



CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED

中國林大綠色資源集團有限公司

**Revises the Terms and Conditions of Shenyu New Energy Group Acquisition
To Mitigate Cash Flow Pressure and Reduce the Acquisition Risk**

Set A Leap Forward in the Group's Venture into Bio-Energy Business

(Hong Kong, 22 June 2008) China Grand Forestry Green Resources Group Limited ("CH GRAND FOREST" or the "Group") (SEHK: 00910) announced that, having executed of further due diligence exercise and reviewed the preliminary valuation reports from Pöyry Forest Industry Limited ("Pöyry") and LCH (Asia-Pacific) Surveyors Limited (the "LCH") in respect of the acquisition of Shenyu New Energy Group Limited and its subsidiaries ("Shenyu New Energy Group"), the Group and the vendor entered into a supplemental acquisition agreement (the "Third Supplemental Acquisition Agreement") on 14 June 2008. The Third Supplemental Acquisition Agreement superseded certain terms and conditions of the previous acquisition agreements in respect of this acquisition. An application has been made to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the resumption of trading in the shares with effect from 9:30 a.m. on 23 June 2008.

Mr. Ng Leung Ho, Chairman of the Group, said, "According to the latest terms and conditions of the acquisition, the Group can pay the consideration by installments with reference to Shenyu New Energy Group's profit contribution of that relevant installment, reflecting the vendor's confidence towards the profitability of Shenyu New Energy Group. This arrangement not only mitigates our cash flow pressure, but also reduces the risk arising from the acquisition. Moreover, part consideration payment by convertible notes would lead to a win-win situation for the Group and the vendor."

Consideration

Pursuant to the Third Supplemental Acquisition Agreement, the Group agreed to acquire from the vendor the entire issued share capital of Shenyu New Energy Group Limited at a consideration up to a maximum aggregate amount of HK\$4,000 million and shall comprise:-

- (i) 30% of the consideration (maximum HK\$1,200 million) in cash; and
- (ii) 70% of the consideration (maximum HK\$2,800 million) by issue of the convertible notes at a conversion price of HK\$2.50 per conversion share to the vendor.

Payment Installments

The consideration may be payable by the Group to the vendor by the four consecutive installments, namely, from the date of acquisition completion to 31 March 2009, from 1 April 2009 to 31 March 2010, from 1 April 2010 to 31 March 2011 and from 1 April 2011 to 30 September 2011.

Payment Manner

The Group will pay an initial cash consideration of HK\$300 million in 2 installments:-

- (i) The first part: Upon acquisition completion, the Group shall pay HK\$150 million in cash and procure the escrow agent to release a refundable interest-bearing deposit of HK\$50 million to the vendor. The aggregate amount is then HK\$200 million; and
- (ii) The second part: On 31 December 2008, the Group shall pay HK\$100 million in cash to the vendor.

Subject to the above maximum aggregate amount of the consideration and within one month after issue of the relevant audited accounts of the Shenyu New Energy Group, the vendor shall,

- (i) for each of the first 3 consecutive installments, receive an amount in cash constituting 30% of such consideration of that relevant installment provided one third of the initial cash consideration (HK\$100 million) shall be treated as part payment of such consideration payable and shall therefore be deducted from the initial cash consideration accordingly. However if the relevant installment is below HK\$100 million, the non-deducted amount shall be forthwith refunded to the Group by the vendor;
- (ii) for the last consecutive installment, receive an amount in cash constituting 30% of such consideration of that relevant installment; and
- (iii) for each of the four consecutive installments, receive the convertible note, equivalent to an amount constituting 70% of such consideration of that relevant installment to be issued by the Group.

Calculation of Consideration

Such consideration of that relevant installment of the four consecutive installments shall be calculated by the audited net profit after tax (excluding revaluation gain of the biological assets of Shenyu New Energy Group, including but not limited to the *Jatropha Curcas L* tree and other trees, and accounting adjustment arising from such revaluation gain to be prepared in accordance with the Hong Kong GAAP) of that relevant installment multiplied by a price-earnings ratio of 5 and then divided by 3.

Convertible Notes

The maximum aggregate principal amount of the convertible notes is HK\$2,800 million and the interest rate is 1.5% per annum. The conversion price of HK\$2.50 per share represents a premium of approximately 257.14% from the closing price of the shares of HK\$0.70 on 13 June 2008, the last trading day. A maximum aggregate of 1,120 million conversion shares are to be issued upon conversion of the convertible notes if exercised in full, which represents approximately 20.17% of the existing issued share capital of the Group or approximately 16.79% of the Group's enlarged share capital.

Preliminary Valuation Reports

On 18 December 2008, the Group announced that they have appointed Pöyry, a renowned independent valuation company recognized as one of the world's leading advisers to the global forest industry, as the Group's valuer to particularly carry out a comprehensive due diligence exercise and valuation on the forest assets owned by the Shenyu New Energy Group. The Group has also appointed LCH to carry out a valuation on the land use rights owned by the Shenyu New Energy Group.

- End -

About China Grand Forestry Green Resources Group Limited (SEHK: 00910)

The Group is principally engaged in the tree plantation & management and sales of forest products. In view of the enormous market demand for timber, pulp and energy in the PRC, the Group believes that forestry business has a promising prospect. The Group will focus its resources in developing ecological forestry business and consolidating its position as the industry leader.

Released for and on behalf of **China Grand Forestry Green Resources Group Limited**. For further information, please contact:

Media Relations

Ms. Priscilla Wong / Mr. Danny Cheng

Tel: (852) 3183 0236 / (852) 3183 0233

Fax: (852) 2583 9138

Email: priscilla.wong@prasia.net / danny.cheng@prasia.net

Investor Relations:

Ms. Cindy Xin / Ms. Gloria Chan

Tel.: (852) 3183 0226 / (852) 3183 0227

Fax: (852) 2155 9165

Email: cindy.xin@ccgelite.com / gloria.chan@ccgelite.com