



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 Annual Results for the 9 Months Ended 31 March 2007
Profit Attributable to Shareholders Increased by 14.9 Times to HK\$1,319 Million
Turnover Increased by 1.3 Times to HK\$829 Million**

**SUSTAINABLE FOREST RESOURCES DEVELOPMENT AS CORE BUSINESS
PROACTIVE BUSINESS DIVERSIFICATION FOR INTEGRATED FORESTRY BUSINESS**

<u>Financial Highlights</u>	(HK\$ million)		
	9 Months Ended 31 March 2007	12 Months Ended 30 June 2006	Changes
Turnover	829	361	+ 1.3 times
Gross profit (Gross profit margin)	530 (64%)	194 (54%)	+ 1.7 times
Profit attributable to shareholders	1,319	83	+ 14.9 times
Earning per share - Basic	HK 28.82 cents	HK 2.72 cent	+ 9.6 times

(Hong Kong, 10 July 2007) **China Grand Forestry Resources Group Limited** (“CH GRAND FOREST”, or the “Company”) (SEHK: 910) announces the annual results of the Company and its subsidiaries (the “Group”) for the 9 months ended 31 March 2007 (the “Year”).

During the Year, the Group’s turnover amounted to HK\$829,918,000, representing an increase of 1.3 times over the year ended 30 June 2006 (the “Previous Year”). Gross profit and profit attributable to shareholders were approximately HK\$530,335,000 and HK\$1,319,310,000 respectively, representing a growth of 1.73 times and 14.9 times respectively over the Previous Year. Basic earnings per share amounted to HK28.82 cents, representing an increase of 9.6 times over the Previous Year. During the Year, the Group’s other net gain amounted to approximately HK\$1,141,730,000, including the gain arising from changes in fair value less estimated point-of-sale costs of biological assets which was approximately HK\$1,117,515,000. Excluding the revaluation gain of biological assets of approximately HK\$1,117,515,000, the related deferred taxation and minority interests, the Group’s profit attributable to shareholders during the Year was approximately HK\$298,000,000.

During the Year, the Group actively pursued the opportunities of acquiring long lease-term forest lands, and the lands so acquired, coupled with forest lands previously acquired was over 1,000,000 Chinese Mu as at 31 March 2007. In addition, the turnover and profit derived from the ecological forestry business was consolidated into the Group accounts for the Year. The increase in turnover and profit of the Group was mainly attributable to its ecological forestry business. During the Year, the Group’s ecological forestry business and garment business accounted for approximately 88% and 12%, respectively, of the Group’s total turnover.

Mr. Ng Leung Ho, Chairman of the Group, said, “We are delighted to announce the encouraging results for the Year. It further proves the success of the Group’s participation in the ecological forestry business. The booming economy in the People’s Republic of China (the “PRC”) and buoyant market demand for wood products created a favorable business environment for the Group, which added strong impetus to our business development. Moreover, with the further integration of the forestry industry in the PRC, the Group seized various tremendous opportunities to acquire premier forest resources, expanded the forest areas under its management and increased its forest resources reserves. Going forward, sustainable development and utilization of forest resources will remain our core business philosophy. Our operation chain involves saplings growth, construction of fast-growing and high-yield plantation and low-yield plantation improvement. Moreover, the Group will take proactive steps to examine the opportunities in the pulp production industry chain and commence its research and development programme on biomass energy. Besides, through large-scale forestation, the Group will contribute to environmental protection undertakings such as carbon mitigation. The Group will strive to strengthen its core competitiveness continuously so as to bring added-value to our shareholders.”

Business Review

Total Sales	(HK\$ million)		
	9 Months Ended 31 March 2007	12 Months Ended 30 June 2006	Changes
Ecological Forestry Business	733	220	+2.3 times
Garment Business	96	142	-0.3 times

The ecological forestry business

The Group's business operation in the ecological forestry business was carried out by Beijing Wan Fu Chun Forest Resources Development Company Limited ("Beijing WFC"). During the Year, the Group's share in the net profit of Beijing WFC which was attributable to the Company's shareholders amounted to approximately HK\$1,351,416,000. The turnovers from the sale of timber and sale of paper mulberry saplings during the Year were approximately HK\$587,947,000 and HK\$145,179,000 respectively.

1) Sales of timber

During the Year, the profit margin from the sale of timber was improved owing to an increase in the average selling price of the timber and the effective cost control by the Group as a result of the improvement in its management. The timber sold during the Year mainly came from Miaowan Forest Farm, Baiyunshan Forest Farm, Shizhu Forest Farm, Leimaping Forest Farm, Ruicheng Forest Farm and Shanxi Xiyang Dongfeng Forest Farm.

2) Plantation of modified tree specie Broussonetia Papyriferalvent

During the Year, Beijing WFC planted the modified tree specie Broussonetia Papyriferalvent in various saplings centre and forest lands. Based on a survey performed by a professional institution, as at 31 March 2007, Beijing WFC had planted over 91 million of the modified tree specie Broussonetia Papyriferalvent. As the growth of the Broussonetia Papyriferalvent continued and has not reached their golden harvest stage, no felling of this modified tree specie nor sale of the collectible timber was made during the Year. It was estimated that the aggregate volume of bark and trunk of the living modified tree specie Broussonetia Papyriferalvent of different maturities planted by Beijing WFC were approximately 10,497 net tons and 85,384 net tons respectively.

3) Forest land resources

During the Year, the Group actively pursued the opportunity of acquiring forest lands. As at 31 March 2007, the long lease-term forest lands so acquired, coupled with the forest lands previously acquired by the Group was over 1,000,000 Chinese Mu. The lease periods of the forest lands range from 20 years to 70 years. The Group had received the forest ownership certificates or other title documents in respect of an area of 273,191 Chinese Mu of the lands as at 31 March 2007. Application for the forest ownership certificates in respect of the remaining forest lands has been made.

4) Value of biological assets

Biological assets of the Group include paper mulberry saplings, paper mulberry trees and other trees. The values of such assets amounted to approximately HK\$21,781,000, HK\$279,860,000 and HK\$1,296,492,000 respectively as at 31 March 2007. The increase in the fair value of biological assets for the Year was approximately HK\$1,117,515,000.

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 of the Group. During the Year, the turnover of the Group generated from its garment business amounted to HK\$95,792,000.

Growth Prospect

Going forward, the Group will be devoted to increasing its forest resources and forest lands reserves, and to enhancing the value of its biological assets. The Group will actively peruse the distribution chain of the pulp industry, i.e. the production and processing of pulp. Pulp business, modified tree specie Broussonetia Papyriferalvent and logging will become the Group's principal income streams. At the same time, the Group will develop its carbon mitigation projects and biomass energy projects, injecting new revenue growth drivers for the Group.

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.

- End -

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

Investor Relations

Ms. Cindy Xin
Tel.: 3183 0226
Fax: 2155 9165

Media Relations

Mr. Danny Cheng
Tel.: 3183 0233
Fax: 2583 9138