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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

(Formerly known as “China Grand Forestry Resources Group Limited 中國林大資源集團有限公司”)
(incorporated in Bermuda with limited liability)
(Stock code: 00910)

DESPATCH OF CIRCULAR
IN RELATION TO
VERY SUBSTANTIAL ACQUISITION RELATING TO BIOMASS ENERGY BUSINESS
AND
CLARIFICATION ANNOUNCEMENT

Financial Adviser to China Grand Forestry Green Resources Group Limited



KINGSTON CORPORATE FINANCE LIMITED

DESPATCH OF CIRCULAR

The Board is pleased to announce that the Circular containing, among other things, (i) further details of the Acquisition and other necessary disclosures as required pursuant to the Listing Rules; (ii) the valuation reports issued by the independent qualified appraisers on the fair value of the major assets of the Shenyu New Energy Group; and (iii) a notice of the SGM will be despatched to the Shareholders on 24 July 2008.

CLARIFICATION ANNOUNCEMENT

With reference to the Company’s announcement dated 16 November 2007 in relation to, among other things, the Acquisition, the Company disclosed that the Vendor and its ultimate beneficial owners do not have any prior relationship and/or business relationship with the Company and Mr. Ng. The Board wishes to clarify and provide further information that in the year 2007, Yunnan Shenyu New Energy (雲南神宇新能源有限公司), a subsidiary of the Vendor, has entered into the Business Transactions with Beijing WFC, a wholly owned subsidiary of the Company. Details on the Business Transactions are set out below.

Reference is made to the announcements issued by the Company dated 16 November 2007, 26 November 2007, 18 December 2007, 20 June 2008 and 30 June 2008 (together the “Previous Announcements”) in relation to the very substantial acquisition of the Company. Unless otherwise stated, capitalised terms used herein shall have the same meaning as those defined in the Previous Announcements.

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1) Acquisition of leasehold, interest in forest land

On 5 June 2007 and 22 July 2007, Beijing WFC and Yunnan Shenyu New Energy (雲南神宇新能源有限公司) entered into two agreements that Yunnan Shenyu New Energy (雲南神宇新能源有限公司) transferred two forest lands of a total area of 476,895.3 Chinese Mu with a total consideration of RMB228,532,900. Please refer to the announcements published by the Company dated on 5 June 2007 and 24 July 2007 for details.

2) Co-operative rental arrangement of forest land

On 30 June 2007, Beijing WFC, entered into a lease co-operative rental arrangement with Yunnan Shenyu New Energy (雲南神宇新能源有限公司) in which Beijing WFC gives the land use right for the area of approximately 116,000 Chinese Mu with an annual payment of RMB10 per Chinese Mu to Yunnan Shenyu New Energy (雲南神宇新能源有限公司). The co-operative rental arrangement expires on 30 June 2056. The commencement date of annual lease payment will be started when the planted *Jatropha* has generated stable production which is estimated to be three years. Yunnan Shenyu New Energy (雲南神宇新能源有限公司) does not have to pay the annual leased amount if the planted *Jatropha* does not generate any income and Beijing WFC would not bear any loss for any

unavoidable accident. Ownership rights of current forest stocks of the leased land belong to Beijing WFC while ownership rights of Jatropha plantation belong to Yunnan Shenyu New Energy (雲南神宇新能源有限公司). The geographical environment, soil quality and other conditions of such land may not be adequate for Beijing WFC's large scale of plantation. Jatropha is a special species tree that can grow well under such conditions and Beijing WFC realized that Yunnan Shenyu New Energy (雲南神宇新能源有限公司) has already had successful record for large scale of plantation. In view of this, the risk of recoverability of the rental to be received can be minimized. The expected first stable production period is around three years but the life of Jatropha tree can reach thirty to fifty years. In considering the long run benefit to the Group and the Shareholders, Beijing WFC entered into this cooperative rental arrangement with Yunnan Shenyu New Energy (雲南神宇新能源有限公司).

Save for disclosed above, the Vendor (together with its subsidiaries and its ultimate beneficial owners) do not have any prior relationship and/or business relationship with the Company and Mr. Ng.

By order of the Board
China Grand Forestry Green Resources Group Limited
Ng Leung Ho
Chairman

Hong Kong, 23 July 2008

As at the date of this announcement, the Company's Board of Directors comprises of Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Hu Xiaoming and Mr. Cheung Wai Tak being the executive directors of the Company, Mr. John MacMillan Duncanson being the non-executive director of the Company and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong being the independent non-executive directors of the Company.

* *For identification purposes only*