
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Grand Forestry Resources Group Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**DISCLOSEABLE TRANSACTIONS
IN RESPECT OF**

- (1) ACQUISITION OF LEASEHOLD INTEREST IN A FOREST LAND –
QIUBEI COUNTY, GUIZHOU PROVINCE; AND**
- (2) ACQUISITION OF LEASEHOLD INTEREST IN A FOREST LAND –
WENSHAN COUNTY, GUIZHOU PROVINCE**

Financial adviser to the Company



KINGSTON CORPORATE FINANCE LIMITED

* for identification purposes only

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DEFINITIONS

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

“Acquisition I”	the acquisition of the Qiubei Leasehold Forest Land for a term of 50 years from the date of Transfer Agreement I
“Acquisition II”	the acquisition of the Wenshan Leasehold Forest Land for a term of 50 years from date of Transfer Agreement II
“Acquisitions”	the Acquisition I and the Acquisition II
“Board”	the board of Directors
“Company”	China Grand Forestry Resources Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Furuisen”	Furuisen (Beijing) Forest Development Company Limited (富瑞森(北京)林業發展有限公司), being the vendor under the Transfer Agreement II
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and connected persons of the Company
“Latest Practicable Date”	10 August 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Beijing Wan Fu Chun Forest Resources Development Company Limited (北京萬富春森林資源發展有限公司), a wholly owned subsidiary of the Company, being the purchaser under the Transfer Agreement I and Transfer Agreement II

DEFINITIONS

“Qiubei Leasehold Forest Land”	leasehold interest in forest land in Qiubei County, Guizhou Province, the PRC with total land area of 245,190 Chinese Mu
“Rights”	forest land use right (林地使用權), forest tree ownership right (林木所有權) and forest tree use right (林木使用權)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Agreement I”	the agreement dated 22 July 2007 entered into between the Purchaser and Yunnan Shenyu in relation to the Acquisition I
“Transfer Agreement II”	the agreement dated 23 July 2007 entered into between the Purchaser and Furuisen in relation to the Acquisition II
“Wenshan Leasehold Forest Land”	leasehold interest in forest land in Wenshan County, Guizhou Province, the PRC with total land area of 252,252 Chinese Mu
“Yunnan Shenyu”	Yunnan Shenyu Xin Neng Yuan Company Ltd. (雲南神宇新能源有限公司), being the vendor under the Transfer Agreement I
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Ng Leung Ho (*Chairman*)

Ms. Cao Chuan (*Deputy Chairman*)

Ms. Lee Ming Hin

Mr. Hu Xiaoming

Mr. Ge Wen Hong

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Mr. Zou Zi Ping

Mr. Lo Cheung Kin

Mr. Zhu Jian Hong

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

Unit 3405, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

13 August 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS
IN RESPECT OF**

**(1) ACQUISITION OF LEASEHOLD INTEREST IN A FOREST LAND –
QIUBEI COUNTY, GUIZHOU PROVINCE; AND**

**(2) ACQUISITION OF LEASEHOLD INTEREST IN A FOREST LAND –
WENSHAN COUNTY, GUIZHOU PROVINCE**

INTRODUCTION

On 24 July 2007, the Board announced that Beijing Wan Fu Chun Forest Resources Development Company Limited (北京萬富春森林資源發展有限公司), a wholly owned subsidiary of the Company, had entered into (i) the Transfer Agreement I for acquiring the Qiubei Leasehold Forest Land in the PRC at a cash consideration of RMB157,982,900 from Yunnan Shenyu Xin Neng Yuan Company Ltd. (雲南神宇新能源有限公司) on 22 July 2007; and (ii) the Transfer Agreement II for acquiring the Wenshan Leasehold Forest Land in the PRC at a cash consideration of RMB159,592,880 from Furuisen (Beijing)

* *for identification purposes only*

LETTER FROM THE BOARD

Forest Development Company Limited (富瑞森(北京)林業發展有限公司) on 23 July 2007. The purpose of this circular is to provide you with further details of the Acquisitions.

THE TRANSFER AGREEMENT I

Date : 22 July 2007

Vendor : Yunnan Shenyu Xin Neng Yuan Company Ltd. (雲南神宇新能源有限公司)

Purchaser : Beijing Wan Fu Chun Forest Resources Development Company Limited (北京萬富春森林資源發展有限公司), a wholly owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yunnan Shenyu and its ultimate beneficial owner(s) are Independent Third Parties. Yunnan Shenyu is principally engaged in the plantation of trees.

Interest to be acquired

Subject to the issuance of the relevant forest ownership certificate to the Purchaser, the Purchaser is entitled to exercise the Rights of the Qiubei Leasehold Forest Land with total land area of 245,190 Chinese Mu for a term of 50 years from the date of the Transfer Agreement I.

Consideration

The aggregate consideration for the Acquisition I is RMB157,982,900 which shall be satisfied as the following manner:-

- (a) as to RMB63,200,000 in cash as the initial payment payable within 7 days upon the entering into of the Transfer Agreement I; and
- (b) as to RMB94,782,900 in cash as the balance of the consideration payable within 10 days upon completion of the transfer of the relevant forest ownership certificate.

The consideration of the Acquisition I was determined after arm's length negotiation between Yunnan Shenyu and the Purchaser with reference to (i) the full entitlement right and ownership to utilise all natural resources originated from such land premises; (ii) the synergistic benefit from the existing land premises owned by the Group; and (iii) the practical value of the land premises thereby increasing the productivity in the tree-planting business of the Group. The consideration will be financed by the internal resources of the Group.

Completion

The completion of the Acquisition I is subject to the issuance of the relevant forest ownership certificate to the Purchaser. The forest ownership certificate is expected to be available to the Purchaser within six months.

LETTER FROM THE BOARD

THE TRANSFER AGREEMENT II

- Date** : 23 July 2007
- Vendor** : Furuisen (Beijing) Forest Development Company Limited (富瑞森(北京)林業發展有限公司)
- Purchaser** : Beijing Wan Fu Chun Forest Resources Development Company Limited (北京萬富春森林資源發展有限公司), a wholly owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Furuisen and its ultimate beneficial owner(s) are Independent Third Parties. Furuisen is principally engaged in the plantation of trees.

Interest to be acquired

Subject to the issuance of the relevant forest ownership certificate to the Purchaser, the Purchaser is entitled to exercise the Rights of the Wenshan Leasehold Forest Land with total land area of 252,252 Chinese Mu for a term of 50 years from the date of the Transfer Agreement II.

Consideration

The aggregate consideration for the Acquisition II is RMB159,592,880 which shall be satisfied as the following manner:—

- (a) as to RMB63,840,000 in cash as the initial payment payable within 7 days upon the entering into of the Transfer Agreement II; and
- (b) as to RMB95,752,880 in cash as the balance of the consideration payable within 10 days upon completion of the transfer of the relevant forest ownership certificate.

The consideration of the Acquisition II was determined after arm's length negotiation between Furuisen and the Purchaser with reference to (i) the full entitlement right and ownership to utilise all natural resources originated from such land premises; (ii) the synergistic benefit from the existing forest land premises owned by the Group; and (iii) the practical value of the land premises thereby increasing the productivity in the tree-planting business of the Group. The consideration will be financed by the internal resources of the Group.

Completion

The completion of the Acquisition II is subject to the issuance of the relevant forest ownership certificate to the Purchaser. The forest ownership certificate is expected to be available to the Purchaser within six months.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITIONS

The Group is principally engaged in the manufacture and sale of garment and tree planting and management, manufacture and distribution of forest products as timber and bark materials in the PRC.

The Directors consider the Acquisitions would increase the area of forest lands and timber resources in the Company's diversified ecological forestry business and improve the Group's earning's base and asset quality.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisitions are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Upon completion of the Acquisitions, the consideration paid will be taken up as an asset of the Group under "Prepaid lease payments and Biological assets". As the consideration will be satisfied by the internal resources of the Group, there will be a decrease in bank and cash balances to the extent of the consideration paid. The Acquisitions are not expected to have any material effect on the Group's net asset value and earnings.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition I in aggregate with the previous acquisition pursuant to the agreement entered into between Beijing Wan Fu Chun Forest Resources Development Company Limited (北京萬富春森林資源發展有限公司), a wholly owned subsidiary of the Company and Yunnan Shenyu on 5 June 2007 in respect of the acquisition of leasehold interest in forest land in Yongren County, Yunnan Province (details has been set out in the Company's announcement dated 5 June 2007) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition II in aggregate with the previous acquisition pursuant to the agreement entered into between Beijing Wan Fu Chun Forest Resources Development Company Limited (北京萬富春森林資源發展有限公司), a wholly owned subsidiary of the Company and Furuisen on 11 June 2007 in respect of the acquisition of leasehold interest in forest land in Shuangjiang Autonomous County, Yunnan Province (details has been set out in the Company's announcement dated 11 June 2007) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Save as the above disclosed, there is no memorandum of understanding in relation to the Acquisitions announced by the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Yunnan Shenyu (including its ultimate beneficial owners) and Furuisen (including its ultimate beneficial owners) are independent to each other. As such, Acquisition I and Acquisition II which are independent to each other are not required to be aggregated under Rule 14.22 of the Listing Rules.

GENERAL

Shareholders and investors should note that the completion of the Acquisitions is subject to the issuance of the relevant forest ownership certificates and therefore the Purchaser, investors and Shareholders are urged to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the Appendix in this circular.

Yours faithfully,
For and on behalf of the Board
China Grand Forestry Resources Group Limited
Ng Leung Ho
Chairman

1. 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 statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long position in the Shares of the Company (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) adopted by the Company to be notified to the Company and the Stock Exchange:

	Personal interests	Corporate interests	Total interests	Total interests as % of the issued share capital	Interests in underlying shares (share options)	Total interests (including underlying shares) as % of issued share capital	Note
Mr. Ng Leung Ho	63,036,000	960,000,000	1,023,036,000	20.00%	10,000,000	20.20%	1, 2
Ms. Cao Chuan	–	–	–	0%	10,000,000	0.20%	3
Ms. Lee Ming Hin	4,000,000	–	4,000,000	0.08%	6,000,000	0.20%	3
Mr. Ge Wen Hong	–	–	–	0%	10,000,000	0.20%	3
Mr. Hu Xiaoming	–	–	–	0%	3,000,000	0.06%	3
Mr. Zou Zi Ping	–	–	–	0%	1,500,000	0.03%	3
Mr. Lo Cheung Kin	–	–	–	0%	1,500,000	0.03%	3
Mr. Zhu Jian Hong	–	–	–	0%	1,500,000	0.03%	3

Notes:

- The corporate interests attributed to Mr. Ng Leung Ho of 960,000,000 shares held by Golden Prince Group Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of the Golden Prince Group Limited is directly wholly owned by Mr. Ng Leung Ho.
- The interests in underlying shares attributed to Mr. Ng Leung Ho includes share options to subscribe for 10,000,000 new shares in the Company, exercisable at a price of HK\$0.98 per share and granted pursuant to the Company’s existing share option scheme, as adopted by the Company’s shareholders in the Company’s annual general meeting held on 23 November 2001.
- The interests in underlying shares attributed to these directors represented share options to subscribe for new shares in the Company, exercisable at a price of HK\$0.98 per share and granted pursuant to the Company’s existing share option scheme, as adopted by the Company’s shareholders in the Company’s annual general meeting held on 23 November 2001.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company were interested, or were deemed to be interested, in long or short positions in the Shares, underlying Shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH NOTIFIABLE INTERESTS

So far as is known to the directors or chief executives of the Company, as at the Latest Practicable Date, the following persons (other than the Directors or chief executives of the Company) had an interest in the following long positions in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Class of Shares	Number of Shares Held	Approximate Percentage of Total Issued Share Capital of the Company
Golden Prince Group Limited	Ordinary	960,000,000	18.77%
DnB NOR Asset Management (Asia) Limited	Ordinary	325,000,000 (Note 1)	6.35%
Atlantis Investment Management Ltd.	Ordinary	305,000,000 (Note 2)	5.96%
GE Asset Management Incorporated	Ordinary	255,946,000 (Note 3)	5.00%

Note:

1. These shares were held by DnB NOR Asset Management (Asia) Limited as investment manager.
2. These shares were held by Atlantis Investment Management Ltd. as investment manager.
3. These shares were held by GE Asset Management Incorporated as investment manager.

Save as disclosed in this circular, the Directors are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares of equity derivatives which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTEREST IN SHARE OPTIONS

Name of Directors	Date of grant	Number of options held	Exercisable period	Exercise price
Mr. Ng Leung Ho	27 March 2007	10,000,000	1 April 2007 to 31 March 2017	HK\$0.98
Ms. Cao Chuan	27 March 2007	10,000,000	1 April 2007 to 31 March 2017	HK\$0.98
Ms. Lee Ming Hin	27 March 2007	6,000,000	1 April 2007 to 31 March 2017	HK\$0.98
Mr. Ge Wen Hong	27 March 2007	10,000,000	1 April 2007 to 31 March 2017	HK\$0.98
Mr. Hu Xiaoming	27 March 2007	3,000,000	1 April 2007 to 31 March 2017	HK\$0.98
Mr. Zou Zi Ping	27 March 2007	1,500,000	1 April 2007 to 31 March 2017	HK\$0.98
Mr. Lo Cheung Kin	27 March 2007	1,500,000	1 April 2007 to 31 March 2017	HK\$0.98
Mr. Zhu Jian Hong	27 March 2007	1,500,000	1 April 2007 to 31 March 2017	HK\$0.98

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors entered or proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Mr. Cao Chuan, being executive Director, has entered into a service contract with the Company for a term of three years commencing on 25 May 2007.

Mr. Hu Xiaoming, being executive Director, has entered into a service contract with the Company for a term of three years commencing on 19 July 2004.

Each of Ms. Lee Ming Hin, being executive Director, and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong, being independent non-executive Directors, has entered into a service contract with the Company for a term of three years commencing on 25 October 2004.

Each of Mr. Ng Leung Ho and Mr. Ge Wen Hong, being executive Directors, has entered into service contract with the Company for a term of three years commencing on 18 May 2006.

6. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of the Company to be pending or threatened against any member of the Group.

8. GENERAL

- (a) The company secretary and the qualified accountant of the Company is Mr. Lau Che Yue Stephen. Mr. Lau obtained his Master of Business (Information Technology) from RMIT University, Australia and Master of Business Administration from Heriot-Watt University, United Kingdom. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is Unit 3405, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (d) The Company's Hong Kong branch share registrar is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.