the Directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**(b) Persons who have an interest or short position in the shares or underlying shares of the Company which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of the Company**

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, other than the Directors and the chief executives of the Company, no other person has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name	Class of Shares	Capacity	Number of shares	Percentage of holding ( <i>approximate</i> )
Mr. Ng Leung Ho	Ordinary	Beneficial owner	968,000,000 ( <i>Note 1</i> )	17.27%
Golden Prince Group Limited	Ordinary	Beneficial owner	960,000,000 ( <i>Note 2</i> )	17.13%
Atlantis Investment Management Ltd	Ordinary	Investment manager	402,000,000	7.17%
DnB NOR Asset Management (Asia) Limited	Ordinary	Investment manager	278,476,000	4.97%

*Notes:*

1. The beneficial interests of Mr. Ng Leung Ho is 968,000,000 Shares comprise corporate interest in 960,000,000 Shares, held through Golden Prince Group Limited, and personal interest in 8,000,000 Shares. Mr. Ng Leung Ho is the chairman and an executive director of the Company and also the sole director of Golden Prince Group Limited.
2. The entire issued share capital of Golden Prince Group Limited is beneficially owned by Mr. Ng Leung Ho. Mr. Ng Leung Ho is the chairman and an executive director of the Company and also the sole director of Golden Prince Group Limited.

Save as disclosed above, as at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO showed that the Company had not been notified of any substantial shareholders' interest and short positions, being 5% or more of the Company's issued share capital.

**3. ADDITIONAL DISCLOSURE OF INTEREST**

- (1) As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.
- (2) As at the Latest Practicable Date, none of the Director(s) or their respective associates was interested in competing businesses which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.
- (3) None of the Directors had any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 March 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, save as disclosed below, none of the Directors entered or proposed to enter into any service contract with the Company which is not expiring or determinable by the Company within one year without payment of compensation other than statutory compensation.

Mr. Ng Leung Ho, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 18 May 2006.

Ms. Cao Chuan, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 25 May 2007.

Mr. Hu Xiaoming, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 19 July 2007.



Mr. Cheung Wai Tak, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 2 October 2007.

Mr. John MacMillan Duncanson, being a non-executive Director, has entered into a service contract with the Company for a term of three years commencing on 2 October 2007.

Each of Ms. Lee Ming Hin, being an executive Director, and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong, being independent non-executive Directors, has entered into a service contract with the Company for a term of three years commencing on 25 October 2007.

## 6. EXPERTS' QUALIFICATIONS AND CONSENTS

- (a) The following are the qualifications of the experts who have provided their advice contained in this circular:

Name	Qualification
Grand Cathay Securities (Hong Kong) Limited ("Grand Cathay")	A corporation licensed under SFO to carry out type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
LCH (Asia-Pacific) Surveyors Limited ("LCH")	Chartered Surveyors

- (b) Each of Grand Cathay and LCH has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.
- (c) As at the Latest Practicable Date, each of Grand Cathay and LCH was not interested beneficially or otherwise in shares, options, warrants, derivatives and securities convertible into shares of the Company or its subsidiaries or associated companies and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or shares in any of the Company's subsidiaries or associated companies nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**8. MISCELLANEOUS**

- (a) Having made reasonable enquiries and to the best knowledge of the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholders, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis.
- (b) Having made reasonable enquiries and to the best knowledge of the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM.
- (c) The company secretary and the qualified accountant of the Company is Mr. Lau Che Yue, Stephen. Mr. Lau obtained his Master of Business (Information Technology) from RMIT University, Australia and Master of Business Administration from Heriot-Watt University, United Kingdom. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants.
- (d) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (e) The head office and principal place of business of the Company in Hong Kong is Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (f) The Company's Hong Kong branch share registrar is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (g) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text, in the case of inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Unit 3405, 34th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, from the date of this circular, up to and including the date of the SGM:

- (a) the Disposal Agreement; and
- (b) the service contracts referred to under the section headed "Directors' Service Contracts" in this appendix.

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## NOTICE OF SGM

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### CHINA GRAND FORESTRY RESOURCES GROUP LIMITED

中國林大資源集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 00910)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of the shareholders of China Grand Forestry Resources Group Limited (the “Company”) will be held at 11:00 a.m. on Thursday, 28 February 2008 at Room 1906, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company, namely:

#### ORDINARY RESOLUTION

“**THAT** the Disposal Agreement dated 16 January 2008 (the “Disposal Agreement”) entered into between China Grand Forestry Resources Group Limited and Mr. Ng Leung Ho, copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and the directors of the Company be and are hereby authorized to make any amendments, as they deem desirable or necessary, to the Disposal Agreement and the transactions contemplated thereunder, and to do all such acts, matters and things and to execute such documents as they may in their absolute discretion consider necessary, expedient or desirable to give effect to and implement the Disposal Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**China Grand Forestry Resources Group Limited**  
**Lau Che Yue, Stephen**  
*Company Secretary*

5 February 2008

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and Principal place of business  
in Hong Kong:*  
Unit 3405  
34th Floor, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

\* For identification purpose only

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## NOTICE OF SGM

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*Notes:*

1. Any shareholder entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong at Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment(s) thereof.
3. Completion and deposit of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
4. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled to vote, whether in person or by proxy. For the purpose, seniority shall be determined by the order in which the name stands first on the register of members of the Company in respect of the joint holding.