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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: 910)

**ACQUISITION OF LEASEHOLD INTEREST IN
A FOREST LAND – PENGSHUI COUNTY**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board of Directors of the Company announces that on 15 January 2007, Beijing WFC has entered into the Transfer Agreement for acquiring a leasehold forest land in the PRC at a cash consideration of RMB19,780,000. The Transfer Agreement was entered pursuant to the Proposed Cooperation, as previously announced by the Company on 12 October 2006.

THE TRANSFER AGREEMENT

Date:	15 January 2007
Vendor:	Maoyunshan State-run forest of the Pengshui Miao and Tujia Autonomous County of the ChongQing City (重慶市彭水苗族土家族自治縣茂雲山國有林場)
Purchaser:	北京萬富春森林資源發展有限公司 (Beijing Wan Fu Chun Forest Resources Development Company Limited), a 70% owned subsidiary of the Company

Leasehold Forest Land: Leasehold interest in forest land in Pengshui County with total land area of 1,734.2 hectares and volume of timber vested with the forest land of 159,081.2 cubic meters

Lease term: Pursuant to the Transfer Agreement, the Purchaser is entitled to exercise the Rights of the Leasehold Forest Land for a term of 70 years from 14 January 2007 to 14 January 2077

Consideration: RMB19,780,000 (Forest Tree Ownership and Use Rights of RMB14,317,000 and Forest Land Use Right of RMB5,463,000)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an independent third party not connected with the Company and its connected person (as defined under the Listing Rules).

Terms of the payment

- (a) RMB4,000,000 as initial deposit payable to the Vendor within 7 days from the effective day of the lease term.
- (b) RMB10,197,000, as the remaining balance of the consideration in respect of Forest Tree Ownership and Use Rights of RMB14,317,000 less the survey appraisal fee paid by purchaser on behalf of vendor for RMB120,000, will be paid within 10 days upon completion of the Acquisition when the forest ownership certificate is issued to the Purchaser.
- (c) RMB5,463,000 as the Forest Land Use Right will be paid in whole on or before 10 March 2007.

The consideration of the Acquisition was determined after arm's length negotiation between the Vendor and the Purchaser.

Completion of the Transfer Agreement

The completion of the Transfer Agreement is subject to the issuance of the forest ownership certificate to the Purchaser.

REASONS FOR AND BENEFITS OF THE TRANSFER AGREEMENT

The Group is principally engaged in design, manufacture and sale of quality men's and ladies' wear and apparel items, manufacture uniforms for government authorities, state enterprises and other corporate customers, and investment holding.

In order to complement with the highly competitive apparel market, the Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of its shareholders. The Company takes initiative in identifying business opportunities in new emerging industries that will broaden its revenue sources. In the second quarter of 2006, the Company has successfully diversify its business into ecology forestry business in PRC through the acquisition of Beijing WFC, details of such acquisition has been set out in the Company's circular to Shareholders dated 18 April 2006.

On 12 October 2006, the Company announced the Proposed Cooperation with PengShui County Forestry Bureau. In accordance with the Proposed Cooperation, Beijing WFC will provide the genetically modified tree specie *Broussonetia payriferalvent* and technical support for plantation of the tree specie in the PengShui County; and the PengShui County Forestry Bureau will provide assistance to Beijing WFC in the procurement of forest land of no less than 300,000 Chinese Mu by area for the purpose of field plantation. The Directors consider the Proposed Cooperation would enlarge the portfolio in the Company's diversified ecological forestry business and improve the Group's earning's base and asset quality. The Transfer Agreement was entered pursuant to the Proposed Cooperation for the formal transfer of partial of the forest land contemplated under the Proposed Cooperation. Negotiation and other processes for identifying suitable locations are underway for the remaining forest land to be transferred which is subject to formal agreements and the finalization of the terms and conditions thereof.

GENERAL

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

As at the date of this announcement, the Directors of the Company comprises of Mr. Ng Leung Ho, Ms. Lee Ming Hin, Mr. Hu Xiaoming and Mr. Ge Wen Hong being the executive Directors, and Mr. Lo Cheung Kin, Mr. Zhou Zi Ping and Mr. Zhu Jian Hong being the independent non-executive Directors.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Acquisition”	the acquisition of the Leasehold Forest Land for a term of 70 years from 14 January 2007 to 14 January 2077
“Board”	the board of Directors
“Company”	China Grand Forestry Resources Group Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Leasehold Forest Land”	Leasehold interest in Maoyunshan State-run forest of the Pengshui Miao and Tujia Autonomous County of the ChongQing City with a total area of 1,734.2 hectares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Proposed Cooperation”	the proposed arrangement under the cooperative framework agreement 12 October 2006 whereby the PengShui County Forestry Bureau will provide assistance to Beijing WFC in the procurement of forest land of no less than 300,000 Chinese Mu by area for the purpose of field plantation; and Beijing WFC provide the genetically modified tree specie <i>Broussonetia papyrifera</i> and technical support for plantation of the tree specie in the PengShui County
“Purchaser”	北京萬富春森林資源發展有限公司 (Beijing Wan Fu Chun Forest Resources Development Company Limited), a 70% owned subsidiary of the Company

“Rights”	Forest Land Use Right (林地使用權), Forest Tree Ownership (林木所有權) and Forest Tree Use Right (林木使用權)
“Shareholder(s)”	shareholders of the Company
“Shares”	shares of the Company
“Transfer Agreement”	the agreement of 15 January 07 entered into between the Purchaser and the Vendor for the Acquisition
“PengShui County”	the Pengshui Miao and Tujia Autonomous County of the ChongQing City; the PRC

By Order of the Board
**CHINA GRAND FORESTRY
RESOURCES GROUP LIMITED**
Ng Leung Ho
Chairman

Hong Kong, 15 January 2007

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.