

For Immediate Release



CHINA GRAND FORESTRY RESOURCES GROUP LIMITED

中國林大資源集團有限公司

(Incorporated in Bermuda with limited liability)

**Announces Its Unaudited Interim Results for the 6 Months Ended 31 December 2006
Turnover Increased by 4 Times to HK\$367 Million
Profit Attributable to Shareholders Increased by 66 Times to HK\$165 Million**

**CAPITALIZES ON THE OPPORTUNITIES FROM REFORMS OF FORESTRY INDUSTRY
TO CONSOLIDATE ITS LEADING POSITION IN THE INDUSTRY**

Financial Highlights	For 6 Months Ended 31 December (HK\$ million)		
	2006	2005	Changes
Turnover	367	72	+ 4 times
Gross Profit	255	15	+ 16 times
Profit attributable to shareholders	165	2	+ 66 times
Earning per Share - Basic	HK 3.74 cents	HK 0.08 cent	+ 46 times

(Hong Kong, 23 March 2007) **China Grand Forestry Resources Group Limited** (“CH GRAND FOREST”, or the “Group”) (SEHK: 910) announced its unaudited interim results for the 6 months ended 31 December 2006 (the “Period”).

During the Period, the Group’s turnover amounted to HK\$366,551,000 (2005: HK\$72,422,000), representing a 4 times increase over the corresponding period of last year. Profit attributable to shareholders is HK\$ 164,752,000 (2005: HK\$2,453,000). Basic earning per share is HK 3.74 cents (2005: HK 0.08 cent). Profit attributable to shareholders adjusted for gain from changes in fair value of biological assets amounted to HK\$ 92,470,000. During the Period, the Group operates its ecological forestry business by holding 70 per cent effective equity interest in Beijing Wan Fu Chun Forest Resources Development Company Limited (“Beijing WFC”), which is principally engaged in the business of tree planting and management, manufacture and distribution of forest products such as timber and bark materials. The turnover and profit contribution from the ecological forestry business was consolidated into the Group accounts for the whole Period, leading to the increase in both turnover and profit. During the Period, the Group’s ecological forestry business and garment business represent 80% and 20% of the Group’s turnover respectively.

Mr. Ng Leung Ho, Chairman of the Group, said, “The interim results is very encouraging, further proves the Group’s correct decision of entering ecological forestry business. Capitalizing on the strong demand of timber in the PRC market, the Group’s ecological business is tapping into its track. On the completion of acquisition of the remaining 30% equity interest of Beijing WFC in early this year, the ecological forestry business will have greater contribution towards the Group in the future.”

Business Review

The Ecological Forestry Business

During the Period, the Group’s share in net profit contribution from Beijing WFC attributable to the Group’s shareholders amounted to approximately HK\$161,200,000. The profit contribution arose mainly from the sale of timber and sale of paper mulberry sapling. The turnover from the sale of timber and sale of paper mulberry sapling during the Period were approximately HK\$181,700,000 and HK\$78,700,000 respectively. During the Period, the profit margin from the sale of timber was improved because of the increase in the timber unit selling prices by approximately 10% and the effective cost control after the enhancement of the management team. The sale of timber recognized during the Period was mainly arising from Miaowan Forest Land in Hunan Province and Shanxi Xiyang Dongfeng Forest Farm in Shanxi Province only.

In addition to the direct sale of saplings, during the Period Beijing WFC has planted the modified tree specie *Broussonetia Papyriferalvent*. The plantation works was carried out in a leasehold agricultural premise in the Shandong province and also certain other leased premises in other regions of the PRC. Based on professional survey performed, as at 31 December 2006, Beijing WFC has planted approximately 81,100,000 of the modified tree specie *Broussonetia Papyriferalvent*. As the growth of the *Broussonetia Papyriferalvent* was still in continuance and has not reached their optimal stage for harvest, no harvesting of the modified tree specie and sale of the collectible timber has been made during the Period. The flocks of living modified tree specie *Broussonetia Papyriferalvent* of different maturities grown thereon was assessed to have an aggregated volume of bark and trunk of approximately 3,814 net tons and 33,090 net tons respectively. As at 31 December 2006, the Group has approximately 122,900,000 of paper mulberry saplings to be planted in various forestry land contracted.

The Garment Business

The Group's core garment business consisted of the design, manufacture and sale of a range of high-end apparel and uniforms. The PRC market remained the most important market segment, accounting for over 90 per cent of the Group's total garment sales. During the Period, the turnover generated from the garment business remains stable, and amounted to approximately HK\$72,000,000.

Mr. Ng concluded, "The reform of the PRC forestry industry has lifted previous confinements to participation. We are of the opinion that the Group stands to benefit from opportunities arising from the new development of the conversion of State-owned forest fields and the incentives provided to encourage domestic and foreign participation in the industry. The inceptions of the various Agreements enable the Group to mark its territory and erect a barrier to competition to the forestry land resources, thereby secure the benefits conferred by the new development. Currently, the Group obtained sufficient land resources through entering into letters of intent with various forestry bureaus with total land area exceeding 11,000,000 Chinese mu, acquisition of forest land of approximately 455,000 Chinese mu, and the forest land located in Shandong Province and Shanxi Province of a total area of 347,000 Chinese mu which gained through the acquisition of Beijing WFC. The Group also changed its company name to 'China Grand Forestry Resources Group Limited', signifying the Group's focus on ecological forestry business. Armed with the Group's strong financial foundation, the Group will accelerate its progress in land acquisition, further expand the business model of ecological forestry business, such as pulp making, and explore both domestic and overseas markets.

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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