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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)

**(1) POSTPONEMENT OF DESPATCH OF CIRCULAR
IN RELATION TO
THE POSSIBLE VERY SUBSTANTIAL ACQUISITION RELATING TO
BIOMASS ENERGY BUSINESS
AND
(2) SUPPLEMENTAL AGREEMENT
IN RELATION TO
THE POSSIBLE VERY SUBSTANTIAL ACQUISITION RELATING TO
BIOMASS ENERGY BUSINESS
AND
(3) RESUMPTION OF TRADING**

POSTPONEMENT OF DESPATCH OF CIRCULAR

The Company announces that the Circular containing, among other things, further details of the Acquisition will be postponed as additional time is required, among other things, to prepare (i) the financial information of Shenyu New Energy Group; and (ii) the valuation report on the fair value of the net assets of Shenyu New Energy Group to be set out in the Circular to allow the Shareholders for better understanding on the Acquisition.

The Company has applied to the Stock Exchange for a waiver from the strict compliance with Rule 14.38 of the Listing Rules by extending the despatch date of the Circular from 17 December 2007 to a date falling on or before 30 June 2008.

SUPPLEMENTAL AGREEMENT

On 17 December 2007, the Company and the Vendor entered into a supplemental agreement pursuant to which the Company and the Vendor have agreed to further negotiate and adjust the terms of the Acquisition Agreement including but not limited to the consideration for the Acquisition subject to the valuation report in the context of the asset quality and business value of Shenyu New Energy Group. Subject to the results of the valuation report, the Directors will reassess the possibility of whether the Company will further proceed the Acquisition and will consider whether the Acquisition is in the best interests of the Company and the Shareholders as a whole.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 18 December 2007 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 19 December 2007.

Reference is made to the announcements of the Company dated 16 November 2007 and 26 November 2007 (the “Announcements”) in relation to the possible very substantial acquisition by the Company pursuant to the Listing Rules. Terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise stated herein.

POSTPONEMENT OF DESPATCH OF CIRCULAR

In accordance with Rule 14.38 of the Listing Rules, a circular of the Company (the “Circular”) containing, among other things, further details of the Acquisition has to be despatched to the Shareholders within 21 days after the publication of the Company’s announcement dated 26 November 2007, which is on or before 17 December 2007.

As additional time is required, among other things, to prepare (i) the financial information of Shenyu New Energy Group; and (ii) the valuation report on the fair value of the net assets of Shenyu New Energy Group to be set out in the Circular, the Directors consider that the despatch of the Circular has to be postponed and the Company has applied to the Stock Exchange for a waiver from the strict compliance with Rule 14.38 of the Listing Rules by extending the despatch date of the Circular from 17 December 2007 to a date falling on or before 30 June 2008.

SUPPLEMENTAL AGREEMENT

Having considered the best interests of the Company and the Shareholders as a whole and the substantial investment amount in respect of the very substantial acquisition as made in the announcement dated 16 November 2007 and 26 November 2007, the Company has finally appointed Pöyry Forest Industry Limited (“Pöyry”), a renowned independent valuation company recognized as one of the world’s leading advisers to the global forest industry, as the Company’s valuer to particularly carry out a comprehensive due diligence exercise and in-depth study on the quality of assets and business/asset valuation owned by Shenyu New Energy Group. On 17 December 2007, the Company and the Vendor have also entered into a supplemental agreement pursuant to which the Company and the Vendor agreed to further negotiate and adjust the terms of the Acquisition Agreement accordingly including but not limited to the consideration for the Acquisition subject to the valuation report in the context of the asset quality and business value of Shenyu New Energy Group. Subject to the results of the valuation report, the Directors will reassess the possibility of whether the Company will further proceed the Acquisition and will consider whether the Acquisition is in the best interests of the Company and the Shareholders a whole. The Directors believe that with the valuation and advice provided by Pöyry, the Board will be able to have a better and thorough understandings on the assets owned by Shenyu New Energy Group and it is in the best interests of the Company and the Shareholders a whole.

Further announcement with revised terms and conditions in relation to the Acquisition will be made by the Company after the assessment of the asset quality and the business value of Shenyu New Energy Group.

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

Hong Kong, 18 December 2007

As at the date of this announcement, the Company's Board of Directors is comprised 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.

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and on the website of financial printer at www.capitalfp.com.hk/eng/index.jsp?co=910.

* *For identification purposes only*