

*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.*



**中國農林低碳控股有限公司**

**China Agroforestry Low-Carbon Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1069)**

**MAJOR TRANSACTION  
IN RELATION TO THE PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF EXCEED TARGET  
INVESTMENT GROUP LIMITED INVOLVING THE ISSUE OF  
CONSIDERATION SHARES UNDER THE GENERAL MANDATE AND  
THE ISSUE OF PROMISSORY NOTE  
AND  
RESUMPTION OF TRADING**

**THE ACQUISITION AGREEMENT**

The Board is pleased to announce that on 18 December 2014, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the Vendor the Sale Shares of the Target Company at the Consideration of HK\$150,000,000, which will be satisfied as to (i) HK\$5,000,000 (or the equivalent RMB) by cash (including a refundable deposit of RMB3,000,000 (equivalent to HK\$3,750,000)); (ii) HK\$110,000,000 by the issue of 46,413,502 Consideration Shares at the issue price of HK\$2.37 per Share by the Company to the Vendor; and (iii) HK\$35,000,000 by the issue of the Promissory Note by the Company to the Vendor. Upon Completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company.

**LISTING RULES IMPLICATION**

Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.08 of the Listing Rules in respect of transactions as contemplated under the Acquisition Agreement exceed(s) 25% but below 75%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

A circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Target Group; (iii) valuation report and technical report of the Forests; (iv) notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 31 March 2015 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 16 December 2014, pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 22 December 2014.

## **WARNING NOTICE**

**As Completion is conditional upon fulfilment of the conditions precedent set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.**

Reference is made to the announcement of the Company dated 5 November 2014 in relation to the potential acquisition of forestry lands in the Jiange County of the Sichuan Province, the PRC.

## **INTRODUCTION**

The Board is pleased to announce that on 18 December 2014, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the Vendor the Sale Shares of the Target Company at the Consideration of HK\$150,000,000, which will be satisfied as to (i) HK\$5,000,000 (or the equivalent RMB) by cash (including a refundable deposit of RMB3,000,000 (equivalent to HK\$3,750,000)); (ii) HK\$110,000,000 by the issue of 46,413,502 Consideration Shares at the issue price of HK\$2.37 per Share by the Company to the Vendor; and (iii) HK\$35,000,000 by the issue of the Promissory Note by the Company to the Vendor. Upon Completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company.

## THE ACQUISITION AGREEMENT

### Date

18 December 2014

### Parties

Purchaser : The Company

Vendor : Mr. Heng Shulei (衡書磊先生)

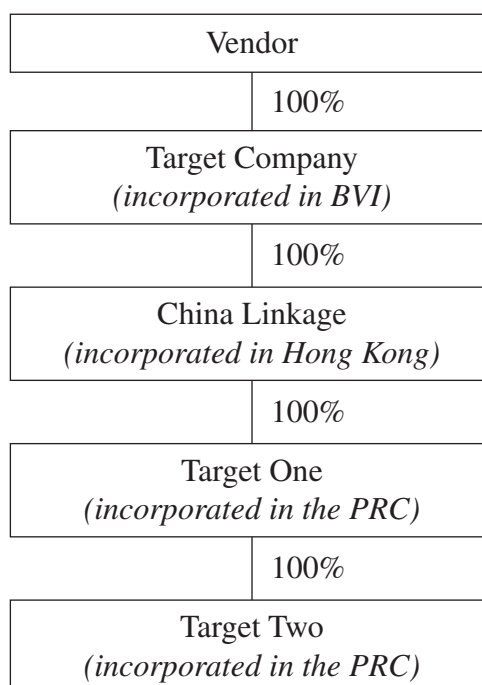
The Vendor is the sole legal and beneficial owner of the entire issued share capital of the Target Company. To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Vendor is an Independent Third Party.

The Acquisition Agreement does not provide for any of the Vendor's and its associates' representatives to be appointed as a Director. The Company confirmed that as at the date of this announcement, it has no intention to appoint any of the Vendors' and its associates' representatives as a Director upon Completion.

### Subject Matter and Assets to be Acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the Sale Shares, which represent the entire issued share capital of the Target Company, at a total consideration of HK\$150,000,000. The Target Company is an investment holding company incorporated in the BVI with limited liability. China Linkage, the wholly owned subsidiary of the Target Company, has contracted to acquire the entire equity interest in Target One. Further, for corporate reorganisation purpose, Target One has contracted to acquire the entire equity interest in Target Two from the Vendor. Target Two is engaged in the operations and management of the forests and its principal asset is its ownership of the Forests. Target Two is in the process of applying for the right to be engaged in the operations and management of the Forests. To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the completion of China Linkage's acquisition of the entire equity interest in Target One and the completion of Target One's acquisition of the entire equity interest in Target Two (together, the "**Target Completion**") are expected to take place by 28 February 2015.

The shareholding structure of the Target Group immediately after the Target Completion is set out below:



### **The Consideration**

Pursuant to the terms of the Acquisition Agreement, upon Completion the Consideration of HK\$150,000,000 shall be satisfied by the Company to the Vendor in the following manner:

- (i) as to HK\$5,000,000 (or the equivalent RMB) in cash, RMB3,000,000 (equivalent to HK\$3,750,000) of which shall be paid as a refundable deposit within 14 business days upon the signing of the Acquisition Agreement;
- (ii) as to HK\$110,000,000 by the issue of 46,413,502 Consideration Shares at the issue price of HK\$2.37 per Share by the Company to the Vendor; and
- (iii) as to HK\$35,000,000 by issuing the Promissory Note.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to, among other things, (i) the factors stated in the section headed "Reasons for and Benefits of the Acquisition" set out below; (ii) the current financial position of the Group; and (iii) the fair value of the forest land of the Group with a total site area of approximately 21,045 Chinese mu located in Jiange County of the Sichuan Province, the PRC, being RMB228,849,000, as set out in pages 51 and 52 of the interim report of the Group for the six months ended 30 June 2014.

The Completion is conditional upon, amongst other things, the Company's satisfaction in respect of the valuation of the Forests. A copy of the final valuation report, including details of the assumptions, basis and methodology of the valuation, will be included in the circular to be despatched to the Shareholders in relation to the Acquisition.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, the Board (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interest of the Shareholders as a whole.

### **Consideration Shares**

The Consideration Shares will be allotted and issued at the issue price of HK\$2.37 each, which represents:

- (i) the same as the average closing price of approximately HK\$2.37 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day immediately before the trading halt of the Shares on 16 December 2014;
- (ii) a premium of approximately 17.3% to the closing price of HK\$2.02 per Share as quoted on the Stock Exchange of the Last Trading Day; and
- (iii) a discount of approximately 6.0% to the average closing price of approximately HK\$2.52 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Consideration Shares represent approximately 8.96% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 8.23% of the Company's issued share capital as enlarged by the issue of Consideration Shares.

The Consideration Shares will be issued pursuant to the General Mandate. Except for the 47,504,000 Shares issued on 7 August 2014 upon completion of the placing of new shares, the General Mandate had not been utilised as at the date of this announcement. The General Mandate will be utilised as to 99.7% upon issue of the Consideration Shares.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued upon Completion, will rank pari passu in all respects with the existing Shares in issue.

### **Promissory Note**

The principal terms of the Promissory Note to be issued by the Company to the Vendor (or his nominee) are summarised as follows:

Issuer	:	The Company
Principal amount	:	HK\$35,000,000
Maturity date	:	The date falling three years from the date of initial issue of the Promissory Note.
Interest	:	The Promissory Note bears interest at the rate of 8% per annum on the then outstanding principal amount of the Promissory Note. The interest shall be payable in arrears by the Company on a semi-annual basis from the issue of the Promissory Note.

- Prepayment : The Promissory Note may be prepaid by the Company in whole or in part at any time without premium or penalty only with a written notification (including the prepayment date and the amount of the prepayment) made to the holder of the Promissory Note not less than three business days prior to the prepayment date. The holder of the Promissory Note cannot request for early redemption of the Promissory Note.
- Transferability : The Promissory Note may be transferred or assigned upon prior written consent of the Company.

The Company currently intends to conduct equity fund raising activities as and when suitable opportunities arise for the early redemption of the Promissory Note in order to reduce the interest expenses of the Company.

Having considered that (i) the equity fund raising activities to be conducted; and (ii) the internal generated operating cashflow from the Enlarged Group, the Directors are of the view that the Company will have sufficient working capital to meeting the repayment of interests and the principal amount of the Promissory Note.

### **Conditions Precedent**

The Completion is conditional upon the fulfilment or waiver (where applicable) of various conditions precedent, including without limitation:

- (i) the Company having completed and being satisfied with the results of its due diligence on the Target Group and related assets, operations, legal status, financial standing, prospects and other status;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Consideration Shares;
- (iii) the Stock Exchange not deeming the transactions contemplated under the Acquisition Agreement as a reverse takeover under Rule 14.06(6) of the Listing Rules; or the Company as if a new listing applicant under Rule 14.54 of the Listing Rules;
- (iv) the passing by the Shareholders of a resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at a general meeting of Company in accordance with the Listing Rules;
- (v) any of the members of the Target Group and the Vendor having obtained all necessary approvals, authorisations, consents, licenses, permits, filings, waivers and registrations which may be required from any governmental or regulatory authorities (including but not limited to the Stock Exchange and Securities & Futures Commission of Hong Kong) or required to comply with for the consummation of the transactions contemplated under the Acquisition;

- (vi) receipt by the Company to its satisfaction in respect of its contents and results of the valuation and the assumptions and methodology being applied in the valuation of the Forests and in its sole discretion of a valuation report on the fair market value of the Forests issued by an independent professional valuer appointed by the Company;
- (vii) written evidence of the Target Company as the owner of the entire equity interest in Target Two through Target One, its indirect wholly owned subsidiary;
- (viii) the Company being satisfied that there is no material breach of the terms and conditions of the Acquisition Agreement at any time before the Completion;
- (ix) the Company having received an opinion issued by PRC legal adviser in respect of, among other things, (i) the incorporation, legal status, litigation involved (if any) and operations of Target One and Target Two; and (ii) Target Two's right of ownership in relation to the Forests and the right to be engaged in the operations and management of the Forests, and the form and content of such opinion being satisfactory to the Company;
- (x) an independent accountant having completed the audit of the consolidated financial statements relating to the Target Group in accordance with the Listing Rules and the Contents and results of such audit being satisfactory to the Company;
- (xi) the representations and warranties given by the Vendor in the Acquisition Agreement remaining true, accurate and correct in all material respects and not misleading as if the representations and warranties are repeated by the Vendor at all times from the date of the Acquisition Agreement to the Completion Date; and
- (xii) Receipt by the Vendor the Certificate of Incumbency and the Certificate of Good Standing in relation to the Target Company, the issuance of which shall not be more than 30 days of the Completion Date.

If the above conditions precedent have not been fulfilled or waived at the sole discretion of the Company and such waiver may be made subject to terms and conditions as determined by the Company (other than conditions (iv), (v) and (vii) which may not be waived) on or before 30 June 2015 (or such later date as the Vendor and the Company may agree), the Acquisition Agreement shall cease to have any effect and the parties to the Acquisition Agreement shall have no further claims against the other under the Acquisition Agreement for costs, damages compensation or otherwise, save for antecedent breaches. The Vendor shall also refund the deposit of RMB3,000,000 (equivalent to HK\$3,750,000) paid within 14 business days upon the signing of the Acquisition Agreement to the Company. The other conditions which are capable of being waived are intended to provide flexibility for the Company in implementing commercial transactions of the type of the Acquisition. Other conditions in the Acquisition Agreement which are indispensable and involve no element of subjectivity such as regulatory compliance and approvals are not capable of being waived. As at the date of this announcement, the Company has no present intention to waive any of the conditions and will only exercise its right to waive such conditions if it is fair and reasonable and in the interests of the Company and its Shareholders as a whole.



## **Completion**

Completion shall take place on the fifth business day (or such other date as may be agreed by the Company and the Vendor) after all the conditions precedent to the Acquisition Agreement have been fulfilled (or, if applicable, waived by the Company).

## **INFORMATION OF THE TARGET GROUP**

Both the Target Company and China Linkage are investment holding companies incorporated in 2014, and have no track record since inception.

Target One was established with limited liability in the PRC on 6 May 2013. For corporate reorganisation purpose, Target One has contracted to acquire the entire equity interest in Target Two from the Vendor.

Target Two was established with limited liability in the PRC on 24 December 2013. The principal asset of Target Two is the Forests and it is principally engaged in forestry plantation business, including forestry planting and development, herbs planting, acquisitions and sales (exception for the species with national restrictions); and technological consultancy related to agroforestry, and the operation and management of the Forests. Target Two is in the process of applying for the right to be engaged in the operations and management of the Forests.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

Pursuant to previous acquisitions of the Company, the Group has positioned the forestry business as its core business. The Board has endeavoured to achieve growth by seeking investment and acquisition opportunities in the forestry business. The Target Group is principally engaged in the operation and management of the Forests which will provide the Company further opportunities to participate in forest harvesting and timber processing. The Directors consider that the Acquisition will allow the Company to further expand its core business and to invest in the low carbon industry by engaging in research and development of biomass fuel produced by wood waste. The Acquisition is in line with the Group's growth strategies and shall benefit the Group by strengthening its core business and diversifying its revenue sources.

## **LISTING RULES IMPLICATION**

Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.08 of the Listing Rules in respect of transactions as contemplated under the Acquisition Agreement exceed(s) 25% but below 75%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

An EGM will be convened and held for independent Shareholders to consider, and if thought fit, to approve, the Acquisition and the transactions contemplated under the Acquisition Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as no Shareholder has a material interest in the



Acquisition, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Acquisition and the transactions contemplated under the Acquisition Agreement.

A circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Target Group; (iii) valuation report and technical report of the Forests; (iv) notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 31 March 2015 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 16 December 2014, pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 22 December 2014.

**As Completion is conditional upon fulfillment of the conditions precedent set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.**

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless otherwise requires.

“Acquisition”	the proposed acquisition of 100% interest in the share capital of the Target Company by the Company from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 18 December 2014 entered into between the Company and the Vendor in relation to the Acquisition
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“business day”	a day (excluding Saturday and Sunday) on which licenced banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“China Linkage”	China Linkage (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and the wholly owned subsidiary of the Target Company

“Company”	China Agroforestry Low-Carbon Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition, which shall take place on the date which is fifth business day after the date of satisfaction (or, if applicable, waived by the Company) of the condition precedents in the Acquisition Agreement
“Completion Date”	date of Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of HK\$150,000,000 for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Acquisition and the transactions contemplated under the Acquisition Agreement
“Enlarged Group”	Group immediately after Completion
“Forests”	the forest lands with a total site area of approximately 12,000 Chinese mu located in the Jiange County of the Sichuan Province, the PRC, owned by Target Two
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons as defined under the Listing Rules
“Last Trading Day”	15 December 2014, being the last trading day immediately preceding the trading halt of the Shares from 9:00 a.m. on 16 December 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong, the Macau Special Administrative Region and Taiwan
“Promissory Note”	the unsecured promissory note in aggregate principal amount of HK\$35,000,000 proposed to be issued by the Company to the Vendor (or his nominee) to satisfy part of the Consideration pursuant to the Acquisition Agreement
“Sale Shares”	1,000 share(s) or such number of shares (if applicable) of US\$1 each in the issued share capital of the Target Company, being 100% of the issued share capital of the Target Company as at the date of Completion
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Exceed Target Investment Group Limited, a company incorporated in BVI on 15 October 2014 with limited liability and owned by the Vendor as to 100% as at the date of this announcement
“Target Group”	Collectively the Target Company, China Linkage, Target One and Target Two upon the Target Completion
“Target One”	深圳市宏泰華木業有限公司, a company incorporated under the laws of the PRC with limited liability on 6 May 2013 and whose issued share capital will be owned as to 100% by China Linkage upon the Target Completion, and it is an Independent Third Party of the Company and its connected persons (as defined under the Listing Rules)
“Target Two”	劍閣縣坤林林業種植有限公司, a company incorporated under the laws of the PRC with limited liability on 24 December 2013 and whose issued share capital will be owned as to 100% Target One upon the Target Completion
“Vendor”	Mr. Heng Shulei (衡書磊先生)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent

*For illustration purpose only, translation of RMB into HK\$ is made in this announcement at the rate of RMB1.00 = HK\$1.25.*

By order of the Board  
**China Agroforestry Low-Carbon Holdings Limited**  
**Lei Zuliang**  
*Chairman*

Hong Kong, 19 December 2014

*As at the date of this announcement, the executive Directors are Mr. Lei Zuliang and Mr. Long Weihua. The non-executive Directors are Professor Liu Zhikun and Mr. Zhou Xianyan. The independent non-executive Directors are Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang.*