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江 農 國 際 控 股 有 限 公 司
Jiangchen International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(stock code: 01069)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE PROPOSED ACQUISITION OF 100% OF
THE TOTAL ISSUED SHARE CAPITAL OF CHINA TIMBERS LIMITED**

The Acquisition Agreement

The Board is pleased to announce that on 10 December 2012, 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\$350,000,000. Upon Completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company.

Listing Rules Implication

Since certain of the applicable percentage ratios calculated pursuant to Rule 14.08 of the Listing Rules in respect of the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company and is therefore subject to the reporting, announcement, circular and shareholder's 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 2013 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

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.

INTRODUCTION

The Board is pleased to announce that on 10 December 2012, the Company and the Vendor entered into the Acquisition Agreement, pursuant to which, among other things, the Company has conditionally of the Target Company agreed to acquire from the Vendor the Sale Shares at the Consideration of HK\$350,000,000. Upon Completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out as follows:

Date

10 December 2012

Parties

Purchaser: The Company

Vendor: Mr. Du Jianjun

The Vendor was introduced by an acquaintance of a Director in August 2012. After various discussions between the said Director and the Vendor, he has proposed the Acquisition to the Board. After due and careful consideration, the Board has engaged various professional parties to execute the Acquisition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company, its connected persons, Huang Dongxiu, Maple Reach or their respective associates.

Subject matter

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company. The principal asset of the Target Company is its indirect 100% interest in the registered capital of Qingchuan Boyuan, which is principally engaged in the operation and management of the Forests.

The Acquisition Agreement does not provide for any change in the composition of the Board after Completion. However, aside from Mr. Lei Zuliang, an executive Director and Professor Liu Zhikun, a non-executive Director possessing relevant or related experience in forestry industry, other executive Directors are limited to general corporate administration and management experience. Having considered the expertise required to manage the new line of business effectively, the Company may appoint additional Directors with experience and expertise in the forestry while maintaining a majority of the current Directors. As at the date of this announcement, there is no potential candidate being considered by the Board. While the Company is endeavoring to identify suitable candidate with relevant experience

and expertise in the forestry to join the Board, it has no current intention to appoint any management from the Target Group as a Director for this purpose. In the event there is any change in the Board composition, the Company will make such disclosure in accordance with the Listing Rules.

The Consideration

Pursuant to the terms of the Acquisition Agreement, the Consideration of HK\$350,000,000 shall be satisfied by the Company to the Vendor (or his nominee) in the following manner:

- (i) as to HK\$60,000,000 in cash as a refundable deposit within fifteen business days upon signing of the Acquisition Agreement;
- (ii) as to HK\$110,000,000 in cash upon Completion; and
- (iii) as to HK\$180,000,000 by issuing the Promissory Note upon Completion.

The refundable deposit for the amount of HK\$60,000,000 will be fully returned to the Company without any interest in the event the conditions precedent discussed below cannot be met or has not been waived on or before 30 June 2013 or such later date as the Vendor and the Company may agree.

It is expected that the cash portion of the Consideration will be funded by the proceeds of HK\$190,000,000 from the Proposed Subscription as detailed in the Company's announcement dated 15 November 2012.

The Consideration was determined after arm's length negotiations between the Vendor and the Company after taking into consideration by the Company of various factors, including but not limited to (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; (iii) the unaudited consolidated net asset value of the Target Group as at 31 October 2012; and (iv) the preliminary market value of the Forests in its existing state as at 31 October 2012 as appraised by the Independent Valuer of no less than approximately RMB280,000,000 (equivalent to approximately HK\$350,000,000).

The preliminary valuation is subject to change upon finalisation and may or may not therefore be the same as the final valuation. 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.

The Independent Valuer has extensive experience in performing valuation of business, tangible and intangible assets and financial instruments and has served as the independent valuer for various forestry projects for listed companies on the Stock Exchange. In performing the valuation of the Forests, the Independent Valuer has engaged a forestry specialist consultant to, amongst other, provide certain technical advice and expert opinion in respect of the biological assets, verify the species of the cypress trees, assist in data collection, issue and confirm the conditions of the biological assets in the Forests. The consultant has provided an opinion letter on the characteristics of cypress trees in the Forests, conditions of the biological assets and sampling procedures to the Independent Valuer. The consultant

is currently a senior engineer of 國家林業局中南調查規劃設計院 (Academy of Central South Forest Inventory and Planning of State Forestry Administration) with over 30 years of experience in conducting research on the national forestry resources and information. Taking into the background, qualification and experience of the consultant, the Directors and the Independent Valuer consider that the consultant possesses the relevant qualification and experience in providing technical advice on the Forests.

The preliminary valuation is based on the International Valuation Standards and standards under Hong Kong Accounting Standards 41 – Agriculture applicable to biological assets. The Independent Valuer has applied the discounted cash flow method under income approach and adopted certain assumptions in preparing the preliminary valuation, which constitutes a profit forecast under Rule 14.61 of the Listing Rules. The profit forecast contained in the preliminary valuation has been made by the Directors after due and careful enquiry. A letter from the Company's reporting accountants and a report from its financial advisers confirming that they are satisfied that the forecast has been made by the Directors after due and careful enquiry with respect to the final valuation as required under Rule 14.62 of the Listing Rules will be included in the Circular. Details of the principal assumptions of the preliminary valuation are as follows:

- No material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general.
- The prospective earnings would provide a reasonable return on the fair market value of the assets.
- The random sampling approach is adopted and the Central Limit Theorem (CLT) is applied; the sampling size taken was sufficient to determine the characteristics of the general tree population.
- The recovery rate, cutting cost, maintenance cost, transportation cost, scrap rate and the biological growth rate of cypress tree as provided by the Target Company are in line with that of the prevailing market.
- The growth rate for the cypress tree price and the operational expenses are assumed to be the average timber price index in China over the past years. In general, the basic principal of economic theory of demand and supply is adopted. When an economy grows, the demand for commodities including cypress timber will increase and hence, the market price of cypress timber and the price index of forestry products will be assumed to increase. The higher the market price, the higher the quantity of forestry products supplied and this will in turn increase the demand for factors of productions such as land and labour, which are reflected in the rise of setup fee and maintenance fee. As the major market for timber is in China, the average timber price index in China over the past years is employed as the growth rate for the timber price as well as those operation expenses.
- The Target Company can obtain the necessary licences and has the sufficient capacity and resources without significant structural change and additional cost to fulfill its timber cutting schedule according to its operational projection plan provided.
- The Target Company has no major capital expenditure needed according to its operational projection plan provided.

The Consideration represents a premium over the original acquisition costs by the Vendor. Having taken into consideration that the Vendor has made considerable contributions to the existing development of Qingchuan Boyuan, in particular, the possession of the logging permits and the timber transportation permit prior to the Completion and the preliminary appraised value of the Forests, the Directors are of the view that the premium is justifiable and the Consideration is fair and reasonable.

While the Target Group's net asset value as at 31 October 2012 was lower than the Consideration, taking into the aggregate sum of the preliminary market value of the Forests as appraised by the Independent Valuer and cash and bank balances available in the Target Group, which exceeds the Consideration, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Conditions Precedent

Completion of the Acquisition shall be conditional upon satisfaction (or where applicable, waiver by the Company) of, among other things, the following conditions:

- (i) the Company being satisfied in its absolute discretion with the results of the business and financial due diligence investigation, amongst others, the assets, business, legal status and financial position of the Target Group;
- (ii) 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;
- (iii) 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;
- (iv) any of the members of the Target Group and the Vendor having obtained all necessary approvals, authorisations, consents and licences which may be required from any governmental or regulatory authorities or required to comply with for the consummation of the transactions contemplated under the Acquisition Agreement;
- (v) 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;
- (vi) written evidence of the Target Company as owner of the entire equity interest in Qingchuan Boyuan;
- (vii) since the date of the Acquisition Agreement and up until the date of Completion, there is no occurrence of any event which would lead to or its result would lead to material adverse change to the financial, business, assets, intellectual properties, employees, operational results or prospects of the Target Group;

- (viii) the Company having received an opinion issued by PRC legal adviser in respect of, among other things, the incorporation, legal status, litigation involved (if any) and operations of Shenzhen Junlifa and Qingchuan Boyuan and the form and content of such opinion being satisfactory to the Company;
- (ix) an independent accountants 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; and
- (x) 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.

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 (iii), (iv) and (vi) which may not be waived) on or before 30 June 2013 (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 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).

THE 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\$180,000,000
Maturity date	:	The date falling five years from the date of initial issue of the Promissory Note.

- Interest : The Promissory Note bears interest at the rate of 3% per annum for the first two years and will bear interest at the rate of 8% per annum on the then outstanding principal amount of the Promissory Note from the date on second anniversary of the issue date. 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. 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. As at the date of this announcement, the Company has yet commenced any negotiation on any equity fund raising activities.

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.

INFORMATION OF THE TARGET GROUP

Target Company and its subsidiaries

In order to reduce transaction costs and improve transaction efficiency, the Target Group has undergone a restructuring process to form the existing Target Group.

The Target Company is incorporated in the BVI on 14 June 2012 with limited liability and is an investment holding company. As at the date of this announcement, save for holding the entire issued share capital of China Timbers Limited, the Target Company does not hold any other material investment or have any substantial business activities.

China Timbers Limited is incorporated in Hong Kong on 27 June 2012 with limited liability and is an investment holding company. As at the date of this announcement, save for holding the entire interest in the registered capital of 深圳市君利發木業有限公司(Shenzhen Junlifa Timbers Limited), China Timbers Limited does not hold any other material investment or have any substantial business activities.

Shenzhen Junlifa was a PRC domestic company established on 1 July 2010. It was subsequently acquired by China Timbers Limited and successfully registered as a wholly foreign-owned enterprise in the PRC on 19 October 2012 for the amount of RMB500,000, which is based on the registered capital of Shenzhen Junlifa. Prior to the restructuring by the Vendor to form the Target Group, it was engaged in the business of trading and development of electronic components. During the restructuring process, Shenzhen Junlifa was acquired in order to expedite and better manage the restructuring process. The Vendor has performed certain due diligence exercises on Shenzhen Junlifa prior to restructuring and also obtained an undertaking from the original owners that they will be provided unlimited liability guarantees to any undisclosed debt or litigation prior to the transfer. Having considered the above, the Vendor is satisfied that the contingent liabilities or obligations in any form that Shenzhen Junlifa may carry prior to the restructuring are minimal. As at the date of this announcement, Shenzhen Junlifa has no substantial operations and the major asset it held is the entire interest in the registered capital of Qingchuan Boyuan.

Qingchuan Boyuan was a company established in the PRC on 3 August 2011 which is principally engaged in forestry plantation business, including forestry planting and development; herbs planting, acquisition and sales (except for the species with national restrictions); and technological consultancy related to agroforestry. The Vendor has originally acquired Qingchuan Boyuan from two individuals who are third parties independent of the Company, its connected persons, the Vendor, Huang Dongxiu, Maple Reach or their respective associates. The total consideration paid by the Vendor for the acquisition was RMB131,716,000. It was subsequently acquired by Shenzhen Junlifa on 16 October 2012 from the Vendor and his nominee for the amount of RMB1,000,000, which is based on the registered capital of Qingchuan Boyuan to rationalise the reorganisation. Apart from holding the Forests, Qingchuan Boyuan does not have any material operation as at the date of this announcement.

The shareholding structure of the Target Group as at the date of this announcement is set out below:



Business of the Target Group

Qingchuan Boyuan has obtained the concession rights to carry out the plantation business at the Forests exclusively for a period up to 31 December 2052. The Forests are plantation forests and are mainly planted with cypress trees which can be used for furniture and construction purpose given its lightweight and durable nature. Based on the preliminary estimation by the Independent Valuer, the total forest stock volume as at 31 October 2012 was more than 280,000 cubic metres and the prevailing market price of cypress wood is approximately RMB1,800 per cubic metre. In arriving at the total forest stock volume, the Independent Valuer has adopted the random sampling approach by obtaining random and unbiased samples from the Forests during their on-site survey while the market price was reached based on information obtained from (i) opinion from the forestry specialist consultant; (ii) the price quoted from the nearby timber processing factory, which is a potential buyer of the timber; and (iii) research on the internet. The Directors expect that upon Completion and obtaining all necessary permits and approvals, the business operations of the Target Group will be mainly focus on upstream timber activities and cover the full timber supply chain from planting of trees, the management and operation of forests and harvesting of forest resources to the sales of logs to third parties. To maintain the sustainability of the environment, the Target Group will replant cypress trees or other types of tree after logging.

In the first few years, it is estimated the Target Group will harvest 40,000 cubic metres of forestry stock each year, being the capacity of the current harvest quota granted by the county forestry bureau to the Target Group. Depending on the market demand and conditions, the Target Group may gradually apply to increase its harvest quota to 60,000 cubic metres.

As at the date of this announcement, the Target Group has yet commenced neither harvesting nor trading activities. There is no existing customer base nor any strategic alliance, cooperation or arrangement formed. The Company expects that the timber available from the Forests will be mainly sold to wood processing factories in the Sichuan Province, the PRC and other customers engaging in the construction and furniture-making industries. As at the date of this announcement, the Target Group had a sales force of five people. The Target Group plans to increase its headcount in the sales and marketing team after the commencement of the harvesting activities in early 2013. The main responsibilities of the sales and marketing team are to closely monitor the market development, provide sales administrative services and handle promotion activities. The Target Group plans to solicit sales from processing factories and customers in the construction and furniture-making industries through approaching the potential customers by its sales and marketing staff and referrals by management of the Target Group and their acquaintances.

In order to reduce the capital expenditure of equipment and machinery for harvesting, the Target Group plans to engage the village neighbourhood to the Forests or professional sub-contractors for harvesting the Forests. They are required to equip with the equipment or machinery for harvesting. As at the date of this announcement, the Target Company has not yet entered into any binding agreement with any suppliers for the harvesting services.

Licences and permits

In order to carry out the operations and business of the Target Group, except for the business licence, the relevant law provides that logging permits are required for harvest the trees and timber transportation permit is required for transporting timber out of the forest area. As at the date of this announcement, the Target Group has obtained an approval for a harvest quota of 40,000 cubic metres for 2013 from the county and municipal forestry bureau. The Target Group shall submit a document that contains information such as logging objectives, locations, tree species, stock, approach and reforestation measures to the provincial level forestry department for the registration of the logging permit. The Vendor expects that the said document will be submitted to the provincial level forestry department by mid-December 2012 and the registration of the logging permit will be completed by late December 2012.

The Target Group has yet obtained the timber transportation permit. To apply for a timber transportation permit, it is required to submit the relevant forest logging permit and other documents as the forestry bureau may require. The timber transportation permit which specifies the total volume of timber permitted to be transported will normally be granted within 3 days upon successful application. After obtaining the logging permit, the Vendor will process the application of timber transportation permit. It is expected that the timber transportation permit will be obtained by the end of 2012. The PRC legal advisers of the Company advised that it is not anticipated for there to be any material legal impediment in obtaining the logging permit and the timber transportation permit.

Save as disclosed above, the PRC legal advisers of the Company advised that the Target Group has obtained all necessary licences and permits for the operations and business of the Target Group.

The Vendor has warranted the procurement of the above required licences and approval for operations of the Target Group prior to Completion. Such warranty is considered as a condition precedent to the Completion. In the event such warranty has not been met or waived at the sole discretion of the Company, 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.

Human resources of the Target Group

As at the date of this announcement, the Target Group had 16 employees, divided into four main sections with five staff from administration and finance department, three staff from technical and resources management department, three staff from production department and five staff from sales and marketing department, respectively. The following sets out briefly the biographical details of the key management team of the Target Group:

- (i) Mr. Du Jianjun (杜建軍), aged 56, is currently the supervisor of Qingchuan Boyuan. Mr. Du is responsible for formulating of strategies of Qingchuan Boyuan, budgeting and external relationship. Mr. Du has over 7 years' experience in investing, managing forestry businesses including plantation, timber logging, and transportation and trading of timber products. Mr. Du obtained his bachelor's degree in economics from Shanghai Jiao Tong University.

- (ii) Mr. Zhao Shiyong (趙世勇), aged 48, is currently the legal representative and the general manager of Qingchuan Boyuan. Mr. Zhao is responsible for the operation and sales and marketing. Prior to joining Qingchuan Boyuan, Mr. Zhao served as the vice president of a company which managed a forest land with a total site area of over 700,000 Chinese mu. Mr. Zhao has over 7 years' experience in forestry industry. Mr. Zhao has completed his secondary education in 1980.
- (iii) Mr. Fan Shuangwen (范雙文), aged 30, is the deputy manager of Qingchuan Boyuan. Mr. Fan is responsible for overseeing the technical and resources management department. Prior to joining Qingchuan Boyuan, Mr. Fan was an officer of a forestry company. Mr. Fan has engaged in forestry and logging industry since the completion of his college education in 2009.

Upon Completion, the Company will revise employment contracts with the key management team with remunerations which are in line with the prevailing market standards. Additional benefits may be offered and determined on the basis of performance and experience of individual employee. The management of the Target Group could also join the share option scheme adopted by the Company upon Completion. The Directors consider that there are adequate measures to retain the management from the Target Group.

Financial Information of the Target Group

As the Target Group has only completed its reorganisation in 2012, there is no combined financial information for the financial year ended 31 December 2010 and 2011. Based on the unaudited combined management accounts of the Target Group for the ten months ended 31 October 2012, which were prepared in accordance with the PRC generally accepted accounting principles, the turnover, gross profit, net loss before tax and net loss after tax of the Target Group was approximately RMB8,000, RMB2,000, RMB45,000 and RMB45,000, respectively. As at 31 October 2012, the unaudited net assets of the Target Group amounted to approximately RMB132,186,000, comprised mainly the valuation of biological assets of standing trees on the Forests of approximately RMB130,716,000, cash and bank balances of approximately RMB1,014,000. The valuation of the biological assets of standing trees on the Forests was recorded as the original acquisition costs of the Vendor.

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

Set out below are the key financial information of Shenzhen Junlifa and Qingchuan Boyuan since their respective date of incorporation:

Financial Information of Shenzhen Junlifa

	From 1 July 2010 to 31 December 2010	For the year ended 31 December 2011	For the ten months ended 31 October 2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	62,000	68,000	8,000
Profit/(loss) before tax	700	9,400	(38,000)
Profit/(loss) after tax	700	8,700	(38,000)
	As at 31 December 2010	As at 31 December 2011	As at 31 October 2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net assets	500,700	509,400	471,400

All turnover generated by Shenzhen Junlifa was attributable to the trading of electronic components.

Financial Information of Qingchuan Boyuan

	From 3 August 2011 to 31 December 2011	For the ten months ended 31 October 2012
	<i>RMB</i>	<i>RMB</i>
Turnover	–	–
Loss before tax	–	6,500
Loss after tax	–	6,500
	As at 31 December 2011	As at 31 October 2012
	<i>RMB</i>	<i>RMB</i>
Net assets	1,000,000	131,709,000

During the ten months ended 31 October 2012, the Vendor has waived a loan payable to him by Qingchuan Boyuan for the amount of RMB130,716,000. Such amount has been recorded as a capital reserve to Qingchuan Boyuan.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in manufacturing and wholesaling of apparels on original equipment manufacturing basis and manufacturing and sale of branded products in the PRC.

As disclosed in the Company's annual report, the competition for the business of apparels has been very keen. The Group has been suffered from net loss for the previous year. The Group is continuously looking for new investment opportunities to broaden and diversify the revenue sources. Through the Acquisition, the Group will acquire 100% of the Target Company which indirectly holds 100% interest of Qingchuan Boyuan.

The Target Group is principally engaged in the operation and management of the Forests which will provide the Company to participate in forest harvesting and timber processing. Timber is one of the most common raw materials being applied in a wide range of industries. Based on the 2010 and 2011 annual growth rates of the integrated average price of timber per cubic metres of approximately 23.9% and 7.0% as reported in the 全國林業統計年報分析報告 (National Forestry Statistical Annual Analytical Report) conducted by the 國家林業局國家林業局 (State Forestry Administration) of the PRC, the Board expects the selling price of the timber will be on an upward trend in foreseeable future due to their scarcity and the increasing market demand, particularly, from the PRC, which is currently one of the major consumers for timber. The Directors also consider that the investment in the Target Company will allow the Company to diversify from its existing business. Save as the proposed disposal of its 100% equity interest in 江西泓峰紡織有限公司 (Jiangxi Hongfeng Textile Company Limited) which is a loss-making company as announced on 27 July 2012 and 30 November 2012, the Company has not entered, or proposes to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) and intention to dispose of or downsize its existing business as at the date of this announcement.

The Directors consider the issue of Promissory Note as part of the Consideration is fair and reasonable and in the best interest of the Shareholders as a whole as it is the preferred financing method for the Company given that the Company would not need to use its existing cash resources to fund the Acquisition and the interest rate carried by the Promissory Note was lower than the market borrowing rate offered to the Company. The Directors (including the independent non-executive Directors) consider the terms of the Acquisition Agreement to be fair and reasonable and to be in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

Since certain of the applicable percentage ratios calculated pursuant to Rule 14.08 of the Listing Rules in respect of the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company and is therefore subject to the reporting, announcement, circular and shareholder's 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, 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 Subscription at the EGM.

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 2013 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

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.

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 10 December 2012 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
“Company”	Jiangchen International 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 conditions precedent 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\$350,000,000 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 though 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 21,786 Chinese mu located in Jiange County, Sichuan Province, the PRC
“Group”	Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huang Dongxiu”	the vendor to the sale and purchase agreement dated 21 May 2012 in respect of the proposed acquisition of 100% interest in the share capital of Rongxuan Forestry Investment Holdings Limited by the Company
“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
“Independent Valuer”	Ascent Partners Valuation Service Limited, an independent professional qualified valuer appointed by the Company for the purpose of preparing a valuation report on the fair market value of the Forests indirectly owned by the Vendor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“Maple Reach”	Maple Reach Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of CCB International Asset Management Limited, the subscriber to the Proposed Subscription
“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\$180,000,000 proposed to be issued by the Company to the Vendor (or his nominee) to satisfy part of the Consideration pursuant to Acquisition Agreement
“Proposed Subscription”	the proposed subscription of HK\$190,000,000 pledged notes of the Company by Maple Reach under the subscription agreement dated 15 November 2012, which is secured by, among other things, 179,450,000 Shares held by Well Bright Group Limited
“Qingchuan Boyuan”	青川博源生態林業開發有限公司 (Qingchuan Boyuan Ecological Forestry Development Company Limited), a company established under the laws of the PRC with limited liability on 3 August 2011 and owned by Shenzhen Junlifa as to 100% as at the date of this announcement
“Sale Shares”	1 share or such number of shares (if applicable) of US\$1.00 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
“Shenzhen Junlifa”	深圳市君利發木業有限公司 (Shenzhen Junlifa Timbers Limited) (previously known as 深圳市君利發電子科技有限公司 (Shenzhen Junlifa Electronic Technology Company Limited)), a company established under the laws of the PRC on 1 July 2010 and owned by China Timbers Limited as to 100% as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Timbers Limited, a company incorporated in the BVI on 14 June 2012 with limited liability and owned by the Vendor as to 100% as at the date of this announcement
“Target Group”	Target Company and its subsidiaries

“Vendor”	Mr. Du Jianjun (杜建軍先生)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board
Jiangchen International Holdings Limited
Cai Shuiyong
Chairman and Executive Director

Jiangxi Province, the PRC, 10 December 2012

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Cai Shuiyong, Mr. Cai Shuiping and Mr. Lei Zuliang; one non-executive Director, namely Professor Liu Zhikun; and three independent non-executive Directors, namely Mr. Long Weihua, Ms. Chan Ling and Mr. Liu Jianlin.