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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)

**Entering into cooperation agreement regarding
PRC's tree planting afforestation and the launching
of carbon sequestration emission reduction**

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

The Board hereby announces the entering into of the carbon sequestration emission reduction cooperation agreement with China CDM Exchange Centre Ltd, pursuant to which both parties wish to capitalize on their respective advantageous edges, so to commence overall cooperation in areas of carbon sequestration and emission reduction in the PRC's forestry and afforestation, exploring the emission reduction market in the joint utilization of PRC's afforestation industry and forest estate industry.

The Board hereby announces the entering into of the carbon sequestration emission reduction cooperation agreement with China CDM Exchange Centre Ltd, pursuant to which both parties wish to capitalize on their respective advantageous edges, so to commence overall cooperation in areas of carbon sequestration and emission reduction in the PRC's forestry and afforestation, exploring the emission reduction market in the joint utilization of PRC's afforestation industry and forest estate industry. Details of the carbon sequestration emission reduction cooperation agreement are as follows:

Carbon sequestration emission reduction cooperation agreement

Date: 31 May 2007

Parties:

- (A) the Company and
- (B) China CDM Exchange Centre Ltd, an independent third party, and not connected with the Company and its connected person (as defined in the Listing Rules) and is not a connected person (as defined in the Listing Rules) of the Company.

Major content of the agreement

1. The Group mainly participates in the joint utilization of forestry afforestation and forest estate, whilst China CDM Exchange Centre Ltd mainly participates in businesses including authentication, registration, transaction and delegated transaction, investment, consultancy services in relation to the Clean Development Mechanism strategies. Both parties wish to capitalize on their respective advantageous edges, so to commence overall cooperation in areas of carbon sequestration and emission reduction of the PRC's forestry and afforestation, exploring the emission reduction market in the joint utilization of PRC's afforestation industry and forest estate industry.

2. Scope of cooperation

- (1) a strategy under the afforestation strategy enabling the launching of forest carbon sequestration emission reduction work in PRC;
- (2) a relevant strategy under the joint utilization of forest resource in PRC involving emission reduction;
- (3) emission reduction strategy in relation to green city environment governance in PRC;
- (4) carbon sequestration emission reduction strategy in relation to anti-rock-desert campaign in PRC;
- (5) carbon sequestration emission reduction project within the business scope of forestry industry in other regions in PRC;
- (6) carbon sequestration emission reduction project associated with the Company and its associated cooperations

3. Cooperation Modes

In the scope of cooperation all carbon sequestration emission reduction project cooperations owned by the Company and its associated cooperations (the “First Cooperation Mode”).

In the scope of cooperation all carbon sequestration emission reduction project cooperations not owned by the Company and its associated cooperations (the “Second Cooperation Mode”).

4. Revenue Distribution

Under the First Cooperation Mode, the distribution is in the ratio as to 95% for the Company and 5% for China CDM Exchange Centre Ltd.

Under the Second Cooperation Mode, the revenue is distributed equally between the Company and China CDM Exchange Centre Ltd.

5. Both parties agreed to treat the counterparty as its sole cooperation partners in the world regarding the launching of forestry carbon sequestration emission reduction.
6. Term of agreement
The valid contract period is 20 years, from 31 May 2007 to 31 May 2027.

Reasons and benefits of the signing of cooperation agreement

The directors believe that the carbon sequestration emission reduction cooperation agreement will further expand the scope of the Company's diversified ecological afforestation business, and improve and enhance the profit base and asset quality of the Group, which is in the best interest of the shareholders of the Company. The Company is actively identifying business opportunities among this emerging field of business, seeking to broaden its income source.

General

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

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	China Grand Forestry Resources Group Limited, a limited liability company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China
“Share(s)”	the shares of the Company
“Shareholder(s)”	the shareholders of the Company
“the Clean Development Mechanism”	a project under the framework of Kyoto Protocol, aiming to resolve the global warming issue, and to reduce and prohibit the worldwide emission of greenhouse gas
“the Forest Carbon Sequestration”	a type of emission reduction strategy among various kinds of strategies already underway within the framework of the Clean Development Mechanism, upon which carbon dioxide will be naturally absorbed through the natural process of photosynthesis by means of afforestation and fostering forestry projects, and greenhouse gas will be reduced through such the projects

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

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

Hong Kong, 31 May 2007

** For identification purpose only*

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