



**CHINA GRAND FORESTRY RESOURCES GROUP LIMITED**

**中國林大資源集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**Announced a Placement of 400,000,000 Existing Shares  
And Subscription of New Shares**

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**Gross Proceeds of HK\$ 460,000,000  
To Further Enhance the Group's Forestry Business**

(Hong Kong, 17 January 2007) China Grand Forestry Resources Group Limited ("CH GRAND FOREST" or the "Group") (SEHK: 910) announced that on 16 January 2007, Golden Prince Group Limited (the "vendor"), which is wholly-owned by Mr. Ng Leung Ho, the Group's Chairman, entered into a placing agreement and subscription agreement with Kingston Securities Limited ("placing agent") and the Group 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 ("placees") 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 gross proceeds from the subscription will be HK\$460,000,000 approximately, of which the net proceeds of approximately HK\$448,000,000 will be used for further expansion of the forestry business thereby improving its production facilities when suitable investment opportunities arise and general working capital purpose.

The Group has resumed the trading in the shares with effect from 9:30 a.m. today.

The placing and subscription shares represent approximately 8.58% of the existing issued share capital of the Group of 4,662,807,600 shares, and approximately 7.90% of the issued share capital of the Group of 5,062,807,600 shares as enlarged by the subscription. The vendor holds 960,000,000 shares in the Group as at the date of this announcement, representing about 20.59% of the Group's existing issued share capital. Upon the completion of the placement and the subscription, the vendor will hold about 18.96% of the issued share capital as enlarged by the subscription.

The placing and subscription price of HK\$1.15 represents a discount of 6.50% to the benchmarked price of the shares of HK\$1.23, 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 and 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.

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. Otherwise, the Group 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 Group and the vendor.

Effects on shareholding structure immediately after the placing and subscription:

	Before Placing and Subscription		Immediately After Placing but Before Subscription		After Placing and Subscription	
	Shares	(approx.)	Shares	(approx.)	Shares	(approx.)
Mr. Ng Leung Ho*	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%
- Placees			400,000,000	8.57%	400,000,000	7.90%
Subtotal	3,612,571,600	77.48%	4,012,571,600	86.05%	4,012,571,600	79.26%
	4,662,807,600	100%	4,662,807,600	100%	5,062,807,600	100%

\* 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.

Mr. Ng Leung Ho, Chairman of the Group, said, “We are delighted that the placement has received an overwhelming response from investors. This is a strong vote of confidence in the growth outlook of the Group’s forestry business. Capitalizing on the great opportunities of opening forestry policy by the PRC Central Government, the placement and subscription offers additional capital for further enhancement of the Group’s forestry business to accelerates the progress of land acquisitions nationwide and enrich the Group’s land resources. It also contributes to further expanding the Group’s forestry business, improving profit and asset quality, thus consolidating the Group’s leading position in the ecological forestry business and obtaining greater returns to its shareholders.”

**About China Grand Forestry Resources Group Limited (SEHK: 910)**

The Group is an investment company that was originally engaged in the design, manufacture and sale of quality men's and women's wear and accessories. In the second quarter of 2006, the Group has successfully transformed its business into ecology forestry business in the PRC through the acquisition of Beijing Wan Fu Chun Forest Resources Development Company Limited. In view of the enormous market demand of raw materials for the paper making industry in the PRC, the Group believes that the ecological forestry business is a unique opportunity with favorable long-term prospect. The Group is committed to developing ecological forestry business and becoming the industry leader.

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Released by the **Elite Communications Group Limited** for and on behalf of **China Grand Forestry Resources Group Limited**. For further information, please contact:

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