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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)

**(I) VERY SUBSTANTIAL DISPOSAL
IN RELATION TO DISPOSAL OF ASSETS;**

**(II) CONNECTED TRANSACTION
IN RELATION TO THE APPOINTMENT OF FINANCIAL ADVISER;**

AND

(III) RESUMPTION OF TRADING

Financial Adviser to the Company



KINGSTON CORPORATE FINANCE LIMITED

THE DISPOSAL

The Board is pleased to announce that the Company entered into the Disposal Agreement with the Purchaser relating to the Disposal on 12 February 2010 after trading hours. Pursuant to the Disposal Agreement, the Company has agreed to sell and the Purchaser has agreed to purchase the Disposal Assets, subject to fulfillment of the Conditions Precedent. Upon the completion of the Disposal, purchase consideration payables will be completely cancelled out and no outstanding amount under the Acquisition Agreement would be due to or owing to the Purchaser from the Group. Its main financial impacts are gain of approximately HK\$888 million arising from the Disposal and the reduction of approximately 75.5% in the total liabilities of the Group.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.49 of the Listing Rules. A circular containing, among other things, further information of the Disposal and a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

CONNECTED TRANSACTION

Kingston has been appointed as the financial adviser to advise the Company in respect of the Disposal. The beneficial owner of the Financial Adviser is a substantial shareholder (as defined in the Listing Rules) of the Company, and the Financial Adviser is therefore a connected person of the Company within the meaning of Rule 14A.11 of the Listing Rules. The Financial Adviser also holds 10,000,000 Share Options. The engagement of Financial Adviser constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentages under Rule 14.07 of the Listing Rules are less than 2.5%, the engagement of Financial Adviser is subject only to the reporting and announcement requirements and is exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:30 a.m. on 17 February 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 22 February 2010.

THE DISPOSAL AGREEMENT

Date 12 February 2010 (after trading hours)

Parties

Vendor: the Company; and

Purchaser: Forcemade Investments Limited

To the best of the Directors' knowledge, information and belief after having made reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties

Assets to be disposed

Pursuant to the Disposal Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Disposal Assets, subject to fulfillment of the Conditions Precedent.

In respect of the Disposal Assets 1 and Disposal Assets 2, the Purchaser or its nominee(s) is entitled to remove all forestry assets in their respective lands within two years from the Completion Date. In the event that the Purchaser is unable to remove the forestry assets within the two years from the Completion Date, then:

- (a) the Company has the absolute discretion over the Disposal Assets 1 and Disposal Assets 2, including but not limited to the removal of Disposal Assets 1 and Disposal Assets 2 without being accountable for any legal responsibility;
- (b) the Purchaser shall wholly indemnify the Company any related losses or fees incurred as a result of the Purchaser's failure to remove the Disposal Assets 1 and Disposal Assets 2; and
- (c) the Company shall after deducting expenses, reimburse the Purchaser any income accrued from the sales of Disposal Assets 1 and Disposal Assets 2 two years after the Completion Date. The Purchaser shall warrant not to seek any compensation against the Company any related losses or fees incurred from any negligence of the Company in relation to Disposal Assets 1 and Disposal Assets 2.

In respect of the Disposal Assets 3, the Purchaser shall take up all the commitments and liabilities regarding the construction contracts of the hotel development upon the Completion.

Consideration

Pursuant to the Acquisition Agreement, the consideration of the Acquisition was up to a maximum amount of HK\$4,000 million. The purchase consideration payables owing to the Purchaser were created from the Acquisition. For further details of the Acquisition, please refer to the circular issued by the Company dated 24 July 2008.

Pursuant to the Disposal Agreement, the Consideration will be completely cancelled out by the sum of the outstanding purchase consideration payables otherwise due to or owing to the Purchaser from the Group under the Acquisition Agreement. As at 30 September 2009, the purchase consideration payables otherwise due to or owing to the Purchaser were approximately HK\$2,370 million. The fair values of the Disposal Assets are subjected to subsequent changes in accordance with the independent valuation reports on the Disposal Assets as at 31 December 2009.

The basis of the Consideration was determined after arm's length negotiations between the parties to the Disposal Agreement with normal commercial terms, amongst other things, the carrying value of the Disposal Assets as at 31 March 2009 which amounted to approximately HK\$1,482 million.

Conditions Precedent

Completion of the Disposal is conditional upon fulfillment of the following conditions:

- (a) the passing of the relevant board resolutions and shareholder resolutions of the Company for approving the Disposal Agreement and transactions (if any) contemplated;
- (b) the obtaining by the Company of the written confirmation of the legal representative of Yunnan Shenyu New Energy for approving the Disposal Agreement; and
- (c) the obtaining by the Company of all necessary consents and approvals in compliance with the Listing Rules.

In the event that the above conditions are not fulfilled on or before 30 June 2010 or such other later date as may be agreed between the parties, the Disposal Agreement shall be of no further effect and all parties shall be released from their respective obligations and the parties shall have no claims against each other in respect of the Disposal Agreement except for any claims arising from prior breach of obligations contained in the Disposal Agreement.

Completion

Completion of the Disposal Agreement shall take place on the third Business Day after the Conditions Precedent having been fulfilled or at such other date as the parties may agree in writing.

INFORMATION ON THE DISPOSAL ASSETS

The Disposal Assets are entirely owned by Yunnan Shenyu, a wholly owned subsidiary of Beijing Shenhao which in turn wholly owned by Shenyu New Energy, is principally engaged in the research and development of Jatropha based biological energy sources, such as bio-diesel. Jatropha is a source for bio-diesel after being processed, and is a renewable energy source plant which is efficient for water and soil retention as well as ecology restoration.

The Group had acquired Shenyu New Energy since 12 September 2008. For the year ended 31 March 2009, the audited net loss arising from the Disposal Assets amounted to approximately HK\$136 million.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

As at 31 March 2009, the carrying value of the Disposal Assets and purchase consideration payables amounted to approximately HK\$1,482 million and approximately HK\$2,370 million respectively. Based on the carrying values of the Disposal Assets and purchase consideration payables, the Group will recognize a gain of approximately HK\$888 million arising from the Disposal upon the completion. However, this amount will be subjected to the subsequent changes in the fair values of the Disposal Assets and purchase consideration payables. The Group has appointed independent valuers to value the Disposal Assets. Details of the valuation approaches and assumptions will be included in the valuation reports set out in the circular regarding the Disposal to be dispatched to the Shareholders in due course. The valuations will employ three approaches including cost approach, income expectation approach which provides the net present value of the future net discount cash flow, and market approach. The Company will comply with all applicable disclosure requirements of the Listing Rules relating to the profit forecast.

Since the whole consideration of the Disposal to be paid will be completely cancelled out the whole purchase consideration payables due to the Purchaser from the Group, no cashflow impact will be incurred.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Forcemade was not satisfied with the progress in profitability of Shenyu Group and complained to the Company which led to discussion for a possible solution. Early settlement with Forcemade enables the Company to remove uncertainty of potential litigation. In addition, upon completion of the Disposal, the Group still retains all the land use rights of all existing forest land and the Purchaser or its nominee(s) has to remove all forestry assets in such forest lands within two years from the Completion Date. The Group can well implement the plantation plan of Jatropha accordingly. Seed of Jatropha is one of the raw materials of bio-diesel production. Development of bio-diesel is one of the key strategic business developments to enhance the revenue and provide profit for the Group. In addition, bio-diesel processing plant development project together with the forest land use rights are still retained by the Group so as to support the development of the Jatropha based bio-diesel business. Furthermore, the Company is aiming to bolster the financial position by reducing debt level and retaining cash in hand for future business developments.

Upon completion of the Disposal, the outstanding purchase consideration payable amounting to approximately HK\$2,370 million (as at 30 September 2009), which was approximately 75.5% total liabilities approximately HK\$3,139 million as at 30 September 2009, would be fully settled.

In light of the above reasons, the Directors consider that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.49 of the Listing Rules. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholder has a material interest in the Disposal Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting at the SGM.

CONNECTED TRANSACTION

Kingston has been appointed as the financial adviser to advise the Company in respect of the Disposal. The Financial Adviser is a licensed corporation registered under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity. A fee of HK\$400,000 will be payable in cash by the Company to the Financial Adviser.

The Directors (including the independent non-executive Directors) consider that the engagement of the Financial Adviser falls within the business scopes of the Financial Adviser. Given the fact that the beneficial owner of Kingston became the substantial shareholder (as defined in the Listing Rules) of the Company in late 2009 but Kingston had been appointed as the financial adviser to the Company in respect of various transactions since 2006, Kingston has developed a long term good business relationship with the Company and has thorough understanding in the business of Company. The Directors believe that Kingston can provide its services to the Company in a more effective and efficient manner. The Directors are of the view that engagement of Kingston is on the terms no less favourable to the Company than terms previously offered from Kingston when it was independent. The Directors consider that the engagement of the Financial Adviser is on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The beneficial owner of the Financial Adviser is a substantial shareholder (as defined in the Listing Rules) of the Company, and the Financial Adviser is therefore a connected person of the Company within the meaning of Rule 14A.11 of the Listing Rules. The Financial Adviser also holds 10,000,000 Share Options. The engagement of Financial Adviser constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentages under Rule 14.07 of the Listing Rules are less than 2.5%, the engagement of Financial Adviser is subject only to the reporting and announcement requirements and is exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company was incorporated in Bermuda with limited liability. The principal business activities of the Group are ecological forestry business. Upon completion of the Disposal, the Group still has estate area of approximately 7 million Mu to develop its ecological business continuously.

A circular containing, among other things, further information of the Disposal Agreement and the notice of the SGM will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING OF SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:30 a.m. on 17 February 2010 pending release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 22 February 2010.

DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital of Shenyu New Energy pursuant to the Acquisition Agreement by the Company from the Purchaser;
“Acquisition Agreement”	the sale and purchase agreement dated 5 November 2007 as supplemented by the first, second and third supplemental agreements dated 23 November 2007, 17 December 2007 and 14 June 2008 respectively entered into between the Company and the Purchaser in relation to the Acquisition;
“Beijing Shenhao”	北京神浩新能源科技有限公司(Beijing Shenhao New Energy Technology Company Limited)*, a wholly owned subsidiary of Shenyu New Energy, is a company established in the PRC and is principally engaged in the research and development of technologies in biological energy and forestry resource;
“Board”	the board of Directors;
“Business Day”	a day on which banks are generally open for business in Hong Kong other than a Saturday and a Sunday;

“Mu”	Chinese acres, one Chinese acre equals approximately 666.67 square meters;
“Company” or “Vendor”	China Grand Forestry Green Resources Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
“Completion”	the completion of the Disposal;
“Completion Date”	the third Business Day after the Conditions Precedent having been fulfilled or at such other date as the parties may agree in writing;
“Conditions Precedent”	the condition precedent to the completion of the Disposal Agreement;
“Director”	a director of the Company and “Directors” include all directors of the Company;
“Disposal”	the disposal of assets by the Company in accordance with the terms of the Disposal Agreement;
“Disposal Agreement”	the agreement dated 12 February 2010 entered into between the Company and the Purchaser relating to the sale and purchase of the Disposed Assets;
“Disposal Assets”	Collectively Disposal Assets 1, Disposal Assets 2 and Disposal Assets 3;
“Disposal Assets 1”	Current forest assets covers a total area of approximately 1,350,000 Mu (excluding Jatropha Curcas L estate area) in the counties of Huize, Yanbi, Gengma, Yongren, Qiubei, Shuangbai, Yuanmou, Shuangjiang and Yunlong, all of which are located in the province of Yunnan;
“Disposal Assets 2”	Current Jatropha estate covers a total area of approximately 300,000 Mu in the counties of Huize and Shuangjiang, all of which are located in the province of Yunnan;
“Disposal Assets 3”	A parcel land use right, construction contracts and respective liabilities of a hotel development project in Shuangbai county of Yunnan province;

“Financial Adviser” or “Kingston”	Kingston Corporate Finance Limited, a licensed corporation registered under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of and not connected or acting in concert with the Company and any of its connected persons (as defined in the Listing Rules) and are not connected persons of the Company;
“Jatropha”	Jatropha Curcas L, 小桐子, is also called Gaotong, Heizaoshu, Muhuasheng, Youluzi and Laopangguo etc. It is a member of the Euphorbiaceae family. It is a deciduous shrub or tree that is two to five meters tall. As a source for bio-diesel after being processed, Jatropha Curcas L is a renewable energy source plant;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser” or “Forcemade”	Forcemade Investments Limited is a company incorporated in British Virgin Islands. To the best of the Directors’ knowledge, information and belief after having made reasonable enquiries, the Purchaser is an investment holding company and the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	renminbi yuan, the lawful currency of the PRC;
“SGM”	a special general meeting of the Company to be convened to approve, amongst other things, the Disposal Agreement and the transactions contemplated thereunder;

“Share Option(s)”	the share option(s) granted under the Share Option Scheme;
“Share Option Scheme”	the share option scheme of the Company which was adopted on 23 November 2001;
“Shareholders”	holders of Shares;
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shenyu New Energy”	Shenyu New Energy Group Limited, is a company incorporated in the British Virgin Islands and is an investment holding company;
“Shenyu New Energy Group”	Shenyu New Energy and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yunnan Shenyu”	Yunnan Shenyu New Energy Company Limited, a Company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong.

By order of the Board
China Grand Forestry Green Resources Group Limited
Tse On Kin
Chairman

Hong Kong, 19 February 2010

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Tse On Kin and Mr. Pang Chun Kit being the executive Directors and Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Ms. Xu Lei being the independent non-executive Directors.