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CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED

中國林大綠色資源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 00910)

**PLACING OF NEW SHARES
UNDER GENERAL MANDATE**

Placing Agent



KINGSTON SECURITIES LIMITED

THE PLACING

On 2 September 2009 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 1,110,000,000 Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company or any Director, chief executive or substantial shareholders of any member of the Group or any associate of them or any connected persons (as defined in the Listing Rules) of the Company.

A maximum of 1,110,000,000 Placing Shares under the Placing represent approximately 20.29% of the existing issued share capital of the Company of 5,471,715,600 Shares as at the date of this announcement and approximately 16.86% of the then issued share capital of 6,581,715,600 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$111,000,000.

The Placing Price of HK\$0.265 represents (i) a discount of approximately 15.87% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 19.94% to the average closing price of approximately HK\$0.331 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the date of this announcement and (iii) a discount of approximately 19.45% to the average closing price of approximately HK\$0.329 per Share as quoted on the Stock Exchange for the last 10 trading days prior to the date of this announcement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

The maximum gross proceeds from the Placing will be approximately HK\$294.2 million. The maximum net proceeds from the Placing will amount to approximately HK\$286.7 million which is intended to be used for general working capital of the Group. The maximum net proceeds raised per Share upon the completion of the Placing (i.e. the net Placing Price) will be approximately HK\$0.258 per Share.

THE PLACING AGREEMENT

Date

2 September 2009 (after trading hours)

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place a maximum of 1,110,000,000 Placing Shares on a best effort basis and will receive a placing commission of 2.5% on the gross proceeds of the actual number of Placing Shares being placed. The Directors are of the view that the placing commission of 2.5% is fair and reasonable.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and any Director, chief executive or substantial shareholder of any member of the Group or any associate of them or any connected person (as defined in the Listing Rules) of the Company.

Placees

The Placing Agent will place the Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and the Directors, chief executive and substantial shareholder of the any member of the Group or any associate of them or any connected persons of the Company. None of the Placees will become a substantial Shareholder (as defined in the Listing Rules) of the Company immediately after the Placing.

Number of Placing Shares

A maximum of 1,110,000,000 Placing Shares under the Placing represent approximately 20.29% of the existing issued share capital of the Company of 5,471,715,600 Shares as at the date of this announcement and approximately 16.86% of the then issued share capital of 6,581,715,600 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$111,000,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.265 represents (i) a discount of approximately 15.87% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 19.94% to (i) the average closing price of approximately HK\$0.331 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the date of this announcement and (iii) a discount of approximately 19.45% to the average closing price of approximately HK\$0.329 per Share as quoted on the Stock Exchange for the last 10 trading days prior to the date of this announcement.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

General Mandate to issue new Shares

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the then issued share capital of the Company as at the date of the AGM. As such, the Placing is not subject to the approval of the Shareholders. Under the General Mandate, the Company is authorized to issue up to 1,110,325,120 Shares. From the date of the AGM to the date of this announcement, no Share has been issued under the General Mandate and the Company has repurchased 41,508,000 Shares from the open market.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing; and
- (ii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

Termination and force majeure

- (i) **Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) the completion of the Placing and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.**
- (ii) **The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 10:00 a.m. on the date of completion of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).**

For this purpose, a "force majeure event" refers to

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

of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.**

(iii) If, at or prior to 10:00 a.m. on the date of completion of the Placing;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or**
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the Placing; or**
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.**

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Completion of the Placing

Completion of the Placing will take place on or before the fourth business day after the fulfillment of the conditions set out in the Placing Agreement but not later than 31 October 2009 or such later date as may be agreed between the Company and the Placing Agent.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company was incorporated in Bermuda with limited liability. The principal business activities of the Group are ecological forestry business.

The maximum gross proceeds from the Placing will be approximately HK\$294.2 million. The maximum net proceeds from the Placing will amount to approximately HK\$286.7 million which is intended to be used for general working capital of the Group. The maximum net proceeds raised per Share upon the completion of the Placing (i.e. the net Placing Price) will be approximately HK\$0.258 per Share.

The Directors have considered different types of fund raising arrangement and consider that the Placing is the most efficient way in terms of cost and timing for the Company. In the meantime, the Company can take this opportunity to broaden the capital base of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months immediately before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing (assuming that there are no other charges on the issued share capital of the Company prior to the completion of the Placing) are set out as below:

	As at the date this announcement		Upon completion of the Placing (assuming the Placing shares were placed in full)	
	No. of Shares	Approx	No. of Shares	Approx
Mr. Ng Leung Ho (<i>note</i>)	970,900,000	17.74%	970,900,000	14.75%
Public:				
Places	–	0.00%	1,110,000,000	16.86%
Other public shareholders	4,500,815,600	82.26%	4,500,815,600	68.39%
	<u>5,471,715,600</u>	<u>100.00%</u>	<u>6,581,715,600</u>	<u>100.00%</u>

Note: As at the date of this announcement, Mr. Ng Leung Ho, the chairman and an executive Director of the Company, is beneficially interested in an aggregate of 970,900,000 Shares comprising (i) corporate interest in 960,000,000 Shares held through Golden Prince Group Limited, which is wholly owned by Mr. Ng Leung Ho; and (ii) personal interest in 10,900,000 Shares.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

TERMS AND DEFINITIONS

“AGM”	the annual general meeting of the Company held on 29 August 2008
“Board”	the board of Directors
“Company”	China Grand Forestry Green Resources Group Limited, (formerly known as CHINA GRAND FORESTRY RESOURCES GROUP LIMITED), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the board of the Company

“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of PRC
“Listing Committee”	the listing sub-committee of the board for the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 1,110,000,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 2 September 2009 in relation to the Placing
“Placing Price”	HK\$0.265 per Placing Share
“Placing Share(s)”	a maximum of 1,110,000,000 new Share(s) to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

By order of the Board
China Grand Forestry Green Resources Group Limited
Ng Leung Ho
Chairman

Hong Kong, 2 September 2009

As at the date of this announcement, the board of directors of the Company comprises Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Cheung Wai Tak, Mr. Cheng Shouheng, Mr. Sun Yan and Mr. Pang Chun Kit being the executive Directors and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong being the independent non-executive Directors.