

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

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for the securities.*



**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)**

**ACQUISITIONS CONSTITUTING A VERY SUBSTANTIAL  
ACQUISITION TO THE COMPANY  
INVOLVING THE ISSUE OF CONVERTIBLE PREFERENCE SHARES  
AND CONVERTIBLE NOTES;  
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
AND  
RESUMPTION OF TRADING**

**Financial adviser to the Company**



**KINGSTON CORPORATE FINANCE LTD.**

**SUMMARY**

**THE ACQUISITIONS**

**Share Transfer Agreement (A)**

The Board is pleased to announce that on 26 July 2011 (after trading hours) and on 30 September 2011, Vendor (A), the Purchaser, a wholly owned subsidiary of the Company, the Guarantor and the Company entered into the Share Transfer Agreement (A) and the Supplemental Agreement respectively, pursuant to which the Purchaser has conditionally agreed to acquire and Vendor (A) has conditionally agreed to sell the Sale Share (A) at an aggregate consideration of HK\$2,198 million (subject to adjustments as detailed herein below).

The Consideration (A) payable to Vendor (A) shall be satisfied as to (i) HK\$444.5 million by way of cash, of which HK\$430 million shall be payable within 30 Business Days from the date of the Share Transfer Agreement (A) and the remaining of HK\$14.5 million shall be payable upon Completion (A); (ii) HK\$1,263.5 million by way of allotment and issue the Convertible Preference Shares (A) upon Completion (A); and (iii) HK\$490 million by way of issue of the Convertible Note (A) on the 10th Business Day after the date on which the Completion Accounts are issued.

Upon full exercise of the conversion rights attached to the Convertible Preference Shares (A), 8,423,333,333 Conversion Shares will be issued, representing (i) approximately 86.47% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 38.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 31.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

Upon full exercise of the conversion rights attached to the Convertible Note (A), 3,266,666,666 Conversion Shares will be issued, representing (i) approximately 33.54% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 15.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 12.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

### **Share Transfer Agreement (B)**

The Board is pleased to announce that on 30 September 2011, Vendor (B), the Purchaser and the Company entered into the Share Transfer Agreement (B), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor (B) has conditionally agreed to sell the Sale Share (B) and the Sale Loan at an aggregate consideration of HK\$942 million (subject to adjustments as detailed herein below).

The Consideration (B) payable to Vendor (B) shall be satisfied as to (i) HK\$190.5 million by way of cash, of which HK\$80 million shall be payable within 30 Business Days from the date of the Share Transfer Agreement (B) and the remaining HK\$110.5 million shall be payable upon Completion (B); (ii) HK\$541.5 million by way of allotment and issue the Convertible Preference Shares (B) upon Completion (B); and (iii) HK\$210 million by way of issue of the Convertible Note (B) on the 10th Business Day after the date on which the Completion Accounts are issued.

Upon full exercise of the conversion rights attached to the Convertible Preference Shares (B), 3,610,000,000 Conversion Shares will be issued, representing (i) approximately 37.06% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 16.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 13.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

Upon full exercise of the conversion rights attached to the Convertible Note (B), 1,400,000,000 Conversion Shares will be issued, representing (i) approximately 14.37% of the existing issued Share capital of the Company as at the date of this announcement; (ii) approximately 6.43% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 5.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

The completion of the Share Transfer Agreement (A) and the Share Transfer Agreement (B) is inter-conditional with each other.

The applicable percentage ratios (as defined in the Listing Rules) as aggregated pursuant to Rules 14.22 and 14.23(2) in connection with the Acquisitions have exceeded 100%. Accordingly, the Acquisitions constitute a very substantial acquisition to the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, and shareholder(s)' approval at general meeting requirements under the Listing Rules.

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 Shares, of which 9,741,048,933 Shares has been issued. In order to facilitate the allotment and issue of the Conversion Shares and to accommodate the Company's future growth and expansion, the Company proposes to increase its authorised share capital from HK\$2,000,000,000 divided into 20,000,000,000 Shares to HK\$8,000,000,000 divided into 80,000,000,000 Shares and 12,033,333,333 Convertible Preference Shares of par value HK\$0.10 each by creating an additional 47,966,666,667 new Shares and 12,033,333,333 Convertible Preference Shares of par value HK\$0.10 each. Such additional Shares will rank pari passu in all respects with the existing Shares. The proposed increase in the authorised share capital of the Company and the issue of the Convertible Preference Shares are subject to the approval of the Shareholders at the SGM.

## **GENERAL**

The SGM will be convened and held to consider and, if thought fit, approve (i) the Share Transfer Agreements and the transactions contemplated thereunder, including the issue of the Convertible Notes, the allotment and issue of the Convertible Preference Shares and the Conversion Shares; and (ii) the Increase in Authorised Share Capital.

A circular containing, among other things, (i) further details of the Acquisitions, the Increase in Authorised Share Capital and other information of the Group and the Enlarged Group; and (ii) a notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 31 January 2012.

**Shareholders and potential investors should note that the Completions are subject to the fulfillment of the conditions precedent under the Share Transfer Agreements. As the Acquisitions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING IN THE SHARES**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 27 July 2011, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 October 2011.

## **THE ACQUISITION (A)**

The Board is pleased to announce that on 26 July 2011 (after trading hours) and on 30 September 2011, the Purchaser, Vendor (A), the Guarantor and the Company entered into the Share Transfer Agreement (A), pursuant to which the Purchaser has conditionally agreed to acquire and Vendor (A) has conditionally agreed to sell the Sale Share (A) at an aggregate consideration of HK\$2,198 million (subject to adjustments set out herein).

### **The Share Transfer Agreement (A)**

*Date* : 26 July 2011 (and supplemented on 30 September 2011)

#### *Parties*

Vendor (A) : Top Trendy Holdings Limited, a company incorporated under the laws of BVI and an investment holding company

Purchaser : Grand Supreme Limited, a direct wholly-owned subsidiary of the Company and an investment holding company

The Guarantor : Mr. Guo Jiadi, the beneficial owner of Vendor (A)

Company : The Company

The Guarantor guarantees the due and punctual performance of Vendor (A) under the Share Transfer Agreement (A).

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Vendor (A) and its ultimate beneficial owner are Independent Third Parties.

### **Subject matter of the Share Transfer Agreement (A)**

The Sale Share (A), representing the entire issued share capital of the Target Company (A).

The Target Company (A) is an investment holding company. Before Completion (A), the Target Company (A) will undergo the Reorganisation. As a result of which, the Target Company (A) will indirectly own 70% effective equity interest in Fujian Sinco, which owns the Target Property. The shareholding structure of the Target Group (A) is included under the section headed “Changes in the Group Structure” of this announcement.

### **The Consideration (A)**

Pursuant to the Share Transfer Agreement (A), the Consideration (A) shall be HK\$2,198 million payable to Vendor (A) in the following manner:

- (i) HK\$444.5 million shall be satisfied by way of cash, of which:
  - a. HK\$430 million shall be payable within thirty Business Days from the date of the Share Transfer Agreement (A) as refundable deposit (the “**Deposit**”); and
  - b. the remaining of HK\$14.5 million shall be payable upon Completion (A);
- (ii) HK\$1,263.5 million shall be satisfied by way of allotment and issue the Convertible Preference Shares (A) at the Conversion Price of HK\$0.15 per Conversion Share to Vendor (A) or its nominee(s) upon Completion (A); and
- (iii) HK\$490 million shall be satisfied by way of issue of the Convertible Note (A) on the 10th Business Day after the date on which the Completion Accounts are issued.

As security for the obligation of the Vendor (A) for repayment of the Deposit in the event that the Share Transfer Agreement (A) is not completed, the Guarantor executed the Share Charge in favour of the Company in relation to the charge of all the issued shares of Mei Rui to the Company as security for the performance of the payment obligations of the Deposit of the Vendor (A).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Mei Rui owns 70% equity interest in Fujian Sandi. The registered capital and paid up capital of Fujian Sandi is approximately RMB505 million and RMB403 million respectively. Fujian Sandi owns a piece of land located at Taijiang District, Fuzhou, the PRC (福州市台江區) with a total site area of approximately 18,821 sq.m. and the preliminary valuation of land appraised by an independent property valuer by adopting the direct comparison method is approximately HK\$807 million (RMB670 million) as at 30 June 2011.

The Consideration (A) was determined after arm's length negotiation between the Purchaser and Vendor (A) with reference to, among other things, (a) the preliminary valuation of the Target Property of approximately RMB2,900 million (equivalent to HK\$3,491.6 million) determined by an independent professional valuer, Asset Appraisal Limited, based on direct comparison method, less the estimated liabilities of Fujian Sinco of approximately RMB290 million (equivalent to approximately HK\$350 million) due to the PRC Party as at the Completion Date; and (b) the factors set out in the paragraph headed "Reasons for the Acquisitions" below.

The Directors considered the Consideration (A) is fair and reasonable and on normal commercial terms and that the terms and conditions of the Share Transfer Agreement (A) and the entering into of the Share Transfer Agreement (A) are in the interests of the Company and the Shareholders as a whole.

The Company intends to finance the HK\$444.5 million cash consideration by internal resources. On the basis of the existing available cash resources of the Company, the Company has no present available cash resources to satisfy the payment obligations under the Convertible Notes. As at the date of this announcement, the Company has no plan relating to financing redemption of the Convertible Note (A) and both equity and debts financing will be considered by the Company to settle the obligations under the Convertible Notes when they become due.

According to the annual report of the Company for the year ended 31 March 2011, the Company recorded a cash balance of approximately HK\$581 million and a gain on financial assets at fair value of approximately HK\$313 million as at 31 March 2011. On the aforesaid basis, the Directors consider that the Company will have sufficient cash to satisfy the cash portion of the Considerations.

#### **Net Assets Value guarantee and adjustments of Consideration (A)**

Pursuant to the Share Transfer Agreement (A), Vendor (A) and the Guarantor have jointly and severally undertaken to the Purchaser and guarantee that the Net Assets Value of Fujian Sinco as shown in the Completion Accounts will not be less than HK\$3,140 million (the "**Guaranteed Amount**").

In the event that the actual Net Assets Value of Fujian Sinco as at the Completion Date (A) (the "**Completion NAV**") is less than the Guaranteed Amount, the Vendor (A) shall pay to the Purchaser an amount equal to 70% of the shortfall between the Guaranteed Amount and the Completion NAV on a dollar-for-dollar basis (the "**Shortfall (A)**") so that the Consideration (A) will be adjusted downwards by the amount of Shortfall (A). The Shortfall (A) payable by the Vendor (A) will be offset against the Convertible Note (A) on a dollar-for-dollar basis. In the event that the Shortfall (A) payable by Vendor (A) exceeds the Convertible Note (A), Vendor (A) will be required to pay the discrepancy to the Purchaser in cash.

The Guaranteed Amount was determined after arm's length negotiations between the Company and Vendor (A) with reference to the aggregate consideration for Fujian Sinco to be paid by the Company. It is expected that the Completion Accounts will be issued by 29 February 2012. The Company will make further announcement in the event that the shortfall between the Guaranteed Amount and the Completion NAV arises.



## **Conditions precedent to the Share Transfer Agreement (A)**

The completion of the Acquisition (A) is conditional upon fulfillment of the following conditions:

- (i) the passing of necessary resolution(s) at the SGM in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Share Transfer Agreement (A) and the transactions contemplated thereby;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Conversion Shares;
- (iii) all necessary consents and approvals in relation to the transactions contemplated by the Share Transfer Agreement (A) having been obtained by Vendor (A), and such consents and approvals should be valid up to the Completion Date (A) and there having been no rules or regulations imposed by the relevant authorities (i) to forbid or seriously delay the sale of the Sale Share (A) under the Share Transfer Agreement (A) and the Completion (A); or (ii) that will constitute material or adverse effect to the business of the Target Group (A) after Completion (A);
- (iv) Vendor (A) having delivered to the Purchaser the Certificate of Incumbency and the Certificate of Good Standing in respect of the Target Company (A), both of which shall not be issued more than seven days prior to the Completion Date (A);
- (v) the Purchaser being satisfied with and accepting the result of the due diligence review conducted on the Target Group (A);
- (vi) the Purchaser having obtained and being satisfied with the legal opinion issued by a qualified PRC law firm, confirming that (i) the legal status and business nature of Fujian Sinco and any other material obligations and matters in respect of the Acquisition (A); (ii) Vendor (A) (through the Target Group (A)) has lawful ownership of the Target Property and the validity and legality of the Target Property; and (iii) the Target Property is free from encumbrances (whether existing or contingent), and if there is any litigation subsisting, such litigation has fully been discharged or settled, and Fujian Sinco has not provided any form of guarantee in respect of any third party's loans or obligations;
- (vii) the Purchaser having received a valuation report in form and substance satisfactory to the Purchaser issued by an independent professional valuer acceptable to the Purchaser stating that the value of the Target Property being not less than RMB2,900 million;
- (viii) Vendor (A) having provided the Purchaser with documentary evidence in such form and substance to the satisfaction of the Purchaser that the Target Property is free from encumbrances (whether existing or contingent), and if there is any litigation subsisting, such litigation has fully been discharged or settled;
- (ix) the completion of the Reorganisation by the Target Group (A);

- (x) all representations, warranties and undertakings given by the Vendor (A) and the Purchaser under the Share Transfer Agreement (A) remaining true and accurate and not misleading in all respect;
- (xi) there having been no material breach of the terms and conditions of the Share Transfer Agreement (A) by Vendor (A) before the Completion Date (A);
- (xii) Vendor (A) being satisfied with and accepting the result of the due diligence review conducted on the Group;
- (xiii) the subscription for the Convertible Preference Shares (A) and the Convertible Note (A) by the Vendor (A) not constituting a deemed new listing or a reverse takeover (as defined under the Listing Rules) by the Stock Exchange; and
- (xiv) the Acquisition (B) having become unconditional.

If the above conditions have not been fulfilled or waived (other than conditions (i), (ii), (ix) and (xiv) which may not be waived) by the Purchaser on or before 29 February 2012 (or such later date as the parties to the Share Transfer Agreement (A) may agree in writing), the Share Transfer Agreement (A) shall lapse and thereafter neither party to the Share Transfer Agreement (A) shall have any rights or obligations towards each other except in respect of any antecedent breach. Vendor (A) shall return the deposit(s) received and any other such payment(s) received in accordance with the terms and conditions of the Share Transfer Agreement (A) within 3 days from the date thereof. As at the date of this announcement, none of the above conditions has been fulfilled.

It is noted that only conditions (i), (ii), (ix) and (xiv) under the Share Transfer Agreement (A) cannot be waived by the Purchaser and the Directors consider that such arrangement provides greater flexibility to the Group and is in the interest of the Company as a whole. In the event that waiver of condition(s) under the Share Transfer Agreement (A) is considered, the Directors will take into account of the interest of the Company and the Shareholders and will waive any of the conditions only if it is considered to be in the interest of the Company and its Shareholders as a whole.

### **Completion (A)**

Completion (A) shall take place within three Business Days after the fulfillment or waiver (as the case may be) of the conditions precedent of the Share Transfer Agreement (A) (or such other date as may be agreed between the parties to the Share Transfer Agreement (A)).

Upon Completion (A), the Target Company (A) will become an indirect wholly-owned subsidiary of the Company and the financial information of the Target Group (A) will be consolidated into the consolidated financial statements of the Company.

### **THE CONVERTIBLE PREFERENCE SHARES (A)**

Pursuant to the Share Transfer Agreement (A), the Company will issue the Convertible Preference Shares (A) in an aggregate principal amount of HK\$1,263.5 million to Vendor (A) or its nominee(s) as partial payment of the Consideration (A).



The terms of the Convertible Preference Shares (A) have been negotiated on an arm's length basis, and the principal terms of which are summarized as follows:

- Issuer** : the Company
- Conversion Price** : initially, Convertible Preference Share of the notional value of HK\$0.15 each shall be convertible into one new Share, subject to adjustment in the customary manner, including share consolidations, share subdivision, capitalization issues, capital distributions, rights issues and issues of other securities for cash at discount of more than 20%.
- Number of Convertible Preference Shares** : 8,423,333,333 Convertible Preference Shares in the aggregate principal amount of HK\$1,263,500,000 at the Conversion Price.
- Ranking** : the Convertible Preference Shares will rank (i) in priority to the ordinary shares of the Company and any other class of shares as to return of capital and (ii) pari passu with ordinary shares of the Company as to any dividends accumulated on the Convertible Preference Shares.
- Dividend** : holder(s) of Convertible Preference Shares shall be entitled to the dividends that would be paid with respect to the Shares on an "as converted" basis.
- Voting right** : holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.
- Transferability** : the Convertible Preference Shares may be transferred to any transferee provided if such transfer is to be made to a connected person of the Company, such transfer shall comply with the requirements under the Listing Rules and/or other requirements imposed by relevant regulatory authority.
- Redemption** : neither the Company nor any holder of the Convertible Preference Shares shall have any right to redeem the Convertible Preference Shares.

- Conversion period** : in respect of any Convertible Preference Shares, any time commencing from 3:00 p.m. (Hong Kong time) on the Business Day immediately after the date of issue of such Convertible Preference Shares and up to 4:00 p.m. (Hong Kong time) on the date of all Convertible Preference Shares being converted or purchased in full (or such earlier date as may be required under the statutes). Subject to the aforesaid, there is no limit on the conversion period in respect of the Convertible Preference Shares.
- Listing** : the Convertible Preference Shares will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Conversion restriction** : no conversion right attaching to the Convertible Preference Shares shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; (2) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with any of them, taken together, will be required to make a mandatory offer for all issued securities of the Company pursuant to the Takeovers Code; or (3) if immediately after such conversion, the public float of the shares of the Company falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange.

Assuming there will be no further issue or repurchase of Shares, upon the exercise in full of the conversion rights attaching to the Convertible Preference Shares (A) at the Conversion Price, the Company will allot and issue an aggregate of 8,423,333,333 Conversion Shares, representing (i) approximately 86.47% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 38.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 31.86% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

The 8,423,333,333 Conversion Shares will be allotted and issued under the specific mandate to be granted by the Shareholders at the SGM. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

## **THE CONVERTIBLE NOTE (A)**

Pursuant to the Share Transfer Agreement (A), the Company will issue the Convertible Note (A) with an aggregate principal amount of HK\$490 million to Vendor (A) or its nominee(s) as partial payment of the Consideration (A).

The terms of the Convertible Note (A) have been negotiated on an arm's length basis, and the principal terms of which are summarised as follows:

<b>Issuer</b>	:	the Company
<b>Aggregate principal amount</b>	:	HK\$490,000,000
<b>Maturity Date</b>	:	the fifth (5th) anniversary of the date of issuance of the Convertible Note (A)
<b>Interest</b>	:	Nil
<b>Conversion Price</b>	:	HK\$0.15 per Conversion Share (subject to adjustments)
<b>Transferability</b>	:	the Convertible Note (A) will be freely transferable provided that any proposed transfer to a connected person of the Company shall be subject to the prior consent of the Company and compliance with the Listing Rules.
<b>Conversion restriction</b>	:	the holder(s) of the Convertible Note (A) shall have the right to convert the Convertible Note (A) into Conversion Shares of the Company at any time from the date of issue of the Convertible Note (A) up to (but excluding) the date falling on the seventh (7th) Business Day prior to the maturity date of the Convertible Note (A).

The conversion rights under the Convertible Note (A) shall only be exercisable so long as (i) the aggregate shareholdings of such holder of the Convertible Note (A), its associates and parties acting in concert with it immediately after such exercise will not be or exceed 30% of the then issued share capital of the Company; (ii) the exercise of the conversion rights under the Convertible Notes will not result in such holders of the Convertible Notes by itself or taken together with its associates and/or parties acting in concert with any of them becoming the controlling shareholder (as defined in the Takeovers Code) of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which such holder of the Convertible Note (A) would be obliged to make a general offer under the Takeovers Code in force from time to time; (iii) the exercise of the conversion rights under the Convertible Note (A) would not result in such holder of the Convertible Note (A) and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company; and (iv) the minimum public float requirements (as stipulated under the Listing Rules) of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained.

- Adjustment to Conversion Price** : the Conversion Price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation of Shares, capitalisation issues, rights issues, issue of Shares at discount of more than 20% and other dilutive events in accordance with the terms and conditions of the Convertible Note (A).
- Early redemption** : (1) the holder(s) of Convertible Note (A) shall have the right at any time before the date falling on the seventh (7th) Business Day prior to the maturity date to request the Company to redeem the whole or part of the outstanding principal amount of the Convertible Note (A) at a price equal to 100% of the amount to be redeemed, provided that:
- (i) they shall have given to the Company not less than 10 Business Days' prior written notice of their intention to request for such redemption, specifying the amount to be redeemed and the date of the proposed redemption;

(ii) the Company, having regard to the financial situation of its group, accepts the request of holder(s) of Convertible Note (A) for early redemption;

(iii) the amount to be redeemed shall be at least HK\$10,000,000 or its integral multiples; and

(iv) the amount to be redeemed is not already the subject of a proposed conversion.

(2) the Company shall have the right to redeem any portion of the Convertible Note (A) outstanding at an amount equals to the principal amount of the Convertible Note (A) in its sole and absolute discretion at any time and from time to time prior to the date falling on the seventh (7th) Business Day prior to the maturity date by giving to the holder(s) of Convertible Note (A) not less than 10 Business Days' prior written notice.

**Voting rights and ranking** : holder(s) of the Convertible Note (A) shall not be entitled to attend or vote at any general meeting of the Company.

**Listing** : the Convertible Note (A) will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares (A).

Assuming there will be no further issue or repurchase of Shares, upon the exercise in full of the conversion rights attaching to the Convertible Note (A) at the Conversion Price, the Company will allot and issue an aggregate of 3,266,666,666 Conversion Shares, representing (i) approximately 33.54% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 15.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 12.35% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

The 3,266,666,666 Conversion Shares will be allotted and issued under the specific mandate to be granted by the Shareholders at the SGM. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

## **THE CONVERSION PRICE**

The Conversion Price for the Convertible Preference Shares (A) and the Convertible Note (A) are the same, being HK\$0.15 each. The Conversion Price was determined after arm's length negotiations between the Purchaser and Vendor (A), with reference to the prevailing trading price of the Shares during the period of negotiations in July 2011. The Conversion Price represents:

- (a) a premium of approximately 4.90% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on 26 July 2011, being the Last Trading Day;
- (b) a premium of approximately 3.45% to the average closing price of HK\$0.145 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including Last Trading Day;
- (c) a premium of approximately 2.25% to the average closing price of HK\$0.1467 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including Last Trading Day; and
- (d) a discount of approximately 64.29% over the audited consolidated net assets attributable to equity holders of the Company of approximately HK\$0.42 per Share as at 31 March 2011, based on the audited consolidated net assets according to the Company's annual report and the number of issued Shares as at as at 31 March 2011.

## **APPLICATION FOR LISTING**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares (A) and the Convertible Note (A). No application will be made for the listing of the Convertible Preference Shares (A) and the Convertible Note (A) on the Stock Exchange or any other stock exchanges.

## **THE ACQUISITION (B)**

The Board is pleased to announce that on 30 September 2011, the Purchaser, Vendor (B) and the Company entered into the Share Transfer Agreement (B), pursuant to which the Purchaser has conditionally agreed to acquire and Vendor (B) has conditionally agreed to sell the Sale Share (B) at an aggregate consideration of HK\$942 million (subject to adjustments set out herein).



## **The Share Transfer Agreement (B)**

*Date* : 30 September 2011

### *Parties*

Vendor (B) : Good Fellow Resources Holdings Limited, a company incorporated under the laws of Bermuda and an investment holding company

Purchaser : Grand Supreme Limited, a direct wholly-owned subsidiary of the Company

Company : The Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Vendor (B) and its ultimate beneficial owners are Independent Third Parties.

## **Subject matter of the Share Transfer Agreement (B)**

The Sale Share (B), representing the entire issued share capital of the Target Company (B); and the Sale Loan.

The Target Company (B) is an investment holding company. The Target Company (B) indirectly owns 30% of the effective equity interest in Fujian Sinco, which owns the Target Property. The shareholding structure of the Target Group (B) is included under the section headed “Changes in the Group Structure” of this announcement.

## **The Consideration (B)**

Pursuant to the Share Transfer Agreement (B), the Consideration (B) shall be HK\$942 million payable to the Vendor (B) in the following manner:

- (i) HK\$190.5 million shall be satisfied by way of cash, of which:
  - a. HK\$80 million shall be payable within 30 Business Days from the date of the Share Transfer Agreement (B) as refundable deposit; and
  - b. the remaining of HK\$110.5 million shall be payable upon Completion (B);
- (ii) HK\$541.5 million shall be satisfied by way of allotment and issue the Convertible Preference Shares (B) at the Conversion Price of HK\$0.15 per Conversion Share to Vendor (B) or its nominee(s) upon Completion (B); and
- (iii) HK\$210 million shall be satisfied by way of issue of the Convertible Note (B) on the 10th Business Day after the date on which the Completion Accounts is issued.

The Consideration (B) has been determined after arm's length negotiation between the Purchaser and Vendor (B) with reference to, among other things, (a) the preliminary valuation of the Target Property of approximately RMB2,900 million (equivalent to approximately HK\$3,491.6 million) determined by an independent professional valuer, Asset Appraisal Limited, based on direct comparison method, less the estimated liabilities of Fujian Sinco of approximately RMB290 million (equivalent to approximately HK\$350 million) due to the PRC Party as at the Completion Date; and (b) the factors set out in the paragraph headed "Reasons for the Acquisitions" below.

The Directors considered the Consideration (B) is fair and reasonable and on normal commercial terms and that the terms and conditions of the Share Transfer Agreement (B) and the entering into of the Share Transfer Agreement (B) is in the interests of the Company and the Shareholders as a whole.

The Company intends to finance the HK\$190.5 million cash consideration by internal resources. On the basis of the existing available cash resources of the Company, the Company has no present available cash resources to satisfy the payment obligations under the Convertible Notes. As at the date of this announcement, the Company has no plan relating to financing redemption of the Convertible Note (B) and both equity and debts financing will be considered by the Company to settle the obligations under the Convertible Notes when they become due.

#### **Net Assets Value guarantee and adjustment of Consideration (B)**

Pursuant to the Share Transfer Agreement (B), Vendor (B) has undertaken to the Purchaser and guarantee that the Net Assets Value of Fujian Sinco as shown in the Completion Accounts will not be less than HK\$3,140 million (the "**Guaranteed Amount**").

In the event that the actual Net Assets Value of Fujian Sinco as at the Completion Date (B) (the "**Completion NAV**") is less than the Guaranteed Amount, Vendor (B) shall pay to the Purchaser an amount equal to 30% of the shortfall between the Guaranteed Amount and the Completion NAV on a dollar-for-dollar basis (the "**Shortfall (B)**") so that the Consideration (B) will be adjusted downwards by the amount of Shortfall (B). The Shortfall (B) payable by Vendor (B) will be offset against the Convertible Note (B) on a dollar-for-dollar basis. In the event that the Shortfall (B) payable by Vendor (B) exceeds the Convertible Note (B), Vendor (B) will be required to pay the discrepancy to the Purchaser in cash.

The Guaranteed Amount was determined after arm's length negotiations between the Company and Vendor (B) with reference to the aggregate consideration for Fujian Sinco to be paid by the Company. It is expected that the Completion Accounts will be issued by 29 February 2012. The Company will make further announcement in the event that the shortfall between the Guaranteed Amount and the Completion NAV arises.

The Net Assets Value of Fujian Sinco as at 30 June 2011 of approximately RMB2,344 million will be increased by the capitalization of advances to Fujian Sinco by Mr. Guo and his associated companies and exchange differences and the adjusted amount will be approximately equal to the Guarantee Amount of HK\$3,140 million.

## **Conditions precedent to the Share Transfer Agreement (B)**

The completion of the Acquisition (B) is conditional upon fulfillment of the following conditions:

- (i) the passing of necessary resolution(s) at the SGM in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Share Transfer Agreement (B) and the transactions contemplated thereby;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Conversion Shares;
- (iii) the passing of necessary resolution(s) at the special general meeting of Vendor (B) in accordance with the requirements of the Listing Rules and all other applicable laws and regulations to approve the Share Transfer Agreement (B) and the transactions contemplated thereby;
- (iv) all necessary consents and approvals in relation to the transactions contemplated by the Share Transfer Agreement (B) having been obtained by Vendor (B), and such consents and approvals should be valid up to the Completion Date (B) and there having been no rules or regulations imposed by the relevant authorities (i) to forbid or seriously delay the sale of the Sale Share (B) under the Share Transfer Agreement (B) and the Completion (B); or (ii) that will constitute material or adverse effect to the business of the Target Group (B) after Completion (B);
- (v) Vendor (B) having delivered to the Purchaser the Certificate of Incumbency and the Certificate of Good Standing in respect of the Target Company (B), both of which shall not be issued more than seven days prior to the Completion Date (B);
- (vi) the Purchaser being satisfied with and accepting the result of the due diligence review conducted on the Target Group (B);
- (vii) the Purchaser having obtained and being satisfied with the legal opinion issued by a qualified PRC law firm, confirming that (i) the legal status and business nature of Fujian Sinco and any other material obligations and matters in respect of the Acquisition (B); (ii) Vendor (B) (through the Target Company (B) and its subsidiaries/ associated companies) has lawful ownership of the Target Property and the validity and legality of the Target Property; and (iii) the Target Property is free from encumbrances (whether existing or contingent), and if there is any litigation subsisting, such litigation has fully been discharged or settled, and Fujian Sinco has not provided any form of guarantee in respect of any third party's loans or obligations;
- (viii) the Purchaser having received a valuation report in form and substance satisfactory to the Purchaser issued by an independent professional valuer acceptable to the Purchaser stating that the value of the Target Property being not less than RMB2,900 million;
- (ix) Vendor (B) having provided the Purchaser with documentary evidence in such form and substance to the satisfaction of the Purchaser that the Target Property is free from encumbrances (whether existing or contingent), and if there is any litigation subsisting, such litigation has fully been discharged or settled;

- (x) all representations, warranties and undertakings given by Vendor (B) and the Purchaser under the Share Transfer Agreement (B) remaining true and accurate and not misleading in all respect;
- (xi) there having been no material breach of the terms and conditions of the Share Transfer Agreement (B) by Vendor (B) before the Completion Date (B);
- (xii) Vendor (B) being satisfied with and accepting the result of the due diligence review conducted on the Group;
- (xiii) the subscription for the Convertible Preference Shares (B) and the Convertible Note (B) by Vendor (B) not constituting a deemed new listing or a reverse takeover (as defined under the Listing Rules) by the Stock Exchange; and
- (xiv) the Acquisition (A) having become unconditional.

If the above conditions have not been fulfilled or waived (other than conditions (i), (ii), (iii) and (xiv) which may not be waived) by the Purchaser on or before 29 February 2012 (or such later date as the parties to the Share Transfer Agreement (B) may agree in writing), the Share Transfer Agreement (B) shall lapse and thereafter neither party to the Share Transfer Agreement (B) shall have any rights or obligations towards each other except in respect of any antecedent breach. Vendor (B) shall return the deposit(s) received and any other such payment(s) received in accordance with the terms and conditions of the Share Transfer Agreement (B) within 3 days from the date thereof. As at the date of this announcement, none of the above conditions has been fulfilled.

It is noted that only conditions (i), (ii), (ix) and (xiv) under the Share Transfer Agreement (B) cannot be waived by the Purchaser and the Directors consider that such arrangement provides greater flexibility to the Group and is in the interest of the Company as a whole. In the event that waiver of condition(s) under the Share Transfer Agreement (B) is considered, the Directors will take into account of the interest of the Company and the Shareholders and will waive any of the conditions only if it is considered to be in the interest of the Company and its Shareholders as a whole.

The completion of the Share Transfer Agreement (A) and the Share Transfer Agreement (B) is inter-conditional with each other.

### **Completion (B)**

Completion (B) shall take place within three Business Days after the fulfillment or waiver (as the case may be) of the conditions precedent of the Share Transfer Agreement (B) (or such other date as may be agreed between the parties to the Share Transfer Agreement (B)).

Upon Completion (B), the Target Company (B) will become an indirect wholly-owned subsidiary of the Company and the financial information of the Target Group (B) will be consolidated into the consolidated financial statements of the Company.

## **THE CONVERTIBLE PREFERENCE SHARES (B)**

Pursuant to the Share Transfer Agreement (B), the Company will issue the Convertible Preference Shares (B) in an aggregate principal amount of HK\$541.5 million to Vendor (B) or its nominee(s) as partial payment of the Consideration (B).

The terms of the Convertible Preference Shares (B) have been negotiated on an arm's length basis, and the principal terms of which are summarized as follows:

- Issuer** : the Company
- Conversion Price** : initially, Convertible Preference Share of the notional value of HK\$0.15 each shall be convertible into one new Share, subject to adjustment in the customary manner, including share consolidations, share subdivision, capitalization issues, capital distributions, rights issues and issues of other securities for cash at discount of more than 20%.
- Number of Convertible Preference Shares** : 3,610,000,000 Convertible Preference Shares in the aggregate principal amount of HK\$541,500,000 at the Conversion Price.
- Ranking** : the Convertible Preference Shares will rank (i) in priority to the ordinary shares of the Company and any other class of shares as to return of capital and (ii) pari passu with ordinary shares of the Company as to any dividends accumulated on the Convertible Preference Shares.
- Dividend** : holder(s) of Convertible Preference Shares shall be entitled to the dividends that would be paid with respect to the Shares on an "as converted" basis.
- Voting right** : holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.
- Transferability** : the Convertible Preference Shares may be transferred to any transferee provided if such transfer is to be made to a connected person of the Company, such transfer shall comply with the requirements under the Listing Rules and/or other requirements imposed by relevant regulatory authority.
- Redemption** : neither the Company nor any holder of the Convertible Preference Shares shall have any right to redeem the Convertible Preference Shares.

- Conversion period** : in respect of any Convertible Preference Shares, any time commencing from 3:00 p.m. (Hong Kong time) on the Business Day immediately after the date of issue of such Convertible Preference Shares and up to 4:00 p.m. (Hong Kong time) on the date of all Convertible Preference Shares being converted or purchased in full (or such earlier date as may be required under the statutes). Subject to the aforesaid, there is no limit on the conversion period in respect of the Convertible Preference Shares.
- Listing** : the Convertible Preference Shares will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Conversion restriction** : no conversion right attaching to the Convertible Preference Shares shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; (2) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with any of them, taken together, will be required to make a mandatory offer for all issued securities of the Company pursuant to the Takeovers Code; or (3) if immediately after such conversion, the public float of the shares of the Company falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange.

Assuming there will be no further issue or repurchase of Shares, upon the exercise in full of the conversion rights attaching to the Convertible Preference Shares (B) at the Conversion Price, the Company will allot and issue an aggregate of 3,610,000,000 Conversion Shares, representing (i) approximately 37.06% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 16.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 13.65% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

The 3,610,000,000 Conversion Shares will be allotted and issued under the specific mandate to be granted by the Shareholders at the SGM. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.



## **THE CONVERTIBLE NOTE (B)**

Pursuant to the Share Transfer Agreement (B), the Company will issue the Convertible Note (B) with an aggregate principal amount of HK\$210 million to Vendor (B) or its nominee(s) as partial payment of the Consideration (B).

The terms of the Convertible Note (B) have been negotiated on an arm's length basis, and the principal terms of which are summarised as follows:

<b>Issuer</b>	:	the Company
<b>Aggregate principal amount</b>	:	HK\$210,000,000
<b>Maturity Date</b>	:	the fifth (5th) anniversary of the date of issuance of the Convertible Note (B)
<b>Interest</b>	:	Nil
<b>Conversion Price</b>	:	HK\$0.15 per Conversion Share (subject to adjustments)
<b>Transferability</b>	:	the Convertible Note (B) will be freely transferable provided that any proposed transfer to a connected person of the Company shall be subject to the prior consent of the Company and compliance with the Listing Rules.
<b>Conversion restriction</b>	:	the holder(s) of the Convertible Note (B) shall have the right to convert the Convertible Note (B) into Conversion Shares of the Company at any time from the date of issue of the Convertible Note (B) up to (but excluding) the date falling on the seventh (7th) Business Day prior to the maturity date of the Convertible Note (B).

The conversion rights under the Convertible Note (B) shall only be exercisable so long as (i) the aggregate shareholdings of such holder of the Convertible Note (B), its associates and parties acting in concert with it immediately after such exercise will not be or exceed 30% of the then issued share capital of the Company; (ii) the exercise of the conversion rights under the Convertible Notes will not result in such holders of the Convertible Notes by itself or taken together with its associates and/or parties acting in concert with any of them becoming the controlling shareholder (as defined in the Takeovers Code) of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which such holder of the Convertible Note (B) would be obliged to make a general offer under the Takeovers Code in force from time to time; (iii) the exercise of the conversion rights under the Convertible Note (B) would not result in such holder of the Convertible Note (B) and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company; and (iv) the minimum public float requirements (as stipulated under the Listing Rules) of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained.

**Adjustment to Conversion Price** : the Conversion Price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidation of Shares, capitalisation issues, rights issues, issue of Shares at discount of more than 20% and other dilutive events in accordance with the terms and conditions of the Convertible Note (B).

**Early redemption** : (1) the holder(s) of Convertible Note (B) shall have the right at any time before the date falling on the seventh (7th) Business Day prior to the maturity date to request the Company to redeem the whole or part of the outstanding principal amount of the Convertible Note (B) at a price equal to 100% of the amount to be redeemed, provided that:

(i) they shall have given to the Company not less than 10 Business Days' prior written notice of their intention to request for such redemption, specifying the amount to be redeemed and the date of the proposed redemption;

(ii) the Company, having regard to the financial situation of its group, accepts the request of holder(s) of Convertible Note (B) for early redemption;

(iii) the amount to be redeemed shall be at least HK\$10,000,000 or its integral multiples; and

(iv) the amount to be redeemed is not already the subject of a proposed conversion.

(2) the Company shall have the right to redeem any portion of the Convertible Note (B) outstanding at an amount equals to the principal amount of the Convertible Note (B) in its sole and absolute discretion at any time and from time to time prior to the date falling on the seventh (7th) Business Day prior to the maturity date by giving to the holder(s) of Convertible Note (B) not less than 10 Business Days' prior written notice.

**Voting rights and ranking** : holder(s) of the Convertible Note (B) shall not be entitled to attend or vote at any general meeting of the Company.

**Listing** : the Convertible Note (B) will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Assuming there will be no further issue or repurchase of Shares, upon the exercise in full of the conversion rights attaching to the Convertible Note (B) at the Conversion Price, the Company will allot and issue an aggregate of 1,400,000,000 Conversion Shares, representing (i) approximately 14.37% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 6.43% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares; and (iii) approximately 5.30% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Preference Shares and the Convertible Notes.

The 1,400,000,000 Conversion Shares will be allotted and issued under the specific mandate to be granted by the Shareholders at the SGM. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

After the Directors' enquiries with each of Vendor (A) and Vendor (B), as at the date of this announcement, the Directors are not aware of any Vendor (A) or Vendor (B) has intention or plan to request for early redemption of the Convertible Notes. As the early redemption of the Convertible Notes by the holders thereof shall be subject to the consent of the Company, the Directors are of the view that that the provision of early redemption of the Convertible Notes may not have short term or immediate material adverse financial impact on the Group.

### **THE CONVERSION PRICE**

The Conversion Price for the Convertible Preference Shares (B) and the Convertible Note (B) is the same, being HK\$0.15 per Share. The Conversion Price was determined after arm's length negotiations between the Purchaser and Vendor (B), with reference to the prevailing trading price of the Shares during the period of negotiations in July 2011. Each of the Issue Price and the Conversion Price represents:

- (a) a premium of approximately 4.90% to the closing price of HK\$0.143 per Share as quoted on the Stock Exchange on 26 July 2011, being the Last Trading Day;
- (b) a premium of approximately 3.45% to the average closing price of HK\$0.145 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including Last Trading Day;
- (c) a premium of approximately 2.25% to the average closing price of HK\$0.1467 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including Last Trading Day; and
- (d) a discount of approximately 64.29% over the audited consolidated net assets attributable to equity holders of the Company of approximately HK\$0.42 per Share as at 31 March 2011, based on the audited consolidated net assets according to the Company's annual report and the number of issued Shares as at as at 31 March 2011.

### **APPLICATION FOR LISTING**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares (B) and the Convertible Note (B). No application will be made for the listing of the Convertible Preference Shares (B) and the Convertible Note (B) on the Stock Exchange or any other stock exchange.

### **EFFECT ON THE SHAREHOLDING STRUCTURE**

As at the date of this announcement, the Company had outstanding Share Options to subscribe for 953,300,000 Shares.

## THE ACQUISITIONS

Assuming there being no further issue (other than the Conversion Shares) or repurchase of Shares from the date of this announcement, the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon Completions (but without taking into account the exercise of any Convertible Notes); and (iii) upon Completion (having taken into account the exercise in full of conversion rights attaching to the Convertible Preference Shares and the Convertible Notes at the Conversion Price) are set out below:

Shareholders	As at the date of this announcement		Immediately after Completions and allotment and issue of Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Preference Shares up to approximately 29.6% of the enlarged issued shares, but before the exercise of the conversion rights attaching to the Convertible Notes (Note 1)		Immediately after Completions and allotment and issue of Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Preference Shares, but before the exercise of the conversion rights attaching to the Convertible Notes (Note 2)		Immediately after Completions and allotment and issue of the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Preference Shares and the Convertible Notes (Note 3)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
	Chu Yuet Wah	850,000,000	8.73	850,000,000	6.15	850,000,000	3.90	850,000,000
Pang Chun Kit (Note 3)	3,950,000	0.04	3,950,000	0.03	3,950,000	0.02	3,950,000	0.02
Vendor (A)	—	—	4,090,110,800	29.57	8,423,333,333	38.68	11,689,999,999	44.21
Vendor (B)	57,854,000	0.59	57,854,000	0.42	3,667,854,000	16.85	5,067,854,000	19.17
<b>Public:</b>								
Other public Shareholders	<u>8,829,244,933</u>	<u>90.64</u>	<u>8,829,244,933</u>	<u>63.83</u>	<u>8,829,244,933</u>	<u>40.55</u>	<u>8,829,244,933</u>	<u>33.39</u>
Total	<u>9,741,048,933</u>	<u>100.00</u>	<u>13,831,159,733</u>	<u>100.00</u>	<u>21,774,382,266</u>	<u>100.00</u>	<u>26,441,048,932</u>	<u>100.00</u>

### Notes:

- The shareholding structure set out in this column is shown for illustration purpose only and assuming the conversion of the Convertible Preference Shares by Vendor (A) and Vendor (B) result in shareholding of Vendor (A) and Vendor (B) up to approximately 29.99% of the enlarged issued share capital of the Company.
- The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to conversion restrictions under the terms and conditions of the Convertible Preference Shares, no conversion right may be exercised to the extent that such exercise or issue of Conversion Shares (i) would result in the Company's non compliance with the minimum public shareholding level requirement stipulated under the Listing Rules or (ii) trigger a mandatory offer under the Takeovers Code.

3. The shareholding structure set out in this column is shown for illustration purpose only. Pursuant to conversion restrictions under the terms and conditions of the Convertible Notes, the Conversion rights shall only be exercisable so long as the minimum public float requirements (as stipulated under the Listing Rules) of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained. The Conversion rights shall only be exercisable so long as (i) the aggregate shareholdings of the holders of the Convertible Notes, its associates and parties acting in concert with any of them immediately after such exercise will not be or exceed 30% of the then issued share capital of the Company; (ii) the exercise of the Conversion Rights will not result in the holder(s) of the Convertible Notes by itself or taken together with its associates and/or parties acting in concert with it becoming the controlling Shareholder (as defined in the Takeovers Code) of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which the holder(s) of the Convertible Notes would be obliged to make a general offer under the Takeovers Code in force from time to time; and (iii) the exercise of the conversion rights under the Convertible Notes would not result in the holder(s) of the Convertible Notes and other then substantial Shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company.
4. Mr. Pang Chun Kit is a former executive Director.

## **INFORMATION ON THE TARGET GROUPS**

### **The Target Group (A) and Target Group (B)**

The Target Company (A) was incorporated in BVI with limited liability and is an investment holding company. As at the date of this announcement, the Target Company (A) is wholly owned by Vendor (A). The Target Company (A) was incorporated for the purpose of the Acquisition (A), which will be the holding company of Mazy and Great Team after completion of the Reorganisation.

Target Company (B) was incorporated in BVI with limited liability and is an investment holding company. As at the date of this announcement, the entire issued share capital of Target Company (B) is owned by Vendor (B), the issued shares of which are listed on the Stock Exchange. Save for holding 50% issued share capital of Grand International, Target Company (B) does not hold any other investments as at the date of this announcement.

Mazy was incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement, the entire issued share capital of Mazy is beneficially owned by the Guarantor. After completion of the Reorganisation, Mazy will be wholly owned by the Target Company (A) and Mazy will hold 40% equity interest in Fujian Sinco.

Great Team was incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement, the entire issued share capital of Great Team is beneficially owned by the Guarantor. After completion of the Reorganisation, Great Team will be wholly owned by the Target Company (A). Save for holding 50% issued share capital of Grand International, Great Team does not hold any other investments as at the date of this announcement.

Grand International was incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement, Grand International is owned as to 50% by Target Company (B) and as to 50% by Great Team, a company which



is beneficially owned by the Guarantor. Save for holding 60% issued share capital of Fujian Sinco, Grand International does not hold any other investments as at the date of this announcement.

Fujian Sinco is a company established in the PRC, which is principally engaged in real estate development. As at the date of this announcement, Fujian Sinco is owned as to 60% by Grand International and as to 40% by the PRC Party, a company which is beneficially owned by the Guarantor. After completion of the Reorganisation, Fujian Sinco will be owned as to 40% by Mazy and as to 60% by Grand International. Save for holding 100% interest in the Target Property, Fujian Sinco does not hold any other investments or engage in other types of business as at the date of this announcement.

To the best of knowledge and information of the Directors, the Target Group (A) is undergoing the Reorganisation. As Mazy and Great Team and the PRC Party are beneficially owned by the Guarantor (the beneficial owner of Vendor (A)) through various entities, the Directors believe it will be more beneficial for the Company to acquire the Target Property after Vendor (A) has undertaken the Reorganisation, which would rationalize all the legality and formality of the corporate structure of the Target Group (A).

Further information in relation to the Reorganisation and group structure of the Target Group (A) is set out under the paragraph headed “Changes in the group structure” below.

## **INFORMATION OF THE TARGET PROPERTY**

The Target Property is located in Taijiang District, the central business district of Fuzhou, the provincial capital of Fujian Province. Having amenities such as museum, theatre and library, and within walking distance from a train station, the Acquisition allows the Company to enhance its property development in Fuzhou Province in the PRC.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Fujian Sinco owns the Target Property, a 9-storey (together with three underground floors) furniture shopping mall situated at Taijiang District, Fuzhou, the PRC (福州市台江區) with an aggregate gross floor area of approximately 118,324 sq.m..

The Target Property was opened in July 2011 and has an existing tenant base with a retail and wholesale trade mix comprising furniture, decoration material and household products. The tenants of the Target Property include but not limited to one of the largest sofa producers in the PRC, one of the largest Japanese electronics producers and one of the largest Italian furniture companies. The Target Property also has a movie theatre on the top floor of the building which is now under decoration and is expected to be opened by the end of 2011. As at the date of this announcement, the management and operation of the Target Property are contracted to a property management firm, namely Shanghai Red Star Macalline Enterprise Management Co., Ltd (上海紅星美凱龍企業有限公司) (“**Macalline**”). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Macalline possesses extensive experience in management of furniture and household products related shopping malls in the PRC. Upon Completion of the Acquisitions, the Directors will hire more professionals to the Company to oversee the business.

According to the management agreement entered into between Macalline and Fujian Sinco (the “**Management Agreement**”), the term of the management agreement is 10 years commenced from 8 April 2010 to 7 April 2020 and Fujian Sinco paid or shall pay the various fees to Macalline, which include, among others, (i) the project consultancy fee of RMB1 million after the signing of the Management Agreement; (ii) the commission of up to RMB1 million; (iii) the annual management fee for the first year of RMB5 million payable by 20 November 2011 and RMB2 million for the subsequent years; and (iv) the bonus management fee calculated on the basis of 2.5% of the annual revenue of the Target Property up to RMB80 million with increment of 0.5% for every additional annual revenue of RMB10 million achieved.

As at the date of this announcement, the Target Property has an occupancy rate of approximately 100% with more than 300 tenants and the estimated aggregate monthly income of the Target Property is approximately RMB9.55 million, comprising the estimated monthly rental income for the shopping mall areas of approximately RMB9.25 million and for the movie theatre of approximately RMB0.30 million respectively.

The term of tenancy and details of the monthly rental of the Target Property are summarised below:

	<b>Term of tenancy</b>	<b>Details of the rental income</b>
Shopping mall areas	Usually one (1) year	Monthly rental income per unit ranges from approximately RMB1,400 to RMB72,600
Movie theatre	Fifteen (15) years fixed term commence around the end of 2011 and renewable for another five (5) years	For the term of fifteen (15) years:  The higher of (1) fixed annual rental income ranging from approximately RMB3.6 million to RMB5.6 million; and (2) the annual turnover rent to be calculated according to the percentage of the annual net turnover of the cinema theatre ranging from 14% to 17%

## FINANCIAL INFORMATION ON FUJIAN SINCO

The audited financial information of Fujian Sinco prepared under generally accepted accounting principles in the PRC is set out below:

	<b>31 December 2010</b>	<b>31 December 2009</b>
	<i>RMB\$'000</i>	<i>RMB\$'000</i>
Net assets value	287,452	259,341
Total assets value	646,372	259,445
Turnover	0	0
Net profit/(loss) before taxation and extraordinary items	(1,680)	(765)
Net profit/(loss) after taxation and extraordinary items	(1,888)	(765)

As at 30 June 2011, Fujian Sinco due to the PRC Party and its affiliated companies an amount of approximately RMB523.8 million.

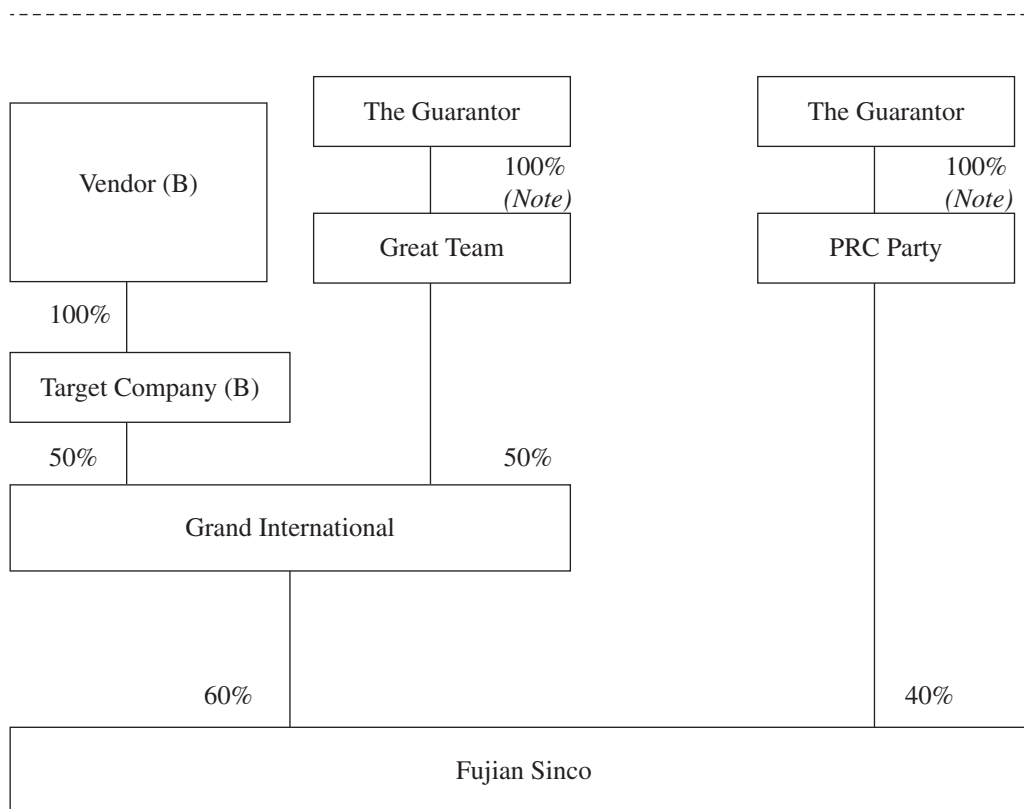
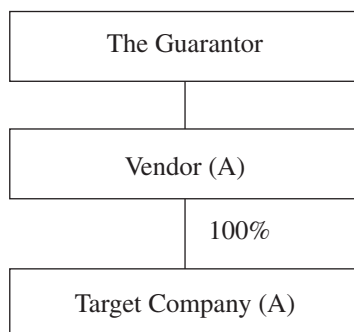
The consolidated financial information of the Target Groups will be disclosed in the circular, which is expected to be despatched to the Shareholders on or before 31 January 2012 as additional time is required for the Company to prepare and finalise the required information in the circular.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Directors are not aware of any additional capital contribution or capital expenditures or future capital commitment in respect of the Target Property.

## CHANGES IN THE GROUP STRUCTURE

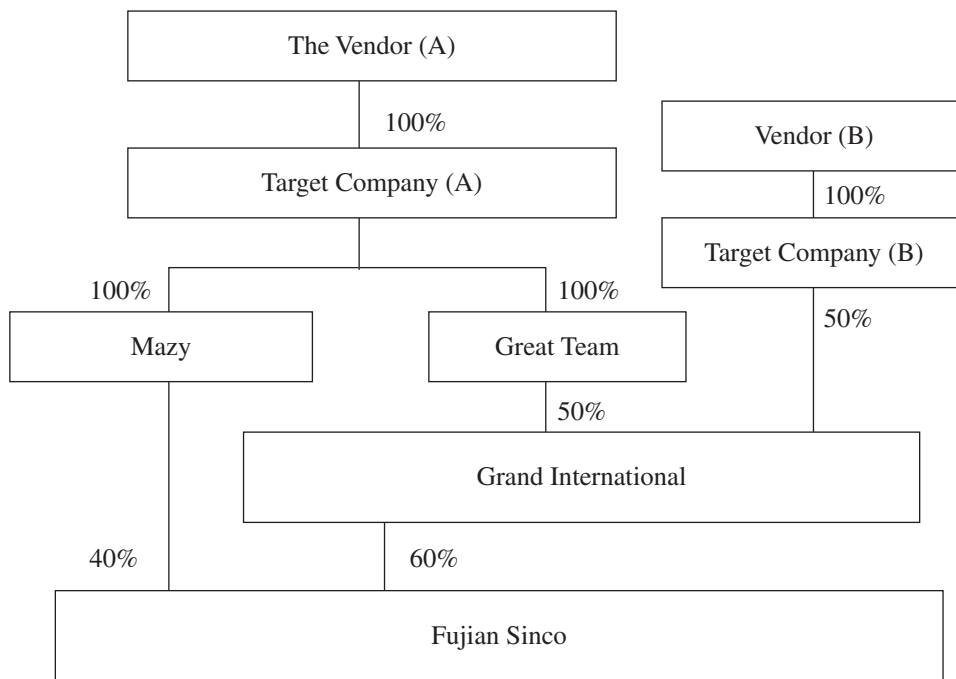
The following charts show the group structure of Target Groups (i) as at the date of this announcement; (ii) immediately after the completion of the Reorganisation but before the Completions; and (iii) immediately after the Completions:

### (i) As at the date of this announcement

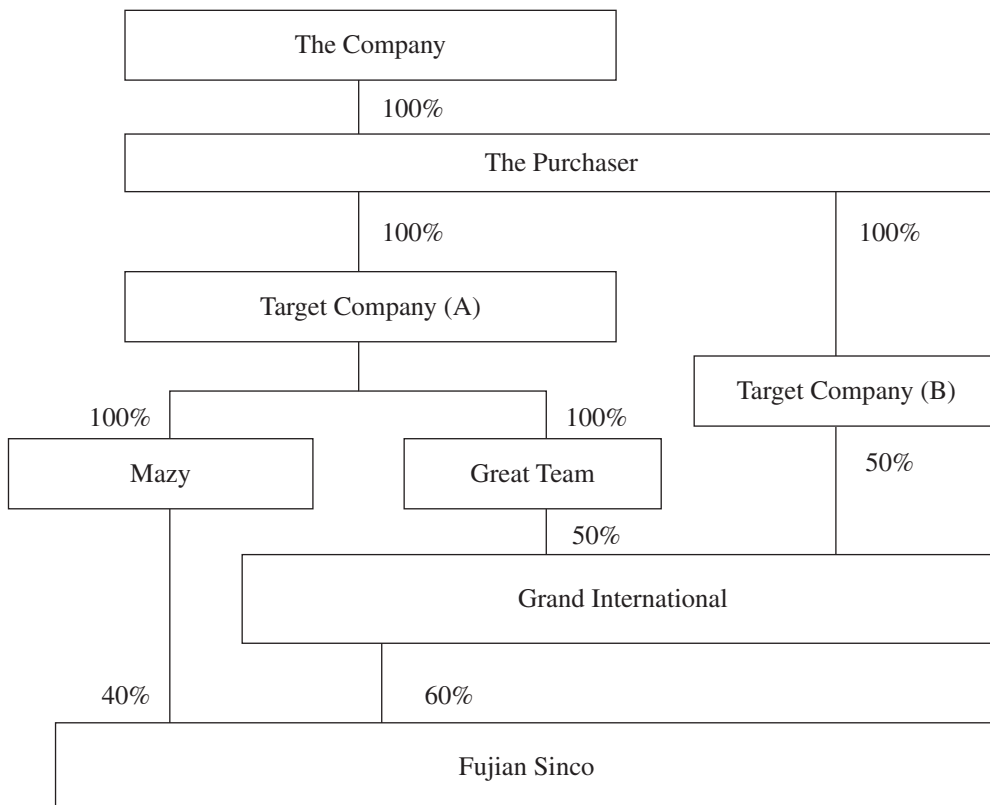


*Note:* beneficially owned

**(ii) Immediately after the completion of the Reorganisation but before the Completions**



**(iii) Immediately after the Completions**



## **INFORMATION ON VENDOR (A)**

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Vendor (A), an investment holding company incorporated under the laws of the BVI, has no other business and/or investment save for the entering into of the Share Transfer Agreement (A). The Guarantor, being the sole shareholder and director of Vendor (A), is a merchant and has extensive experience in the property-related business in the PRC, including but not limited to the sale of real estate and property development in the PRC.

## **INFORMATION ON VENDOR (B)**

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Vendor (B), an investment holding company incorporated under the laws of Bermuda, the issued Shares of which are listed on the main board of the Stock Exchange. The principal activities of the group companies of Vendor (B) are provision of investment and financial services, and distribution and trading. As at the date of this announcement, Vendor (B) holds 57,854,000 Shares, representing approximately 0.59% of the entire issued share capital of the Company.

## **REASONS FOR THE ACQUISITIONS**

The Company is an investment holding company and the principal activities of its subsidiaries are tree plantation and management, manufacture and distribution of forestry products and ecological activities.

Sustainable development and utilization of forest resources are the Group's present business philosophy. In the Group's business model, the Group is optimistic about the long-term prospects of the ecological forestry sector. The Group focuses on two main regions in China: Central China, including Hunan, Chongqing and GuangXi, which mainly provides raw materials for the production of traditional forestry products; and Southern China, including Sichuan, Guizhou, Hubei and Yunnan, which mainly provides raw materials for the production of bio-diesel. The forestry assets of the Group in Central China and Southern China representing approximately 55% and 38% respectively of the total forest assets of the Group. As at the date of this announcement, approximately 5 million Chinese Mu. Su forest land is mainly located in Hunan, Chongqing, Yunnan and Guizhou.

For the traditional logging business, China suffered from extreme climate conditions in 2009 and 2010 which caused a low survival rate to the Group's newly planted biological assets. This led to a tightening of timber supply since most timber resources were immature for harvesting until now. Besides, the "green policy" of the PRC government in recent years tends to increase the forest coverage and tightens domestic harvesting in plantations and domestic timber supply. Accordingly, the Group has spent more resources on research and development, plantation and management of the forest to meet the social and environment requirements this year. Besides, the management is actively trying to seek different ways to maximize the Group's returns and minimize the costs of operation. The Group has changed its logistic strategy recently, requiring the customers to be responsible for the transportation of the harvest timber from the Group's forests and other logistics. This can effectively reduce costs in labour, overhead, trucking and road construction etc.



For the biomass energy business, the Group's biomass energy development mainly focuses on *Jatropha Curcas L.* (“**Jatropha**”), being used as a raw material for bio-diesel production. The Group is active in the research and development of biological energy resources by using *Jatropha*. A trial processing plant of *Jatropha*-based bio-diesel commenced trial production in early August 2010. Compared with the traditional logging business (with a harvest cycle of about 20 years), *Jatropha* can reach its maximum productivity in three to five years. The Group successfully developed three types of superior-quality *Jatropha* in December 2010 and plantation of the superior *Jatropha* is carried out in our forest lands this year in order to ensure a sufficient supply of raw materials for the production of biomass energy. The Group is seeking a long-term partnership opportunity with a company in the PRC which is principally engaged in fuel oil related business. With a much shorter investment cycle, the Group will focus on the operation of biomass energy business as one of the core strategy businesses of the Group.

The Group will continue to take measures to rationalize its existing business, including seeking business partners to assist the Group to increase its sale and improving the operation efficiency of the businesses. With regard to the sales of the Group, the Group is seeking some local agents and existing customers for referral of business opportunities. For improving operational efficiency, the Group made invitations to business-related experts and professors as guest instructor regularly. Due to the tight global supply for wood and the urbanization trend in the PRC, the Directors are still optimistic about the resources business growth in the coming years to capture business opportunities arising from the surging demand for resources in the PRC.

While the Company will continue to run its resources business, due to the keep rising logging costs including labour costs, overhead, road construction, transportation and plantation expenditure etc., the revenue from the Group's ecological forestry business has been declining and it has been the Company's business strategy to look for new investment opportunities with a view to broadening its revenue source. As stated in the annual report of the Company for the year ended 31 March 2011, the Company would continue to explore opportunities to broaden the revenue source of the Group in order to increase the Shareholders' return and would consider any appropriate business opportunities which can generate appropriate cash inflow with appropriate business risk.

The Directors consider that each of the Acquisitions provide the Group with an invaluable opportunity to diversify and participate in the properties related business in the PRC and broaden its asset and earning base. The Directors are optimistic about the prospect of the property market in the PRC and believe that such rapid economic growth will continue in the future. The Target Property, which is located in a prime location in Fuzhou, Fujian Province and primarily houses a large furniture shopping mall. In view of the favourable domestic consumption market in the PRC, the Directors consider that the acquisition of the Target Companies which owns Target Property in a prime location in Fuzhou, the PRC is beneficial to the Group. Given the location of the Target Property, the Directors consider the Target Property is of great investment potential and is in line with the Company's business strategy to maximize the return of the Shareholders. The Directors expect that the Acquisitions will increase the income stream of the Group, bring additional stable earnings to the Group, increase the return on equity of the Group and bring a long term benefit to the Company and its Shareholders.

Based on the above, the Directors consider that the Acquisitions, including the terms of the Share Transfer Agreement (A) and the Share Transfer Agreement (B), is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the date hereof, the Directors have no present plan to change the board composition of the Company upon completion of the Acquisitions or introduce any major changes to the Company's existing timber and biomass energy business and expect that these businesses will continue into the foreseeable future. Accordingly, the Directors consider that there is no change in principal activities of the Company immediately subsequent to the completion of the Acquisitions. As at the date hereof, the Company has not entered into any agreement, arrangement, understanding or negotiation to dispose of or discontinue its existing business (whether concluded or not).

## **RISKS RELATING TO THE ACQUISITIONS**

### **Investment in new business sector for the Group**

For the Group, the Acquisitions constitute an investment in a new business sector and the Enlarged Group may not be able to control certain risks related to the horizontal expansion into this new business. Such risks include but are not limited to risks related to the operation of a shopping mall business, risks related to the rental market, risks of reliance on key management personnel who are familiar with the shopping mall business and the sub-contractor for the operation of the shopping mall business.

The Directors intend to continue engagement of the same management firm, which is currently responsible for the management and operation of the Target Property, to continue to manage and operate the Target Property after Completion. Furthermore, the Company intends to hire more professionals to manage and oversee this shopping mall business for the Group. However, in the event that the operation, return and profitability of the shopping mall business do not go as well as expected by the Directors, the profitability of the Group may be adversely affected.

### **Reliance on a single sub-contractor for the operation and management of the shopping mall business**

The management and operation of the Target Property are currently contracted to Macalline, and the shopping mall's future success is dependent on the efforts, performance and abilities of this management firm. In the event that the agreement entered into between Macalline and the Target Property was terminated by the parties and the Company cannot find a replacement in a timely manner, the Group's operation and financial position may be adversely affected.

### **The shopping mall business is dependent on the economic trends in the PRC**

The shopping mall business is very sensitive to broader economic trends as retail purchases and the rental price tend to decline during recessionary periods. Substantially all of the Target Group's annual revenue will be derived from rental income earned in the PRC. A recession in the PRC economy, or uncertainties regarding future economic prospects of the PRC could affect consumer spending habits, including a reduction in consumer spending,

and therefore may have an adverse effect on the Group's business. A sustained economic downturn in the PRC would likely to have an adverse effect on the Group's results of operations and financial condition.

### **Impacts of the austerity measures on the property industry in the PRC**

Although there has been considerable growth in the PRC economy in recent years, the structure of the financial system in the PRC is still at a developing stage and may not be adequate to keep up with the rapidly growing economy in the PRC. From time to time, the PRC government adjusts its monetary and economic policies to prevent and curtail the overheating of the national and provincial economies, which may affect the property market and lower the rental price of the property. Any action by the PRC government concerning the economy or the property industry in particular could have a material adverse effect on the financial condition and results or operations of the Target Group.

The PRC government's restrictive measures could limit the Target Group's access to capital resources, reduce market demand and increase operating costs of the Target Group and materially and adversely affect the business and results of operations.

### **Governmental control of currency conversion and fluctuations**

All of the Target Group's revenue is currently denominated in RMB, As a result, the Group may be exposed to foreign currency fluctuations. Any appreciation of RMB may result in the decrease in the value of the Group's foreign currency-denominated assets, including the net proceeds from fund raising. Conversely, any depreciation of RMB may adversely affect the value of any dividends payable on the shares in foreign currency terms.

### **IMPLICATIONS UNDER THE LISTING RULES**

The applicable percentage ratios (as defined in the Listing Rules) as aggregated pursuant to Rules 14.22 and 14.23(2) in connection with the Acquisitions have exceeded 100%. Accordingly, the Acquisitions constitute a very substantial acquisition to the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, and shareholder(s)' approval at general meeting requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Vendor (B) holds 57,854,000 Shares as at the date of this announcement and Vendor (B) and its associates will abstain from voting on the relevant resolutions for approving the Share Transfer Agreements. Save as disclosed herein, no other Shareholders have a material interest in the Acquisitions and no other Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Share Transfer Agreements and the transactions contemplated thereunder.

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 Shares, of which 9,741,048,933 Shares has been issued. In order to facilitate the allotment and issue of the Conversion Shares and to accommodate the Company's future growth and expansion, the Company proposes to increase its authorised share capital from HK\$2,000,000,000 divided into 20,000,000,000



“Acquisitions”	the Acquisition (A) and the Acquisition (B)
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for business
“BVI”	the British Virgin Islands
“Company”	China Grand Forestry Green Resources Group Limited (中國林大綠色資源集團有限公司), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the main board of the Stock Exchange
“Completion (A)”	completion of Acquisition (A) pursuant to the terms of the Share Transfer Agreement (A)
“Completion (B)”	completion of Acquisition (B) pursuant to the terms of the Share Transfer Agreement (B)
“Completion Accounts”	the audited consolidated accounts of Fujian Sinco for the period from 1 January 2011 up to the Completion Date (A) or the Completion Date (B) (as the case may be)
“Completion Date (A)”	the third (3rd) Business Day after the fulfillment or waiver (as the case may be) of the conditions precedent of the Share Transfer Agreement (A) (or such other date as may be agreed between the parties to the Share Transfer Agreement (A))
“Completion Date (B)”	the third (3rd) Business Day after the fulfillment or waiver (as the case may be) of the conditions precedent of the Share Transfer Agreement (B) (or such other date as may be agreed between the parties to the Share Transfer Agreement (B))
“Completions”	the Completion (A) and the Completion (B)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration (A)”	the aggregate consideration of HK\$2,198 million payable in respect of the Acquisition (A) pursuant to the Share Transfer Agreement (A)

“Consideration (B)”	the aggregate consideration of HK\$942 million payable in respect of the Acquisition (B) pursuant to the Share Transfer Agreement (B)
“Considerations”	the Consideration (A) and the Consideration (B)
“Conversion Price”	<p>(i) the initial conversion price of HK\$0.15 per Conversion Share upon the exercise of the conversion rights attaching to the Convertible Note (A) or the Convertible Note (B) (as the case may be); or</p> <p>(ii) the initial price at which one Convertible Preference Share is convertible into one new Share, being the notional value of HK\$0.15, subject to adjustment</p>
“Conversion Share(s)”	<p>(i) the new Share(s) to be allotted and issued to the holder(s) of the Convertible Notes by the Company upon exercise of the conversion rights attaching to the Convertible Note (A) or the Convertible Note (B) (as the case may be); or</p> <p>(ii) the new Share(s) to be allotted and issued to the holder(s) of the Convertible Preference Shares by the Company upon exercise of the conversion rights attaching to the Convertible Preference Shares (A) or the Convertible Preference Shares (B) (as the case may be)</p>
“Convertible Note (A)”	the convertible note in the principal amount of HK\$898.9 million to be issued to the Vendor (A) by the Company pursuant to the Share Transfer Agreement (A)
“Convertible Note (B)”	the convertible note in the principal amount of HK\$198.1 million to be issued to the Vendor (B) by the Company pursuant to the Share Transfer Agreement (B)
“Convertible Notes”	the Convertible Note (A) and the Convertible Note (B), being an aggregate principal amount of HK\$1,097 million
“Convertible Preference Shares”	the Convertible Preference Shares (A) and the Convertible Preference Shares (B), being a total of 12,033,333,333 unlisted convertible preference shares of the nominal value HK\$0.10 each in the capital of the Company with rights attached thereto in aggregate principal amount of HK\$1,805,000,000 to be allotted and issued by the Company as part of the Considerations, the terms of which are set out in the paragraph headed “The Convertible Preference Shares” herein



“Convertible Preference Shares (A)”	a total of 8,423,333,333 unlisted convertible preference shares with nominal value of HK\$0.10 each in the capital of the Company with rights attached thereto in aggregate principal amount of HK\$1,263,500,000 to be allotted and issued by the Company as part of the Consideration (A)
“Convertible Preference Shares (B)”	a total of 3,610,000,000 unlisted convertible preference shares with nominal value of HK\$0.10 each in the capital of the Company with rights attached thereto in aggregate principal amount of HK\$541,500,000 to be allotted and issued by the Company as part of the Consideration (B)
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Target Groups
“Fujian Sandi”	Fujian Sandi Real Estate Development Co., Ltd (福州三迪房地產開發有限公司), a company established in the PRC with limited liability
“Fujian Sinco”	Fujian Sinco Industrial Co. Ltd., a company established in the PRC
“Grand International”	Grand International Development limited, a company incorporated in Hong Kong with limited liability
“Great Team”	Great Team Capital Investment Limited, a company incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Guo Jiadi, the beneficial owner of Vendor (A)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$2,000,000,000 divided into 20,000,000,000 Shares to HK\$8,000,000,000 divided into 80,000,000,000 Shares by the creation of 47,966,666,667 Shares and 12,033,333,333 Convertible Preference Shares of par value HK\$0.10 each
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company and are not connected persons of the Company
“Last Trading Day”	26 July 2011, being the last trading day for the Shares before the date of this announcement



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mazy”	Mazy International Limited, a company incorporated in Hong Kong with limited liability
“Mei Rui”	Mei Rui Group Limited (美瑞集團有限公司), a company incorporated in the BVI with limited liability and is wholly-owned by the Guarantor
“Net Assets Value”	the net assets value calculated on the basis of the total assets minus the total liabilities other than the deferred tax liabilities of the entity
“PRC”	the People’s Republic of China
“PRC Party”	Fujian Tiansan Enterprise Co., Ltd (English name for identification purpose only) (福建天三實業有限公司), a company established in the PRC with limited liability
“Purchaser”	Grand Supreme Limited, a company incorporated in BVI with limited liability and a direct wholly owned subsidiary of the Company
“Reorganisation”	the reorganisation of the Target Group upon completion of which the Target Company (A) will become the holding company of the companies, among others, Mazy, Great Team, Grand International and Fujian Sinco
“Sale Loan”	means the loan in the sum of HK\$200,000,000 owed by the Target Company (B) to Vendor (B) as at the date of the Share Transfer Agreement (B) and all other moneys, debts, liabilities and obligations whatsoever which are now or may at any time before Completion (B) be, or become from time to time, due and owing, incurred or outstanding by any member of the Target Company (B) to Vendor (B)
“Sale Share (A)”	one (1) share of US\$1.00 each in the issued share capital of the Target Company (A), representing the entire issued share capital of the Target Company (A) as at the date of the Share Transfer Agreement (A)
“Sale Share (B)”	one (1) share of US\$1.00 each in the issued share capital of the Target Company (B), representing the entire issued share capital of the Target Company (B) as at the date of the Share Transfer Agreement (B)

“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving (i) the Share Transfer Agreements and the transactions contemplated thereunder, including the allotment and issue of the Convertible Preference Shares and the Conversion Shares and the issue of the Convertible Notes; and (ii) the Increase in Authorised Share Capital
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Charge”	the share charge dated 30 September 2011 executed by the Guarantor in favour of the Vendor (A) in relation to the charge of all the issued shares of Mei Rui by the Guarantor to the Company as security for the performance of the payment obligations of the Deposit of the Vendor (A)
“Share Options”	the outstanding share options granted under the share option scheme of the Company
“Share Transfer Agreement (A)”	the conditional agreement dated 26 July 2011 entered into among the Vendor (A), the Purchaser, the Guarantor and the Company (as supplemented by the Supplemental Agreement) in relation to the Acquisition (A)
“Share Transfer Agreement (B)”	the conditional agreement dated 30 September 2011 entered into among the Vendor (B), the Purchaser and the Company in relation to the Acquisition (B)
“Share Transfer Agreements”	the Share Transfer Agreement (A) and the Share Transfer Agreement (B)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 30 September 2011 entered into among the Vendor (A), the Purchaser, the Guarantor and the Company to supplement or amend certain terms and conditions of the Share Transfer Agreement (A)
“Takeovers Code”	The Hong Kong Code of Takeovers and Mergers
“Target Companies”	Target Company (A) and Target Company (B)
“Target Company (A)”	Grandbiz Holdings Limited, a company incorporated in BVI with limited liability

“Target Company (B)”	Great Peace Global Group Limited, a company incorporated in the BVI with limited liability, which is a wholly owned subsidiary of Vendor (B)
“Target Group (A)”	Target Company (A) and its subsidiaries and associated companies upon completion of the Reorganisation, including the Target Company (A), Mazy, Great Team, Grand International and Fujian Sinco
“Target Group (B)”	Target Company (B) and its subsidiaries and associated companies
“Target Groups”	Target Group (A) and Target Group (B)
“Target Property”	Sandi Home Plaza (三迪家居廣場), a 9-storey (together with three underground floors) furniture shopping mall situated at 福州市台江區工業路南側 (原富成味精廠地塊) (Yuanfucheng MSG factory, Southern industrial road, Taijiang District, Fujian City, the PRC) (Lot 2009–28) with an aggregate gross floor area of approximately 118,324 sq.m., which is legally and beneficially owned by Fujian Sinco
“Vendor (A)”	Top Trendy Holdings Limited, a company incorporated in BVI with limited liability
“Vendor (B)”	Good Fellow Resources Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“sq.m.”	square meters
“%”	percentage

By order of the Board  
**China Grand Forestry Green Resources Group Limited**  
**Chi Chi Hung, Kenneth**  
*Executive Director and Company Secretary*

Hong Kong, 30 September 2011

*As at the date of this announcement, the board of directors of the Company comprises Mr. Lau Man Tak and Mr. Chi Chi Hung, Kenneth being the executive Directors and Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Mr. Yu Pak Yan, Peter being the independent non-executive Directors.*

*If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translation, the Chinese version shall prevail.*

*(For reference purpose only, all exchanges between Hong Kong dollars and Renminbi in this announcement are based on the exchange rate of RMB1 = HK\$1.204)*