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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)

- (1) PLACING OF EXISTING SHARES;
(2) SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE;
AND
(3) RESUMPTION OF TRADING**

PLACING AGENT



KINGSTON SECURITIES LIMITED

The Chairman of the Company was approached by the underwriter at 9:00 a.m. on 15 January 2007 regarding the possible share placement and on 16 January 2007, the Vendor entered into the Placing Agreement and the Subscription Agreement with the Placing Agent and the Company respectively. Pursuant to the Placing Agreement, the Vendor has agreed to place, through the Placing Agent, 400,000,000 Placing Shares, on a fully underwritten basis, to not fewer than six independent institutional, corporate or individual investors at a price of HK\$1.15 per Share. Pursuant to the Subscription Agreement, the Vendor conditionally agreed to subscribe for 400,000,000 Subscription Shares at a price of HK\$1.15 per Share.

The Placing Shares and the Subscription Shares represent (i) about 8.58% of the existing issued share capital of the Company comprising 4,662,807,600 Shares as at the date of this announcement and (ii) about 7.90% of the issued share capital of the Company as enlarged by the Subscription comprising 5,062,807,600 Shares.

The Placing Price and the Subscription Price of HK\$1.15 represents a discount of 6.50% to the benchmarked price of the Shares, which is the higher of i) the closing price of HK\$1.23 on 15 January 2007, being the closing price before the suspension of the Shares; and ii) the average closing price of HK\$1.132 in the last 5 trading days prior to the date of the Placing Agreement. The Placing Price and the Subscription Price of HK\$1.15 represents a premium of 5.50% to the average closing price of HK\$1.09 in the last 10 trading days prior to the date of the Placing Agreement.

The Subscription is conditional upon the Stock Exchange granting the listing of, and the permission to deal in, the Subscription Shares.

The gross proceeds from the Subscription will be approximately HK\$460 million. The net proceeds from the Subscription of about HK\$448 million will be used for i) further expansion of the forestry business thereby improving its production facilities when suitable investment opportunities arise and ii) general working capital purpose. The Company has not yet identified any possible target projects and is not in discussion with any parties for possible negotiation. The net proceeds raised per Share upon the completion of the Placing and the Subscription will be about HK\$1.12 per Share. The Directors also confirms that the monetary value of the net proceeds to be allocated for each proposed usage is not yet determined as the Company has not yet identified any possible investment projects and the Company will make further announcement to notify the Shareholders in the event that the monetary value of the net proceeds to be allocated for each proposed usage is determined.

* *for identification purposes only*

Further clarification

From 8:01 p.m. on 12 January 2007 till 8:59 a.m. on 15 January 2007, the Board confirmed that there was no negotiations or agreements relating to any acquisitions or realizations which were discloseable under rule 13.23 of the Listing Rules, neither was the Board aware of any matter discloseable under the general obligation imposed by rule 13.09, which was or might be of a price-sensitive nature.

RESUMPTION OF TRADING

Trading in the Shares was suspended with effect from 2:30 p.m. on Monday, 15 January 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 Wednesday, 17 January 2007.

THE PLACING AGREEMENT**Date**

16 January 2007

Parties involved

The Placing Agent and the Vendor

Placing Agent

Kingston Securities Limited is the Placing Agent and will receive a placing commission of 2.5% on the gross proceeds of the Placing paid by the Company, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent and its ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and its connected persons as well as the Subscriber and its ultimate beneficial owner.

The board of directors (including independent non-executive directors) is of the view that the placing commission of 2.5% is fair and reasonable.

Placees

The Placing Shares will be placed to not fewer than six placees who are institutional or corporate or individual investors. All the placees and their respective ultimate beneficial owners (i) will not be connected persons of the Company (within the meaning ascribed thereto in the Listing Rules); and (ii) is independent of and not connected with the Company and its connected persons.

Placing Price

The Placing Price of HK\$1.15 represents a discount of 6.50% to the benchmarked price of the Shares, which is the higher of i) the closing price of HK\$1.23 on 15 January 2007, being the closing price before the suspension of the Shares; and ii) the average closing price of HK\$1.132 in the last 5 trading days prior to the date of the Placing Agreement. The Placing Price and the Subscription Price of HK\$1.15 represents a premium of 5.50% to the average closing price of HK\$1.09 in the last 10 trading days prior to the date of the Placing Agreement.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including independent non-executive directors) consider that the terms of the Placing are fair and reasonable based on the current strong market conditions and the needs for further strengthening the general working base of the Group and in the interests of the Company and its Shareholders as a whole.

The Placing Shares

The Placing Shares represent (i) about 8.58% of the existing issued share capital of the Company of 4,662,807,600 Shares as at the date of this announcement; and (ii) about 7.90% of the issued share capital of the Company of 5,062,807,600 Shares as enlarged by the Subscription.

Ranking of Placing Shares

The Placing Shares will rank, upon issue, pari passu in all respect with the Shares in issue on the date of allotment and issue of the Placing Shares.

Condition of the Placing

The Placing is unconditional.

THE SUBSCRIPTION AGREEMENT**Date**

16 January 2007

Parties involved

The Company and the Vendor

The Subscriber

The Vendor holds 960,000,000 Shares in the Company as at the date of this announcement, representing about 20.59% of the Company's existing issued share capital comprising 4,662,807,600 Shares as at the date of this announcement. Upon completion of the Placing and the Subscription, the Vendor will hold about 18.96% of the issued share capital of the Company comprising 5,062,807,600 Shares as enlarged by the Subscription.

The Subscription Price

The Subscription Price is HK\$1.15 per Share. The Subscription Price is equivalent to the Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to, among other things, the Placing Price of the Placing Shares.

Number of Subscription Shares

The Subscription Shares represent (i) about 8.58% of the existing issued share capital of the Company as at the date of this announcement comprising 4,662,807,600 Shares; and (ii) about 7.90% of the issued share capital of the Company as enlarged by the Subscription comprising 5,062,807,600 Shares.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions

The Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Subscription Shares;
- (b) completion of the Placing; and
- (c) the Company obtaining all consents and approvals from the relevant authorities, if applicable, to allot, issue and subsequent transfer of the Subscription Shares.

The Subscription Agreement does not provide either party the rights to waive the above conditions.

Completion

Under the Listing Rules, the Subscription must be completed within 14 days from the date of the Subscription Agreement, that is, on or before 30 January 2007.

In the event that the conditions to the Subscription Agreement are not fulfilled by 30 January 2007, the Company and the Vendor may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules, to postpone completion of the Subscription to a later date to be agreed between the Company and the Vendor.

APPLICATION FOR LISTING

Application will be made by the Company to the listing committee of the Stock Exchange for the granting of the listing of, and the permission to deal in, the Subscription Shares.

GENERAL MANDATE

The Subscription Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with a maximum of 932,561,520 Shares or 20% of the existing issued share capital of the Company, granted to the Directors by a resolution passed at the Company's annual general meeting held on 28 November 2006. As at the date of this announcement, the existing general mandate has not been utilized.

EFFECTS ON SHAREHOLDING STRUCTURE

	Before Placing and Subscription Shares (approximately)		Immediately After Placing but before Subscription Shares (approximately)		After Placing and Subscription Shares (approximately)	
Mr. Ng Leung Ho (Note 1)	1,050,236,000	22.52%	650,236,000	13.95%	1,050,236,000	20.74%
Public						
– existing	3,612,571,600	77.48%	3,612,571,600	77.48%	3,612,571,600	71.36%
– Placées (Note 2)			400,000,000	8.57%	400,000,000	7.90%
Subtotal	<u>3,612,571,600</u>	<u>77.48%</u>	<u>4,012,571,600</u>	<u>86.05%</u>	<u>4,012,571,600</u>	<u>79.26%</u>
	<u>4,662,807,600</u>	<u>100.00%</u>	<u>4,662,807,600</u>	<u>100.00%</u>	<u>5,062,807,600</u>	<u>100.00%</u>

Note:

- As at the date of this announcement, Mr. Ng Leung Ho is beneficially interested in an aggregate of 1,050,236,000 Shares comprising (i) corporate interest in 960,000,000 Shares held through Golden Prince Group Limited, the Vendor, which is wholly owned by Mr. Ng Leung Ho; and (ii) personal interest in 90,236,000 Shares.
- Such Placing Shares would be allotted and issued upon completion of the Placing.

As the date of this announcement, the existing authorised share capital of the Company comprises 6,500,000,000 Shares out of which 4,662,807,600 Shares are issued and fully paid up.

USE OF PROCEEDS

The gross proceeds from the Placing will be HK\$460 million. The expenses of approximately HK\$12 million in relation to the Placing and the Subscription will be borne by the Company. The net proceeds raised per new Share upon the completion of the Placing and the Subscription will be approximately HK\$1.12 per Share. The net proceeds of about HK\$448 million from the Placing and the Subscription will be used for i) further expansion of the forestry business thereby improving its production facilities when suitable investment opportunities arise and ii) general working capital purpose. The Directors confirm that the monetary value of the net proceeds to be allocated for each proposed usage is not yet determined as the Company has not yet identified any possible investment projects and the Company will make further announcement to notify the Shareholders in the event that the monetary value of the net proceeds to be allocated for each proposed usage is determined.

REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Directors consider the timing of the fund raising by the Placing and the Subscription is appropriate as the recent stock market has shown strong sentiment and the Placing will be attractive to the potential investors for the potential business opportunities of the Company. The Directors consider that notwithstanding that the Placing and the Subscription will result in the dilution of the existing shareholding interest of the Shareholders, the Placing and the Subscription represent an opportunity to raise capital for the Company to further expand the existing business and enhance the general working capital of the Group.

FURTHER CLARIFICATION

From 8:01 p.m. on 12 January 2007 till 8:59 a.m. on 15 January 2007, the Board confirmed that there was no negotiations or agreements relating to any acquisitions or realizations which were discloseable under rule 13.23 of the Listing Rules, neither was the Board aware of any matter discloseable under the general obligation imposed by rule 13.09, which was or might be of a price-sensitive nature.

RESUMPTION OF TRADING

Trading in the Shares was suspended with effect from 2:30 p.m. on Monday, 15 January 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 Wednesday, 17 January 2007.

GENERAL

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.

The Directors (including independent non-executive directors) consider the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Subscription Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares.

There are no capital raising activities of the Company for the 12 months immediately before the date of this announcement.

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.

TERMS AND DEFINITION

“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
“Director(s)”	director(s) including independent non-executive director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of 400,000,000 Shares which are owned by the Vendor pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in types 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	an unconditional placing agreement entered into between the Vendor and the Placing Agent dated 16 January 2007 in relation to the Placing
“Placing Price”	HK\$1.15 per Share
“Placing Shares”	a total of 400,000,000 Shares which are beneficially owned by the Vendor, to be placed pursuant to the Placing Agreement
“Shares”	ordinary shares of HK\$0.1 in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement entered into between the Company and the Vendor dated 16 January 2007 in relation to the Subscription
“Subscription Price”	HK\$1.15 per Share
“Subscription Shares”	a total of 400,000,000 new Shares which are to be subscribed by the Vendor pursuant to the Subscription Agreement
“the Vendor”	Golden Prince Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Mr. Ng Leung Ho, the Director and it is also the largest Shareholder holding about 20.59% of the issued share capital of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 16 January 2007

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