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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**PROPOSALS FOR REFRESHMENT OF  
GENERAL MANDATE TO ISSUE AND ALLOT SHARES  
AND  
SCHEME MANDATE LIMIT  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**Nuada Limited**Corporate Finance Advisory

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A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 9 of this circular and a letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate is set out on pages 10 to 14 of this circular.

A notice convening the SGM to be held at Units 3309-11, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Tuesday, 30 March, 2010, at 10:00 a.m. is set out on pages 15 to 17 of this circular.

Whether or not you are able to attend and vote at the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch registrars, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

13 March 2010

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	an announcement of the Company dated 30 November 2009 in respect of the Placing;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company;
“Company”	<b>CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED</b> , a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“Current General Mandate”	the general mandate granted by the Shareholders at the Last Annual General Meeting to the Directors to allot and issue additional Shares up to 20% of the then issued shares of the Company as at the date of the meeting;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board comprising all of the three independent non-executive Directors formed for the purpose of advising the Independent Shareholders on the grant of the New General Mandate;
“Independent Shareholder(s)”	the Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates;
“Last Annual General Meeting”	the annual general meeting of the Company held on 16 September 2009;
“Latest Practicable Date”	10 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New General Mandate”	the refreshment of the general mandate proposed to be sought at the SGM to authorise the Directors to allot and issue additional Shares representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM;
“Nuada”	Nuada Limited, a licensed corporation under the SFO to conduct type 6 regulated activity and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate;
“Placing”	the placing of 1,316,000,000 Shares pursuant to the Placing Agreement details of which are set out in the Announcement;
“Placing Agreement”	the agreement dated 30 November 2009 for the Placing;
“PRC”	The People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China;
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and all other share option scheme(s) of the Company as refreshed pursuant to Shareholders’ approvals obtained on 2 December 2005, 28 November 2006, 7 September 2007, 29 August 2008 and 16 September 2009;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held at Units 3309-11, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Tuesday, 30 March, 2010, at 10:00 a.m. for the purpose of considering and, if thought fit, approving the grant of the New General Mandate and the refreshment of the Scheme Mandate Limit;
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Share Options”	the share options granted under the Share Option Scheme;

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme adopted by the Company on 23 November 2001 conferring the holders thereof rights to subscribe the Shares in accordance with the said scheme;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Tse On Kin (*Chairman*)

Mr. Pang Chun Kit

*Independent Non-executive Directors:*

Dr. Wong Yun Kuen

Mr. Chan Chi Yuen

Ms. Xu Lei

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

Units 3309-11

33rd Floor, West Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

13 March 2010

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS FOR REFRESHMENT OF  
GENERAL MANDATE TO ISSUE AND ALLOT SHARES  
AND  
SCHEME MANDATE LIMIT  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with (i) the details of the New General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the grant of the New General Mandate; (iii) the advice from Nuada to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate; (iv) the details of the refreshment of the Scheme Mandate Limit and (v) the notice of the SGM.

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## LETTER FROM THE BOARD

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### 2. REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES

At the Last Annual General Meeting, the Shareholders approved, among others, to grant the Directors the Current General Mandate which enables the Directors to allot and issue up to 1,316,343,120 Shares, being 20% of the aggregate nominal amount of the then issued share capital of the Company as at the date of the Last Annual General Meeting.

The Company had pursuant to the Placing Agreement issued and allotted a total of 1,316,000,000 Shares to not less than six independent places on 19 January 2010. The Shares placed under the Placing were issued under the Current General Mandate and represented approximately 16.64% of the then issued share capital of the Company and approximately 99.97% of the limit of the Current General Mandate. The aggregate net proceeds raised from the Placing amounted to approximately HK\$333.5 million are intended to be used for general working capital of the Group and none of which had been used as at the Latest Practicable Date.

Given the Current General Mandate has almost been fully utilised after completion of the Placing, the Directors propose to seek the approval of the Independent Shareholders at the SGM for the granting of the New General Mandate to the Directors to allot and issue Shares representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM. The Company has not refreshed the Current General Mandate since the Last Annual General Meeting.

As at the Latest Practicable Date, the total number of Shares in issue was 7,907,715,600 Shares. Upon passing the relevant resolution at the SGM and assuming no further Shares are/will be issued and/or repurchased by the Company between the Last Practicable Date and the date of the SGM, the New General Mandate would enable the Board to issue and allot Shares up to 1,581,543,120 Shares.

Notwithstanding that the further issue of Shares may dilute the existing shareholdings of the Shareholders, the Directors consider that it is important for the Company to be able to raise funds quickly in order to seize fund-raising opportunities that may arise. The New General Mandate would provide financial flexibility to the Group to conduct any equity financing exercise to raise funds in a timely manner for future developments of the Group should that be required or should market sentiments in future allow. However, no concrete investments and/or development plans have been identified at present.

As the grant of the New General Mandate is proposed to the Shareholders prior to the Company's next annual general meeting and therefore, pursuant to Rule 13.36(4) of the Listing Rules, is subject to the approval of the Independent Shareholders by way of a poll at the SGM with the controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. As at the Latest Practicable Date, the Company had no controlling Shareholders and chief executive, thus all the Directors (excluding the independent non-executive Directors) and their respective associates are required to abstain from voting in favour of the resolution to be proposed at the SGM to approve the grant of the New General Mandate. As at the Latest Practicable Date, none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates owned any Shares, except that Mr. Pang Chun Kit, an executive Director, and his associate, who in aggregate owned 3,950,000 Shares, representing approximately 0.05% of the existing issued share capital of the Company, shall abstain from voting in favour of the said resolution. Neither of them has intention to vote against the said resolution.

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## LETTER FROM THE BOARD

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At the SGM, upon passing of the ordinary resolution relating to the New General Mandate, the Current General Mandate will be revoked. The New General Mandate, if approved, shall continue in force until conclusion of the next annual general meeting of the Company or shall be revoked or varied by ordinary resolution of the Shareholders in any general meeting of the Company, which occurs first.

### 3. REFRESHMENT OF THE SCHEME MANDATE LIMIT

The Board also proposes to seek the approval of the Shareholders to refresh the existing Scheme Mandate Limit. Under the existing Scheme Mandate Limit, the Directors are authorised to grant 658,171,560 Share Options to subscribe for up to 658,171,560 Shares, representing 10% of the issued share capital of the Company as at the date of the annual general meeting of the Company at which the existing Scheme Mandate Limit was refreshed. Since the approval of the existing Scheme Mandate Limit on 16 September 2009 and up to the Latest Practicable Date, the Company has granted 658,100,000 Share Options under the existing Scheme Mandate Limit, all of which remain outstanding and no option was cancelled or exercised, therefore, only 71,560 Share Options are available for further grant under the Share Option Scheme. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force.

The Board considers that further refreshment of the Scheme Mandate Limit is in the interests of the Company and its Shareholders as a whole as it can allow the Company to be more flexible in providing incentives or rewards to eligible participants for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

If the further refreshment of the Scheme Mandate Limit is approved at the SGM, based on the 7,907,715,600 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be allotted and issued or repurchased after the Latest Practicable Date and up to the date of the SGM, the Company may grant further options carrying rights to subscribe for up to a total of 790,771,560 Shares under the Share Option Scheme (representing 10% of the issued shares of the Company as at the date of the SGM).

The Company may refresh again the Scheme Mandate Limit by ordinary resolution of the Shareholders at general meeting provided that:

- (a) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of Shares in issue as at the date of the Shareholders' approval of the refreshment of the Scheme Mandate Limit;
- (b) share options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised share options) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and
- (c) the total number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the Shares in issue from time to time.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the cumulative total number of Shares which may be issued upon exercise of all outstanding Share Options were 1,233,900,000 Shares, representing approximately 15.60% of the Shares in issue as at the Latest Practicable Date. Assuming that the refreshment of the Scheme Mandate Limit will be approved at the SGM and taking into account of the following:

- (a) the additional 790,771,560 Share Options to be granted under the Scheme Mandate Limit (as refreshed); and
- (b) the 1,233,900,000 Share Options granted and yet to be exercised,

the number of Shares that may be issued under the Share Options Scheme will be in aggregate of 2,024,671,560 Shares, representing approximately 25.60% of the Shares in issue at the Latest Practicable Date and is within the 30% limit in issue from time to time as required under the Share Option Scheme.

The further refreshment of the Scheme Mandate Limit is also conditional upon:

- (a) the passing of an ordinary resolution to approve the further refreshment of the Scheme Mandate Limit by the Shareholders at the SGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing 10% of the Shares in issue as at the date of the SGM, which may be issued pursuant to the exercise of the Share Options to be granted under the further refreshed Scheme Mandate Limit.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares to be listed by the Company (representing 10% of the Shares in issue as at the date of the SGM) which may be issued pursuant to the exercise of the Share Options to be granted under the further refreshed Scheme Mandate Limit.

#### **4. INDEPENDENT ADVICE**

The Independent Board Committee comprising Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Ms. Xu Lei, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the grant of the New General Mandate, and Nuada has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

#### **5. RECOMMENDATIONS**

The Board is of the opinion that the grant of the New General Mandate and the refreshment of the Scheme Mandate Limit are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions set out in the notice of the SGM contained herein.

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## LETTER FROM THE BOARD

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In addition, your attention is drawn to the letter from the Independent Board Committee as set out on page 9 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the New General Mandate, which was given after the Independent Board Committee had considered the advice of Nuada thereon. The letter from Nuada is set out on pages 10 to 14 of this circular containing the principal factors and reasons it has taken into consideration and its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate.

### 6. THE SGM

A notice of the SGM is set out on pages 15 to 17 of this circular for the purpose of considering and, if thought fit, approving the grant of the New General Mandate and the refreshment of the Scheme Mandate Limit. A form of proxy for use at the SGM is accompanied with this circular.

Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch registrars, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

### 7. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility, for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statements in this circular misleading.

### 8. CONSENT

Nuada has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out herein and reference to its name in the form and context in which it appears.

Yours faithfully,  
For and on behalf of the Board  
**Tse On Kin**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the grant of the New General Mandate for the purpose of incorporation in this circular.*



**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)

13 March 2010

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSAL FOR REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES**

We refer to the circular of the Company dated 13 March 2010 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meaning as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned. Nuada has been appointed as the independent financial adviser to advise us and you in this respect.

Having considered the advice of Nuada as set out in its letter of advice to us and you on pages 10 to 14 of the Circular, we are of the opinion that the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the grant of the New General Mandate.

Yours faithfully,

For and on behalf of the  
Independent Board Committee

**Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Ms. Xu Lei**

*Independent non-executive Directors*

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## LETTER FROM NUADA

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*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada dated 13 March 2010 in relation to the grant of the New General Mandate for the purpose of incorporation in this circular.*

**Nuada Limited**  
*Corporate Finance Advisory*

17th Floor, BLINK  
111 Bonham Strand  
Sheung Wan  
Hong Kong

13 March 2010

*To the Independent Board Committee and  
the Independent Shareholders of  
China Grand Forestry Green Resources Group Limited*

Dear Sirs,

### **PROPOSAL FOR REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES**

#### **INTRODUCTION**

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New General Mandate, particulars of which are set out in the letter from the Board (the “Letter from the Board”) in the circular of the Company dated 13 March 2010 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Letter from the Board, the Board proposes to grant the New General Mandate to the Directors to allot and issue Shares representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate is subject to the approval of the Independent Shareholders by way of poll at the SGM with the controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates abstain from voting in favour.

As at the Latest Practicable Date, none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates owned any Shares, except that Mr. Pang Chun Kit, an executive Director, and his associate, who in aggregate owned 3,950,000 Shares, representing approximately 0.05% of the existing issued share capital of the Company, shall abstain from voting in favour of the said resolution. Neither of them has intention to vote against the said resolution.

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## LETTER FROM NUADA

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The Independent Board Committee, comprising Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Ms. Xu Lei, all of them being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the grant of the New General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Nuada, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information, opinion and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have performed all applicable steps as required under Rule 13.80 of the Listing Rules including the notes thereto. We have relied on such information, opinions and representations but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group or the market in which it operates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the grant of the New General Mandate, we have considered the following principal factors and reasons:

#### **1. Background**

At the Last Annual General Meeting, the Shareholders approved, among others, to grant the Directors the Current General Mandate which enables the Directors to allot and issue up to 1,316,343,120 Shares, being 20% of the aggregate nominal amount of the then issued share capital of the Company as at the date of the Last Annual General Meeting. The Company had pursuant to the Placing Agreement issued and allotted a total of 1,316,000,000 Shares to not less than six independent placees on 19 January 2010. The Shares placed under the Placing were issued under the Current General Mandate and represented approximately 16.64% of the then issued share capital of the Company and approximately 99.97% of the limit of the Current General Mandate. The aggregate net proceeds raised from the Placing amounted to approximately HK\$333.5 million are intended to be used for general working capital of the Group.

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## LETTER FROM NUADA

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In this regard, the Board, therefore, proposes the ordinary resolution to the Independent Shareholders in accordance with Rule 13.36(4) of the Listing Rules for the grant of the New General Mandate at the SGM, by which if passed, will allow the Directors to exercise the powers of the Company to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM. Based on the 7,907,715,600 Shares in issue and assuming that no further Shares are repurchased and issued prior to the SGM, subject to the passing of the relevant ordinary resolution to approve the New General Mandate at the SGM, the Directors will be authorised to issue and allot up to a limit of 1,581,543,120 Shares under the New General Mandate.

### **2. The reasons for the grant of the New General Mandate**

The principal business activity of the Group is ecological forestry business.

Under the Current General Mandate, the maximum number of Shares which may be allotted and issued by the Directors was 343,120 Shares, representing approximately 0.004% of the issued share capital of the Company as at the Latest Practicable Date. The Directors consider that the grant of the New General Mandate to be in the interests of the Company and the Shareholders as a whole by way of maintaining the financial flexibility necessary for the Group's future business development, which may involve raising further funds and/or procure potential merger and acquisition opportunities through issue of new Shares. As at the Latest Practicable Date, the Company had no present intention to exercise the New General Mandate to allot and issue any new Shares.

Given the next annual general meeting will not be held until around the third quarter of 2010 and the Current General Mandate has been substantially utilised, may any business/investment opportunities arise, a specific mandate may have to be sought in the event that such business/investment opportunities require issuance of new securities for funding. The Directors are uncertain as to whether such approval from the Shareholders could be obtained in a timely manner so as to grasp the business/investment opportunities.

We have also reviewed the interim report of the Company for the six-month period ended 30 September 2009 and understood that the net current assets of the Group were approximately HK\$533.7 million. The Directors consider that the Company has not much internal resources for its future acquisitions since the amount of funds required for the Company's acquisition and the capital investment in the projects are normally huge. Besides, the Directors consider that, due to the business engaged by the Group is ecological forestry business which is very specific, it may take a longer period of time for the Group to obtain bank financing for its acquisitions. Furthermore, the projects undertaken by the Group are long-term in nature and the use of the equity financing would be an appropriate funding method for the Group.

On the above basis, we consider that it is prudent and reasonable to seek the approval of the Independent Shareholders to obtain the New General Mandate before the next annual general meeting of the Company.

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## LETTER FROM NUADA

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### 3. Other financial alternatives

The Board considers equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. Apart from equity financing, the Directors have confirmed that they will also consider other financing alternatives, such as debt financing, bank borrowings and internal cash resources, to meet the Company's financing requirements for future business developments, based on the financial position, capital structure, the cost of funding of the Group and the then market conditions. However, the Directors consider that the debt financing or bank borrowings may be subject to a lengthy negotiation process, which may not facilitate the Directors for a prompt investment decision as compared to equity financing through the New General Mandate. The Directors have indicated that they will evaluate the available financing methods with due care in considering any funding for any future business/investment opportunities so as to protect the interests of the Company and the Shareholders as a whole.

We consider that the New General Mandate can facilitate the Directors with an additional financing option and it is reasonable for the Company to have the flexibility in deciding the most appropriate financing methods for any future investments or business developments.

### 4. Potential dilution to shareholdings of the Independent Shareholders

The following table sets out the shareholdings structure of the Company as at (i) the Latest Practicable Date and (ii) the date upon the full utilisation of the New General Mandate:

	As at the date of the Latest Practicable Date		Upon full utilisation of the New General Mandate assuming that no further Shares are repurchased and issued prior to the SGM	
	(No. of Shares)	%	(No. of Shares)	%
Best China Limited ( <i>Note 1</i> )	880,000,000	11.13	880,000,000	9.27
Mr. Pang Chun Kit ( <i>Note 2</i> )	3,950,000	0.05	3,950,000	0.04
Existing Public Shareholders	7,023,765,600	88.82	7,023,765,600	74.02
Shares issued under the New General Mandate	—	—	1,581,543,120	16.67
<b>Total</b>	<b>7,907,715,600</b>	<b>100.00</b>	<b>9,489,258,720</b>	<b>100.00</b>

*Notes:*

1. The entire issued share capital of Best China Limited is beneficially owned by Ms. Chu Yuet Wah
2. Including personal interests of 500,000 Shares and family interests of 3,450,000 Shares

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## LETTER FROM NUADA

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Assuming that (i) the grant of the New General Mandate is approved by the Independent Shareholders at the SGM; (ii) no Shares will be repurchased and/or issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive); and (iii) upon full utilisation of the New General Mandate, 1,581,543,120 Shares are to be issued, which represents 20% and approximately 16.67% of the existing issued share capital as at the Latest Practicable Date and the enlarged issued share capital of the Company respectively. The aggregate shareholdings of the existing public Shareholders will be diluted from approximately 88.82% to approximately 74.02% upon full utilisation of the New General Mandate.

Taking into account that the shareholdings of all the Shareholders will be diluted to the same extent upon any utilisation of the New General Mandate, we consider that the potential dilution to the shareholdings of the existing public Shareholders is acceptable.

### RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the granting of the New General Mandate at the SGM.

Yours faithfully,  
For and on behalf of the  
**Nuada Limited**  
**Kevin Chan**  
*Director*

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## NOTICE OF SGM

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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)

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting of **China Grand Forestry Green Resources Group Limited** (中國林大綠色資源集團有限公司) (the “Company”) will be held at Units 3309-11, 33rd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Tuesday, 30 March, 2010, at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the general mandate granted to the directors of the Company (the “Directors”) to exercise the powers of the Company to allot, issue and otherwise deal with the additional shares in the capital of the Company and to make or grant offers, agreements and options, as approved by the shareholders of the Company at the annual general meeting held on 16 September 2009, to the extent not already exercised be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (d) below, the exercise, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company, or securities convertible into shares of the Company, or options, warrants, or similar rights to subscribe for any shares of the Company, and to make or grant offers, agreements and options which would or might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF SGM

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- (d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (b) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:
- (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution; and
  - (ii) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution)

and the authority pursuant to paragraph (b) of this resolution shall be limited accordingly; and

- (e) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (the “Companies Act”) or any other applicable law of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

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## NOTICE OF SGM

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“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares of the Company whose name appear on the register of members of the Company on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

2. **“THAT:**

- (a) conditional upon The Stock Exchange of the Hong Kong Limited granting the listing of and permission to deal in the shares of HK\$0.1 each in the share capital of the Company (representing a maximum of 10% of the shares in issue as at the date of passing this resolution) to be issued pursuant to the exercise of options which may be granted under the share option scheme adopted by the Company on 23 November 2001 (the “Share Option Scheme”), the refreshment of the existing scheme mandate limit in respect of the granting of options to subscribe for shares under the Share Option Scheme up to 10% of the shares in issue as at the date of passing this resolution be and is hereby approved and any directors of the Company be and is hereby authorised to exercise all the powers of the Company to allot, issue and deal with shares of the Company and execute such documents to effect the scheme mandate limit so refreshed pursuant to the exercise of such options.”

By Order of the Board  
**Tse On Kin**  
*Chairman*

Hong Kong, 13 March 2010

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Units 3309-11  
33rd Floor, West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Notes:*

1. Any shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. The proxy needs not be a shareholder of the Company.
2. In order to be valid, the enclosed form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company’s Hong Kong branch registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.