



**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)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

**Financial Highlights**

• Turnover	692 million
• Gross profit	396 million
• Profit attributable to shareholders	1,269 million
• Basic earnings per share	24.76 cents
• Profit attributable to shareholders adjusts for net gain arising from changes in fair value of biological assets	293 million

The board of directors (the “Board” or “Directors”) of China Grand Forestry Resources Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007, being the interim results of the Group for financial year ended 31 March 2008 of the Company by virtue of its change of financial year end date from 30 June to 31 March (please refer to an announcement of the Company published on the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 5 July 2006 for details of such change).

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended	
		30 September 2007 (Unaudited) <i>HK\$'000</i>	31 December 2006 (Unaudited) <i>HK\$'000</i>
<b>Turnover</b>	2	<b>691,509</b>	366,551
Cost of sales		<b>(295,652)</b>	(111,775)
<b>Gross profit</b>		<b>395,857</b>	254,776
Other revenue		<b>7,859</b>	2,131
Other net gain		<b>1,034,764</b>	124,263
Selling and distribution expenses		<b>(18,158)</b>	(38,685)
Administrative expenses		<b>(53,279)</b>	(22,648)
Other operating expenses		<b>(32,338)</b>	(74,740)
<b>Profit from operations</b>	4	<b>1,334,705</b>	245,097
Finance costs	5	<b>(4,463)</b>	(10,610)
Share of losses of jointly-controlled entities		<b>(1,457)</b>	(3,457)
Gain on disposal of interest in a jointly-controlled entity		–	2,258
<b>Profit before taxation</b>		<b>1,328,785</b>	233,288
Taxation	6	<b>(59,629)</b>	556
<b>Profit for the period</b>		<b>1,269,156</b>	233,844
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>1,269,156</b>	164,752
Minority interest		–	69,092
		<b>1,269,156</b>	233,844
<b>Earnings per share for profit attributable to equity holders of the Company</b>	7		
Basic		<b>HK24.76 cents</b>	HK3.74 cents
Diluted		<b>HK21.06 cents</b>	HK3.22 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	74,787	63,790
Construction in progress		–	12,081
Prepaid lease payments		542,954	17,730
Deposits for acquisition of forest farms		–	154,234
Investment properties		3,160	3,160
Intangible assets		559,016	571,657
Interests in jointly-controlled entities		26,099	28,755
Biological assets		3,058,530	1,598,133
		<u>4,264,546</u>	<u>2,449,540</u>
<b>Current assets</b>			
Inventories		26,454	31,886
Trade receivables	9	195,422	156,328
Bills receivables		463	–
Prepaid lease payments		12,102	430
Other receivables, deposits and prepayments		141,211	40,333
Financial assets at fair value through profit or loss		78,560	23,578
Pledged bank deposits		11,265	11,265
Bank and cash balances		1,479,870	613,044
		<u>1,945,347</u>	<u>876,864</u>
<b>Total assets</b>		<u><b>6,209,893</b></u>	<u><b>3,326,404</b></u>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	567,537	506,281
Reserves		4,691,527	2,084,307
<b>Total equity</b>		<u><b>5,259,064</b></u>	<u><b>2,590,588</b></u>

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

		<b>30 September</b>	31 March
		<b>2007</b>	2007
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Convertible notes payable		–	82,367
Deferred taxation		<b>182,030</b>	128,567
		<u>182,030</u>	<u>210,934</u>
<b>Current liabilities</b>			
Trade payables	11	<b>6,757</b>	4,414
Other payables and accruals		<b>671,351</b>	415,890
Convertible notes payable		<b>85,040</b>	–
Promissory notes payable		–	98,969
Bank overdrafts		<b>208</b>	–
Provision for taxation		<b>5,443</b>	5,609
		<u>768,799</u>	<u>524,882</u>
<b>Total liabilities</b>		<u>950,829</u>	<u>735,816</u>
<b>Total equity and liabilities</b>		<u><b>6,209,893</b></u>	<u>3,326,404</u>
<b>NET CURRENT ASSETS</b>		<u><b>1,176,548</b></u>	<u>351,982</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>5,441,094</b></u>	<u>2,801,522</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies used in preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2007 with addition of certain new standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRSs”) issued and effective as at the time of preparing this report. These are:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Shares Transactions

The adoption of such standards or interpretations does not result in substantial changes to the Group’s accounting policies and has no significant effect on the results reported for the six months ended 30 September 2007.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangement <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

### 2. TURNOVER

Turnover represents the net invoiced value of goods and forestry products, after allowances for returns and trade discounts.

### 3. SEGMENT INFORMATION

#### (a) Business segments:

For management purpose, the Group's operations are currently organised into the ecological forestry business and the manufacture and sale of garment.

#### Group

	Ecological Forestry		Garment Business		Elimination		Consolidated	
	Business		Business					
	For the six	For the six	For the six	For the six	For the six	For the six	For the six	For the six
	months ended	months ended	months ended	months ended	months ended	months ended	months ended	months ended
30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue:								
External sales	641,157	294,546	50,352	72,005	-	-	691,509	366,551
Inter-segment sales	-	-	-	-	-	-	-	-
Total sales	<u>641,157</u>	<u>294,546</u>	<u>50,352</u>	<u>72,005</u>	<u>-</u>	<u>-</u>	<u>691,509</u>	<u>366,551</u>
Segment results	<u>1,357,784</u>	<u>230,307</u>	<u>(16,482)</u>	<u>(2,846)</u>			<u>1,341,302</u>	<u>227,461</u>
Unallocated revenue and other net gain							6,386	23,134
Unallocated expenses							(12,983)	(5,498)
Profit from operations							1,334,705	245,097
Finance costs							(4,463)	(10,610)
Share of results of jointly-controlled entities							(1,457)	(1,199)
Profit before taxation							1,328,785	233,288
Taxation							(59,629)	556
Profit for the period							<u>1,269,156</u>	<u>233,844</u>

**(b) Geographical segments**

In determining the Group's geographical segments, revenue is attributed to the segment based on the location of the customers.

**Group**

	The PRC (excluding Hong Kong and Macau)		Hong Kong		Elimination		Consolidation	
	For the six months ended 30 September 2007 HK\$'000	For the six months ended 31 December 2006 HK\$'000	For the six months ended 30 September 2007 HK\$'000	For the six months ended 31 December 2006 HK\$'000	For the six months ended 30 September 2007 HK\$'000	For the six months ended 31 December 2006 HK\$'000	For the six months ended 30 September 2007 HK\$'000	For the six months ended 31 December 2006 HK\$'000
Segment revenue:								
External sales	690,439	366,073	1,070	478	-	-	691,509	366,551
Inter-segment sales	1,815	4,212	360	-	(2,175)	(4,212)	-	-
Total revenue	<u>692,254</u>	<u>370,285</u>	<u>1,430</u>	<u>478</u>	<u>(2,175)</u>	<u>(4,212)</u>	<u>691,509</u>	<u>366,551</u>

**4. PROFIT FROM OPERATIONS**

The Group's profit from operations are arrived at after charging/(crediting):

	Six months ended	
	30 September 2007 (Unaudited) HK\$'000	31 December 2006 (Unaudited) HK\$'000
Gain on disposal of property held for disposal	-	(4,223)
Gain from changes in fair value of biological assets	(1,036,170)	(103,260)
Unrealised gain on financial assets at fair value through profit or loss	(4,303)	(16,780)
Realised loss on disposal of financial assets at fair value through profit or loss	5,482	-
Amortisation of prepaid lease payment	5,102	203
Depreciation of property, plant and equipment	4,349	2,641
Provision for doubtful debt	8,000	-
Provision for slow moving inventories	4,000	-
Interest income	(6,752)	(981)

## 5. FINANCE COSTS

	Six months ended	
	30 September 2007 (Unaudited) <i>HK\$'000</i>	31 December 2006 (Unaudited) <i>HK\$'000</i>
Interest on bank loans and overdrafts	3	80
Interest on convertible notes	3,429	4,092
Interest on promissory notes	1,031	6,438
	<u>4,463</u>	<u>10,610</u>

## 6. TAXATION

	Six months ended	
	30 September 2007 (Unaudited) <i>HK\$'000</i>	31 December 2006 (Unaudited) <i>HK\$'000</i>
Current:		
Hong Kong	1	–
Deferred	(59,630)	556
Tax (debit)/credit for the period	<u>(59,629)</u>	<u>556</u>

No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share for six months ended 30 September 2007 is based on the Group's profit attributable to the equity holders of the Company for the period of approximately HK\$1,269,156,000 (for the six months ended 31 December 2006: HK\$164,752,000) and the weighted average number of 5,126,721,480 (for the six months ended 31 December 2006: 4,402,802,165) ordinary shares in issue during the period.

The calculation of diluted earnings per share for six months ended 30 September 2007 is based on the Group's profit attributable to the equity holders of the Company for the period of approximately HK\$1,272,585,000 (for the six months ended 31 December 2006: HK\$168,844,000) and the weighted average number of 6,042,017,983 (for the six months ended 31 December 2006: 5,236,135,498) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares of the Company's convertible note outstanding during the period.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, additions of property, plant and equipment amounted to approximately HK\$15,420,000 (for the six months ended 31 December 2006: HK\$4,137,000).

## 9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sales, is as follows:

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
0-30 days	172,829	81,561
31-60 days	6,902	60,543
61-90 days	6,232	7,966
Over 90 days	9,459	6,258
	<u>195,422</u>	<u>156,328</u>

## 10. SHARE CAPITAL

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Authorized: 20,000,000,000 (31 March 2007: 6,500,000,000) ordinary shares of HK\$0.10 each	<u>2,000,000</u>	<u>650,000</u>
Issued and fully paid: 5,675,367,600 (31 March 2007: 5,062,807,600) ordinary shares of HK\$0.10 each	<u>567,537</u>	<u>506,281</u>

## 11. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers. An aging analysis of the trade payables as at the balance sheet date, based on the receipt of good purchased, is as follows:

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
0-30 days	2,229	1,358
31-60 days	943	201
61-90 days	923	–
Over 90 days	2,662	2,855
	<u>6,757</u>	<u>4,414</u>

## 12. COMMITMENTS

As at 30 September 2007, the Group had the following commitments contracted but not provided for:

	<b>30 September 2007 (Unaudited) HK\$'000</b>	31 March 2007 (Audited) HK\$'000
Research and development expenditure	15,450	–
Acquisition of leasehold forest land	560,056	144,548
	<u>575,506</u>	<u>144,548</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHTS**

For the six months ended 30 September 2007 (the “Period Ended 30 September 2007”), the Group recorded a turnover of approximately HK\$692 million, representing an increase of 88.6% compared with the six months ended 31 December 2006 (the “Period Ended 31 December 2006”). The Group’s gross profit and profit attributable to shareholders were approximately HK\$396 million and HK\$1,269 million respectively, and its earnings per share for the Period Ended 30 September 2007 was HK24.76 cents, representing an increase of 55.4%, 670.3% and 562.0% respectively compared with the Period Ended 31 December 2006. The Group’s profit attributable to shareholders excluding the net revaluation gain of biological assets was approximately HK\$293 million (the Period Ended 31 December 2006: HK\$92 million) representing an increase of 218.5%.

During the period, the Group actively pursued the opportunities of acquiring forest lands, and the lands so acquired, coupled with forest lands previously acquired was over 3 million Chinese Mu as at 30 September 2007. The increase in turnover and profit of the Group was mainly attributable to its ecological forestry business. For the period, the Group’s ecological forestry business and garment business accounted for approximately 92.7% and 7.3%, respectively, of the Group’s total turnover.

In arriving at the Group’s net profit, sharing in losses of its joint-venture investment in Nanotechnologies in the amount of HK\$1.5 million (in the Period Ended 31 December 2006, the Group recorded a loss in the amount of HK\$3.4 million for this investment) has been included.

### **DIVIDEND**

The Board has resolved not to recommend any dividend for the Period Ended 30 September 2007.

### **BUSINESS REVIEW**

#### **The ecological forestry business**

During the period, the turnover and segment result before taxation of the ecological forestry business were approximately HK\$641 million and HK\$1,358 million respectively. The result before taxation excluding the revaluation gain of biological assets was approximately HK\$322 million (the Period Ended 31 December 2006: HK\$127 million) and its operating margin was 50.2% (the Period Ended 31 December 2006: 43.1%). The turnovers from the sale of standard timber and sale of pulpwood during the period were approximately HK\$562 million and HK\$79 million respectively. The average selling price of standard timber and pulpwood were approximately HK\$4,179.6 per cubic meter and HK\$927.1 per tonne respectively.

## **Forest land resources**

During the period, the Group actively pursued the opportunity of acquiring forest lands in China. As at 30 September 2007, the long lease-term forest lands so acquired, coupled with the forest lands previously acquired by the Group was over 3 million Chinese Mu. Approximately 70 per cent of the forest land of the Group is located in Yunnan, Hunan and Guizhou. The Group owns thirty two forest farms, of which, fifteen forest farms have been put into operation. Approximately 40% of trees is mixed hard wood trees and the remaining 60% is other trees. The principal species of mixed hard wood tree are birch, pterocarya stenoptera, beech, padauk. The principal species of other wood trees are pine, fir and poplar.

The lease periods of the forest lands of the Group 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 approximately 1.5 million Chinese Mu of the lands as at 30 September 2007. Application for the forest ownership certificates in respect of the remaining forest lands has been made.

## **Plantation of genetically modified paper mulberry**

During the period, the Group planted the genetically modified paper mulberry in various saplings centre and forest lands with an area of approximately 46,000 Chinese Mu and accumulated plantation area of approximately 96,000 Chinese Mu. In the second half of the financial year ending 31 March 2008, the mature genetically modified paper mulberry will be sold together with pulpwood to customer.

## **Value of biological assets**

Biological assets of the Group include paper mulberry trees, mixed hard wood trees and other trees and their total value amounted to approximately HK\$3,059 million as at 30 September 2007. The increase in the fair value of biological assets for the period was approximately HK\$1,036 million.

## **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 period, the turnover of the Group generated from its garment business amounted to HK\$50 million. The Group will restructure its garment business.

## **PROSPECT**

The Group is optimistic about the prospect of its ecological forestry business. The production volume of standard timbers and pulpwood would be increased along with the forest land resources and timber resources. The Group's business strategies include increasing its resources through acquisition and self-plantation. The expansion of the carbon development mechanism business and bio-mass energy project of the Group can broaden the income base, increase the overall efficiency of resources of the Group and assist the Group to achieve a sustainable growth. Furthermore, with the implementation of various major projects by the PRC government, the Group's ecological forestry business will enjoy more business development opportunities accordingly.

## OPERATING RESULTS REVIEW

### Turnover

During the Period Ended 30 September 2007, the Group captured various business opportunities and recorded a turnover of HK\$692 million, representing an increase of 88.6% over the Period Ended 31 December 2006.

The table below sets out the sales of products by the Group for the Period Ended 30 September 2007:

<b>Product</b>	<b>Unit Price</b> <i>(HK\$)</i>	<b>Volume</b> <i>(cubic meter/ tonne)</i>	<b>Amount</b> <i>(HK\$'000)</i>
Ecological forestry business			
Sales of standard timber			
Mixed hard wood	6,166.52	62,641 cubic meters	386,277
Other wood	2,448.75	71,906 cubic meters	176,080
		<u>134,547 cubic meters</u>	<u>562,357</u>
Sales of pulpwood	927.06	85,000 tonnes	<u>78,800</u>
			641,157
Garment business			<u>50,352</u>
Total			<u><u>691,509</u></u>

The timber and pulpwood sold during the period came from fifteen forest farms, and the sales volume was increased accordingly. Since all the saplings were used in self-plantation, no saplings were sold during the period.

### Cost of sales

Cost of sales mainly included cost incurred in logging timber, raw materials consumption, direct labour costs, transportation, road repairs and maintenance and miscellaneous direct charges. The Group's increase in cost for the period was mainly resulted from the expanded scale of production and increase in the sales of products. In addition, unit cost of timber consumption was increased as a result of the increase in the purchase price of timber during the acquisition of forest land and adjustment to change in the fair value of timber which was recognised in previous years.

### Selling and distribution cost

During the Period Ended 30 September 2007, the Group's selling and distribution costs decreased by 53.1% to HK\$18,158,000. The main reasons behind such decrease were that most of the products sold by the Group were delivered by customers at their own transportation cost, resulting in a significant decrease in the transportation cost, despite the fact that there was an increase in the sales volume of timber.

### Administration expenses

The Group's administration expenses for the period amounted to HK\$53,279,000, representing an increase of 135.2% compared with the Period Ended 31 December 2006. Such increase was due to an increase in research and development cost.

### Other operating expenses

The Group's other operating expenses for the period in the amount of approximately HK\$32,338,000 included patent amortisation, amortisation of paper mulberry saplings and expenses of share option scheme of approximately HK\$12,576,000, HK\$13,034,000 and HK\$6,728,000 respectively.

### Analysis of gross profit margin and net profit margin

	Six months ended	
	30 September 2007	31 December 2006
Turnover	HK\$692 million	HK\$367 million
Gross profit	HK\$396 million	HK\$255 million
Gross profit margin	57.2%	69.5%
Gross profit margin before adjustment to change in fair value of timber cost	64.5%	69.5%
Net profit adjusts for net revaluation gain of biological assets	HK\$293 million	HK\$130 million
Pro forma net profit margin	42.3%	35.4%
Profit attributable to shareholders adjusts for net revaluation gain of biological assets	HK\$293 million	HK\$92 million

The decrease in gross profit margin was mainly attributed to the following reasons:

- (i) increase in the unit cost of timber which was described in the paragraph headed "Cost of sales";
- (ii) no sapling was sold during the period, whilst in the Period Ended 31 December 2006, sales of saplings had a 78.9% gross profit margin;
- (iii) decrease in the sales of garment products as well as significant decrease in its gross margin.

Net profit adjustments for the period for the net revaluation gain of biological asset was HK\$293 million and pro forma net profit margin is 42.3%. During the period, most of the timber products were delivered by customers and charges were paid by customers, resulting in a substantial decrease in transportation cost. In addition, the average selling price of timber products was increased during the period and net profit margin increased accordingly.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2007, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, totally amounted to approximately HK\$1,491 million. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose.

The table below summarises the cash flow information of the Group for the Period Ended 30 September 2007:

	<i>HK\$'000</i>
Net cash inflow from operating activities	402,684
Net cash (outflow) from investing activities	(786,742)
Net cash inflow from financing activities	<u>1,241,127</u>
Net increase in cash and cash equivalents	857,069
Cash and cash equivalents at beginning of year	613,044
Effect of foreign exchange rate changes	<u>9,549</u>
Cash and cash equivalents at the end of the period	<u><u>1,479,662</u></u>

The Group's currently available liquidity resources are sufficient to meet its capital commitments. As at 30 September 2007, the Group's net current assets amounted to approximately HK\$1,177 million. The Group's current ratio, being the percentage of its current assets in its current liabilities, amounted to 2.53 times.

The Group has obtained bank credit facilities which are secured by certain pledged bank deposits of the Group and corporate guarantees provided by the Company. During the period, these bank credit facilities were utilised in trade credit financing.

As at 30 September 2007, the capital structure of the Company is constituted exclusively of 5,675,367,600 ordinary shares of HK\$0.10 each. Apart from ordinary shares in issue, the capital instruments in issue of the Company include convertible notes.

During the period under review, a total of 80,000,000 new shares have been issued as a result of the exercise of options to subscribe for new shares in the Company, and a total of 539,560,000 new shares have been issued by way of placing.

### **Charge on the Group's assets**

As at 30 September 2007, the Group's available banking facilities were secured by pledged bank deposits of HK\$11,265,000 and corporate guarantees given by the Company.

### **Contingent liabilities**

As at 30 September 2007, the Group does not have contingent liabilities of material amounts.

### **Model code for securities transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules in respect of securities dealing by Directors. The Company has made specific enquiry to all Directors of the Company in respect of securities dealing by the Directors and is not aware of any non-compliance with the Model Code during the six months ended 30 September 2007.

### **Purchase, sale or redemption of the company's listed securities**

On 30 April and 2 May 2007, by virtue of exercise of the rights granted by the Company's shareholders to the Directors under general mandate, the Company repurchased on the Stock Exchange of Hong Kong Limited in aggregate 7,000,000 of its ordinary shares of HK\$0.1 each at a total consideration before expenses of approximately HK\$5,930,000.

Apart from the foregoing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

### **Events after the balance sheet date**

Subsequent to 30 September 2007, the following post balance sheet events took place:

- a) On 17 October 2007, the Company's wholly owned subsidiary, Beijing WFC, entered into agreements to acquire certain leasehold forest lands in the PRC. Further details are set out in the Company's press announcements of 17 October 2007.
- b) On 5 and 23 November 2007, the Company entered into Acquisition Agreement and Supplemental Acquisition Agreement respectively with the Vendor for the acquisition of the entire issued share capital of Shenyu New Energy at a total consideration of HK\$4,000 million. Upon completion of the acquisition, the Company will wholly own Shenyu New Energy, which owns the entire equity interest in Beijing Shenhao. Beijing Shenhao owns the entire equity interest in Yunnan Shenyu New Energy. Yunnan Shenyu New Energy is principally engaged in the research and development of *Jatropha Curcas L* based biological energy sources, such as bio-diesel. Further details about the acquisition are set out in the Company's announcements of 16 and 26 November 2007 published on the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

### **Corporate governance**

In the opinion of the Directors, the Company complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code") throughout the Period Ended 30 September 2007.

### **Audit and remuneration committee**

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee of the Company presently comprises the three independent non-executive Directors, namely, Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong.

The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the Period Ended 30 September 2007, and was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

The remuneration committee also comprises the three independent non-executive Directors. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure of remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing such policy, and reviewing the specific remuneration packages of all executive Directors and senior management of the Company by reference to corporate goals and objective resolved by the Board from time to time.

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

Hong Kong, 3 December 2007

*As at the date of this announcement, the board of directors of the Company comprises 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, 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.*

*This announcement will be published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website at [www.capitalfp.com.hk/eng/index.jsp?co=910](http://www.capitalfp.com.hk/eng/index.jsp?co=910)*

\* *For identification purpose only*