



**CHINA GRAND FORESTRY RESOURCES GROUP LIMITED**

**中國林大資源集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**Announce Acquisition Relating to Biomass Energy Business**

**At a Consideration of HK\$6.4 Billion**

**Profit Guarantee of HK\$800 Million by the End of 2008**

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**Capitalising on the Rising Demand for Energy  
Broadening Income Stream for Increasing the Return on Equity**

(Hong Kong, 16 November 2007) China Grand Forestry Resources Group Limited (“CH GRAND FOREST” or the “Group”) (SEHK: 00910) announced a further move made for its ecological forestry business by acquiring biomass energy business. On 5 November 2007, the Group and Forcemade Investments Limited (the “Vendor”) have entered into the acquisition agreement, pursuant to which the Group has agreed to acquire from the Vendor the entire issued share capital of Shenyu New Energy Group Limited (“Shenyu New Energy”) at a total consideration of HK\$6.4 billion. Upon completion of the acquisition, the Group will wholly own Shenyu New Energy, Beijing Shenhao New Energy Technology Company Limited and Yunnan Shenyu New Energy Company Limited (“Yunnan Shenyu New Energy”). Yunnan Shenyu New Energy is principally engaged in the research and development of *Jatropha Curcas L* based biological energy sources, such as bio-diesel. The Vendor guarantees to the Group that the audited consolidated net profit after tax and excluding gain arising from changes in fair value of biological assets, included but not limited to the *Jatropha Curcas L* tree and others trees, of Shenyu New Energy Group Limited and its subsidiaries (“Shenyu New Energy Group”) to be prepared in accordance with Hong Kong GAAP for the financial year ending 31 December 2008 shall not be less than HK\$800 million. Trading in the Group’s shares has resumed at 2:30 p.m. on 16 November 2007.

Mr. Ng Leung Ho, Chairman of the Group, said, “The Group is delighted to announce the acquisition to enter the biomass energy industry in the PRC. The Group has entered into ecological forestry business in early 2006, and it has been constantly looking for opportunities with high-growth potential, so as to utilize the competitive edge of the business to create synergy. The Group has a successful track record in developing its ecological forestry business, and we are confident in nurturing this new business.”

Mr. Ng added, “In view of the rising demand for energy and awareness towards environmental protection, we are optimistic towards the potential and prospect of this biomass energy project which includes extracting bio-diesel oil from *Jatropha Curcas* tree fruit and using the fruit residue for power generation. *Jatropha Curcas L* is one of the renewable energy source plants and is efficient for water and soil retention as well as ecology restoration. In addition, the acquisition includes approximately 1.6 million Chinese Mu forest land in the PRC and forestry resources of 5 million cubic meters, which will increase our efficiency of forest land management and operating cash flow. Meanwhile Yunnan Shenyu New Energy has established good reputation in PRC forestry industry. It was awarded by Yunnan Forestry Bureau the provincial title of “Leading Enterprise of Forestry Industry”, and was then elected Standing Executive Member of Yunnan Forestry Industry Association. Its project of the construction of production base and seedling breeding base for *Jatropha Curcas L* based biological energy sources, has been listed by National Development and Reform Commission as a project of high-tech renewable energy source. The Group will seize the opportunities and devote to the development of biomass energy business.”

**Consideration**

Upon completion of the acquisition, the total consideration of HK\$6.4 billion shall comprise:

- (1) HK\$400 million in cash; and
- (2) HK\$6 billion resulting from the issue of convertible notes at a conversion price of HK\$2.50 per conversion share to the Vendor .

**Assets of Shenyu New Energy Group**

- (1) The rights to use two patents relating to gene modification of the *Jatropha Curcas L* tree;
- (2) approximately 1.6 million Chinese Mu of forest land in the PRC of which approximately 520,000 Chinese Mu of forest land is planted with *Jatropha Curcas L* trees and approximately 1,080,000 Chinese Mu of forest land is planted with trees of a total volume of approximately 5 million cubic meters;
- (3) sapling bases of at least 500 Chinese Mu of forest land including over 100 million *Jatropha Curcas L* tree saplings;
- (4) a squeeze-processing and refinery plant that is currently under construction with a planned production capacity of approximately 100,000 tons of bio-diesel per annum;

- (5) sales of timbers pursuant to the supply agreements, and
- (6) a hotel that is currently under construction located in Yunnan Province.

### **Information on Yunnan Shenyu New Energy**

Yunnan Shenyu New Energy is principally engaged in the research and development of *Jatropha Curcas L* based biological energy sources, such as bio-diesel.

In 2006, Shenyu New Energy Group deployed its first-phase project which included the construction of production base and seedling breeding base for *Jatropha Curcas L* based biological energy sources. The project has been listed by National Development and Reform Commission as a project of high-tech renewable energy source.

With respect to the development of *Jatropha Curcas L* biomaterial energy source, Yunnan Shenyu New Energy is constructing a complete industrial chain, which includes plantation of *Jatropha Curcas L*, squeeze of fruit of *Jatropha Curcas L* and refinery *Jatropha Curcas L* oil. It is also building a processing factory with planned annual bio-diesel production capacity of 100,000 tons.

In June 2007, Yunnan Shenyu New Energy was awarded by Yunnan Forestry Bureau the provincial title of "Leading Enterprise of Forestry Industry", and was then elected Standing Executive Member of Yunnan Forestry Industry Association.

Yunnan Shenyu New Energy has set up seedling bases and planting bases in the PRC. Yunnan Shenyu New Energy also owns the rights to use two patents relating to gene modification of the *Jatropha Curcas L* tree. In addition, Yunnan Shenyu New Energy has carried out research and development of breed improvement, planting techniques, diseases and pests control techniques, bio-diesel production and processing techniques.

### **Introduction to *Jatropha Curcas L***

*Jatropha Curcas L*, also called Gaotong, Heizaoshu, Muhuasheng, Youluzi and Laopanguo etc., is a member of the Euphorbiaceae family. It is a deciduous shrub or tree of two to five meters tall. Though it is a native species in tropical areas in America, it has grown in the PRC for over 200 years, and is mainly found in hot-dry valley regions. The oil content rate of its seed reaches 30-60%. As a source for bio-diesel after being processed, *Jatropha Curcas L* is a renewable energy source plant and is efficient for water and soil retention as well as ecology restoration.

### **Completion of the Acquisition**

Completion of the acquisition is expected to take place on or about 31 January 2008 (or such later date as may be agreed between the Group and the Vendor). After the acquisition has been consummated, the Group intends to retain Shenyu New Energy Group's existing management team. This team will train and share its expertise with the Group.

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

The Group is principally engaged in the ecological forestry business and design, manufacture and sale of quality men's and women's wear and accessories. In view of the enormous market demand of timber, pulp and energy in the PRC, the Group believes that the ecological forestry business is a good opportunity with favorable long-term prospect. The Group will focus its resources in developing ecological forestry business and becoming the industry leader.

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

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