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CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED

中國林大綠色資源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 00910)

**PROPOSED CAPITAL REORGANISATION
AND
AMENDMENTS TO THE SHARE TRANSFER AGREEMENTS**

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

PROPOSED CAPITAL REORGANISATION

The Board proposes that the Company implements the Capital Reorganisation which will involve (a) a consolidation of every twenty (20) Shares of HK\$0.10 each into one (1) Consolidated Share of HK\$2.00 each; (b) a reduction in the nominal value of the then issued Consolidated Shares from HK\$2.00 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$1.99 on each of the issued Consolidated Share; and (c) a subdivision of each authorised but unissued Consolidated Share into two hundred (200) Adjusted Shares of HK\$0.01 each. The credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company.

GENERAL

A circular containing, among other things, further details of the Capital Reorganisation and a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

Reference is made to the announcement of the Company dated 30 September 2011 in relation to, among other things, the very substantial acquisition of the Company (the “**Announcement**”). Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the Announcement.

PROPOSED CAPITAL REORGANISATION

The Board proposes that the Company implements the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Subdivision.

Share Consolidation

The Share Consolidation will involve the consolidation of every twenty (20) Shares into one (1) Consolidated Share. 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. Immediately after the Share Consolidation, the authorised share capital of the Company will be HK\$2,000,000,000 divided into 1,000,000,000 Consolidated Shares. As at the date of this announcement, there are 9,741,048,933 Shares in issue and fully paid. On the basis of such issued share capital, there will be 487,052,446 Consolidated Shares in issue once the Share Consolidation becomes effective. The Consolidated Shares will rank *pari passu* in all respects with each other.

Capital Reduction and Subdivision

The Capital Reduction of approximately HK\$969.23 million will involve a reduction of the nominal value of the then issued Consolidated Shares from HK\$2.00 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$1.99 on each of the then issued Consolidated Share. The Subdivision will involve the sub-division of each authorised but unissued Consolidated Share into two hundred (200) Adjusted Shares. The credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company such that the Company may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Bermuda Companies Act) is conditional upon:

- (i) the passing of a special resolution by the Shareholders approving the Capital Reorganisation at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue arising from the Capital Reorganisation; and
- (iii) the compliance with the requirements of section 46(2) of the Bermuda Companies Act, including (i) publication of a notice in relation to the Capital Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reduction is to take effect; and (ii) that on

the date on which the Capital Reduction is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective on the next Business Day following the date of passing of the relevant resolution approving the Capital Reorganisation.

Effects of the Capital Reorganisation

Based on the Company's existing authorised share capital of HK\$2,000,000,000, represented by 20,000,000,000 Shares and the existing issued share capital of HK\$ 974,104,893.30, represented by 9,741,048,933 Shares, upon completion of the Capital Reorganisation, the authorised share capital of the Company will remain at HK\$2,000,000,000 represented by 200,000,000,000 Adjusted Shares, and the issued share capital will be HK\$4,870,524.46 represented by 487,052,446 Adjusted Shares. The board lot size for trading in Shares is 2,000 Shares at present. Immediately after the Capital Reorganisation becoming effective, the board lot size for trading in the Adjusted Shares will remain as 2,000 Adjusted Shares. Any fraction of Adjusted Shares arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company. The Adjusted Shares will rank *pari passu* in all respects with each other.

The effect of the Capital Reorganisation is summarised below:

	Prior to the Capital Reorganisation	Immediately following the Capital Reorganisation becoming effective (Note)
Nominal value of each Share/Adjusted Share	HK\$0.10	HK\$0.01
Number of authorised Shares/Adjusted Shares	20,000,000,000	200,000,000,000
Authorised share capital	HK\$2,000,000,000	HK\$2,000,000,000
Number of Shares/Adjusted Shares in issue	9,741,048,933	487,052,446
Issued and fully paid-up share capital	HK\$974,104,893.30	HK\$4,870,524.46

Note: The issued share capital immediately after the Capital Reorganisation becoming effective is presented on the assumption that no further Shares would be issued or repurchased between the date of this announcement and the date of the SGM.

Based on 9,741,048,933 Shares in issue as at the date of this announcement, a credit of approximately HK\$969.23 million will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of the Company. The Board proposes to apply part of such amount to set off against the accumulated losses of the Company.

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and the Board believes that on the date the Capital Reorganisation is to be effected, there will be no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares arising from the Capital Reorganisation, the Company will appoint an agent, Kingston Securities, to stand in the market to provide matching services for the odd lots of Adjusted Shares on a best effort basis. Further details in respect of the odd lots arrangement and the free exchange of new share certificates will be set out in the circular to be despatched by the Company to the Shareholders.

Reasons for the Capital Reorganisation

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole. The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of new Adjusted Shares in the future and the credit in the contributed surplus account arising as a result of the Capital Reorganisation will enable the Company to apply part of the amount standing to the credit of its contributed surplus account to eliminate the accumulated losses of the Company and this will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for Shares to the Registrar from 1 December 2011 to 11 January 2012 (both dates inclusive) to exchange, at the expense of the Company, for certificates for the Adjusted Shares in board lot of 2,000 Adjusted Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Shares cancelled or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purpose after the Capital Reorganisation has become effective and may be exchanged for certificates for the Adjusted Shares at any time in accordance with the foregoing.

Adjustments in relation to the Share Options

As at the date of this announcement, there are outstanding Share Options entitling the holders thereof to subscribe for up to an aggregate of 953,300,000 Shares. The Capital Reorganisation may cause adjustments to the subscription price and the number of Adjusted Shares to be issued under the Share Options. The Company will notify the holders of the Share Options regarding adjustments to be made (if any) pursuant to the terms of the share option scheme of the Company and the Listing Rules.

Save as disclosed above, the Company has no other outstanding options, warrants or other securities convertible into or giving rights to subscribe for Shares or Adjusted Shares, as the case may be.

Expected timetable for the Capital Reorganisation

The expected timetable for implementation of the Capital Reorganisation and the associated trading arrangements are set out below:

2011

Despatch of circulars and proxy forms in relation to the SGM to the Shareholders	Monday, 7 November
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Monday, 28 November
SGM	10:00 a.m. on Wednesday, 30 November
Expected effective date of the Capital Reorganisation	Thursday, 1 December
Dealings in Adjusted Shares commence	Thursday, 1 December

2011

Temporary close of original counter for trading in Shares
(represented by existing share certificates)
in board lot of 2,000 Shares. 9:00 a.m. on
Thursday, 1 December

Temporary counter for trading in Adjusted Shares
(represented by existing share certificates)
in board lot of 100 Adjusted Shares opens 9:00 a.m. on
Thursday, 1 December

First day of free exchange of existing share certificates
for new share certificates for the Adjusted Shares Thursday, 1 December

Original counter for trading in Adjusted Shares
(represented by new share certificates)
in board lot of 2,000 Adjusted Shares reopens 9:00 a.m. on
Thursday, 15 December

Parallel trading in Adjusted Shares (in the form
of new and existing certificates) commences 9:00 a.m. on
Thursday, 15 December

Designated agent to stand in the market to provide
matching service to facilitate the odd lots
trading commences 9:00 a.m. on
Thursday, 15 December

2012

Closure of temporary counter for trading in
Adjusted Shares (represented by existing share
certificates) in board lot of 100 Adjusted Shares 4:00 p.m. on
Monday, 9 January

Designed agent to stand in the market to provide
matching services ends 4:00 p.m. on
Monday, 9 January

Parallel trading in Adjusted Shares (in the form of
new and existing certificates) ends 4:00 p.m. on
Monday, 9 January

Last day for free exchange of existing share certificates
for new share certificates for Adjusted Shares Wednesday, 11 January

Note: All times in this announcement refer to Hong Kong times.

REVISED PROPOSAL FOR INCREASE IN AUTHORISED SHARE CAPITAL

Reference is made to the Announcement. Subject to the Capital Reorganisation becoming effective, the Company will revise its proposal for increase in authorised share capital of the Company set out in the Announcement. Further announcement will be made by the Company as and when appropriate.

AMENDMENTS TO THE SHARE TRANSFER AGREEMENTS

Amendments to the Share Transfer Agreement (A)

On 28 October 2011, Vendor (A), the Purchaser, the Guarantor and the Company agreed to amend and supplement the terms of the Share Transfer Agreement (A) to the effect that the terms of Conversion Price, Conversion Shares, Convertible Preference Shares and Shares set out therein shall cater for the possible effect of the Capital Reorganisation.

Amendments to the Share Transfer Agreement (B)

On 28 October 2011, Vendor (B), the Purchaser and the Company agreed to amend and supplement the terms of the Share Transfer Agreement (B) to the effect that the terms of Conversion Price, Conversion Shares, Convertible Preference Shares and Shares set out therein shall cater for the possible effect of the Capital Reorganisation.

GENERAL

A circular containing, among other things, further details of the Capital Reorganisation and a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

TERMS AND DEFINITIONS

“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“Bermuda Companies Act”	the Companies Act 1981 of Bermuda
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company from time to time
“Capital Reduction”	the proposed reduction of the nominal value of the issued Consolidated Shares from HK\$2.00 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$1.99 on each of the issued Consolidated Share

“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving, inter alia, the Share Consolidation, the Capital Reduction and the Subdivision, details of which are set out in the section entitled “Proposed Capital Reorganisation” in this announcement
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$2.00 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction and the Subdivision
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Registrar”	Tricor Tengis Limited
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, pass the resolution(s) to approve, among other things, the Capital Reorganisation
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Shares into one (1) Consolidated Share

“Shareholder(s)”	holder(s) of the Share(s) or Adjusted Share(s) (as the case may be)
“Share Options”	the outstanding share options granted under the share option scheme of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the proposed subdivision of each authorized but unissued Consolidated Share into 200 Adjusted Shares
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“HK\$	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 28 October 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.