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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 10 FOREST LAND – HE ZHOU CITY

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 13 February 2007, Beijing WFC has entered into the Transfer Agreement for acquiring 10 leasehold forest land in the PRC at a cash consideration of RMB70,227,500. The Transfer Agreement was entered pursuant to the Proposed Cooperation, as previously announced by the Company on 25 September 2006.

THE TRANSFER AGREEMENT

Date : 13 February 2007

Vendor : 賀州市盛東林業開發有限責任公司

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

Leasehold : Leasehold interest in 10 forest land in He Zhou City, Guangxi Province with total land area of 100,325 Chinese Mu and volume of timber vested with the forest land of 816,244 cubic meters

Lease term : Pursuant to the Transfer Agreement, the Purchaser is entitled to exercise the Rights of the various Leasehold Forest Land for terms up to 49 years from 13 February 2007 to 12 February 2056

Consideration : RMB70,227,500.

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) RMB 4,000,000 as initial deposit payable to the Vendor upon signing of the Transfer Agreement.

(b) RMB38,000,000 as the partial of the consideration will be paid within 7 days upon completion of the Acquisition when the forest ownership certificate is issued to the Purchaser.

(c) RMB28,227,500 as the remaining balance of the consideration will be paid before 31 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. 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.

On 25 September 2006, the Company announced the Proposed Cooperation with He Zhou City Forestry Bureau. In accordance with the Proposed Cooperation, Beijing WFC will provide the genetically modified tree specie *Broussonetia papyrifera* and technical support for plantation of the tree specie in the Guangxi Province; the PRC, and the He Zhou City Forestry Bureau will provide assistance and favorable policy incentives to Beijing WFC in the procurement of forest land of no less than 3,000,000 Chinese Mu by area for the purpose of field plantation and the establishment of a processing base for timber and wood pulp accompanying sapling fostering facilities. 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. Zou 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 10 Leasehold Forest Land for terms up to 49 years from 13 February 2007 to 12 February 2056
"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 State-run forest of He Zhou City of the Guangxi Province, the PRC with a total area of 100,325 Chinese Mu
"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 of 23 September 2006 whereby the He Zhou City of the Guangxi Province Forestry Bureau will provide assistance and favorable policy incentives to Beijing WFC in the procurement of forest land of no less than 3,000,000 Chinese Mu by area for the purpose of field plantation and the establishment of a processing base for timber and wood pulp accompanying sapling fostering facilities; and Beijing WFC provide the genetically modified tree specie <i>Broussonetia papyrifera</i> and technical support for plantation of the tree specie in Guangxi Province; the PRC
“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
“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 13 February 2007 entered into between the Purchaser and the Vendor for the Acquisition
“He Zhou City Forestry Bureau”	the Forestry Bureau of the He Zhou City of the Guangxi Province; the PRC

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

Hong Kong, 13 February 2007

* *For identification purpose only*

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