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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: 00910)

ENTERING INTO STRATEGIC COOPERATION AGREEMENT REGARDING THE SUPPLY OF PAPER-MAKING RAW MATERIALS

The Board announces the entering into a strategic cooperation agreement regarding the supply of paper-making raw materials with Lee & Man Paper Manufacturing Limited, pursuant to which both parties wish to capitalize on their respective advantageous edges, so to fulfill strategic cooperation in related businesses of the supply of paper-making raw materials.

The Board announces the entering into a strategic cooperation agreement (“SCA”) regarding the supply of paper-making raw materials with Lee & Man Paper Manufacturing Limited, pursuant to which both parties wish to capitalize on their respective advantageous edges, so to fulfill strategic cooperation in related businesses of the supply of paper-making raw materials. Details of the SCA on the supply of paper-making raw materials are as follows:

THE SCA REGARDING THE SUPPLY OF PAPER-MAKING RAW MATERIALS

Date: 16 October 2007

Parties:

- (1) Party A: The company; and
- (2) Party B: Lee & Man Paper Manufacturing Limited (a Hong Kong listed company), 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) Cooperation content

1. Both parties agreed to use the forest resources owned by Party A as one of the main supply bases for paper-making raw materials of Party B.

* *For identification purpose only*

2. Both parties agreed that Party A will build on a tailor-made basis pulp raw materials supply base according to Party B's demand pursuant to the geographic position of Party B's plant and their final products to be produced, which including but not limited to:
 - (i) According to the proportion of lead time, place, quantity and tree types regarding the supply of raw materials as determined by both parties, construct a raw materials forestry base exclusively owned by Party B and matched with the pulp used by Party B.
 - (ii) Trunks of Paper mulberry trees, being Party A's major supply type for pulp raw materials, will function as the major raw material tree type and major supply volume for the pulp plant constructed or to be constructed of Party B.
 - (iii) Party A preferred and exclusively provides middle and mini size trunks (raw trunks) especially used for paper-making as demanded by Party B within 500 kilometers around the Party B's plant.
 - (iv) Both Party A and Party B collectively develop innovative design and explore brand-new skills and proprietary technology.
 - (v) Party A develops customized forestry operations such as plantation, management and maintenance, logging on the forest land provided by Party B.
3. Both Parties are willing to develop deeper, comprehensive, large-scaled and high-level cooperation on the industrialization in integration of forestry, pulp- and paper-making.

(2) Cooperation Contract

Both parties have to enter into another contract in accordance with the difference in the scope and contents of cooperation to confirm relevant terms and rights and obligations, which will be regarded as one of the supplementary agreements taken effect by this SCA.

REASONS AND BENEFITS OF THE SIGNING OF SCA

The Directors believe that the SCA regarding the supply of paper-making raw materials will further expand the scope of the Company's diversified ecological afforestation business, and improve and enhance the profit base, which is in the best interest of the shareholders of the Company.

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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	the share(s) of the Company

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

Hong Kong, 16 October 2007

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 Xiaoming and Mr. Cheung Wai Tak being the executive directors of the Company, and Mr John MacMillan Duncanson being the non-executive director of the Company, and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong being the independent non-executive directors of the Company.

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