

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED

中國林大綠色資源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 00910)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2010**

The board of directors (the “Board” or “Directors”) of China Grand Forestry Green Resources Group Limited is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2010 together with comparative figures for the year ended 31 March 2009:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
Revenue	3	7,684	685,465
Loss arising from changes in fair value less costs to sell of biological assets		(1,841,665)	(339,491)
Other income	3	3,866	5,847
Other net gains/(losses)	5	573	(98,725)
Write-off of patent		(411,362)	–
Write-off of goodwill		(189,607)	–
Cost of inventories and forestry products sold		(7,800)	(336,842)
Impairment loss on available-for-sale investment		(25,146)	–
Gain on disposal of assets		949,351	–
Write-off of biological assets		(262,608)	(65,837)
Write-off of prepaid lease payments		(56,924)	–
Staff costs		(66,911)	(63,884)
Depreciation of property, plant and equipment		(14,172)	(8,802)
Amortisation of biological assets		(20,033)	(36,384)
Amortisation of patent		(26,803)	(26,689)
Release of prepaid lease payments		(30,152)	(27,373)
Other operating expenses		(80,937)	(73,815)
Finance costs	6	(35,164)	(65,826)
Share of losses of jointly-controlled entities		–	(1,528)
Loss before taxation	8	(2,107,810)	(453,884)
Taxation	7	(373,678)	680
Loss for the year		<u>(2,481,488)</u>	<u>(453,204)</u>

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other comprehensive income, net of tax:	9		
Exchange differences on translating foreign operations		20,443	137,097
Change in fair value of available-for-sale financial assets		20,115	(21,842)
Release of exchange reserve on disposal of interests in overseas subsidiaries		(8,510)	–
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax		32,048	115,255
		<hr/>	<hr/>
Total comprehensive income for the year		(2,449,440)	(337,949)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the Company		(2,481,488)	(453,203)
Minority interest		–	(1)
		<hr/>	<hr/>
		(2,481,488)	(453,204)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the year attributable to:			
Owners of the Company		(2,449,440)	(337,948)
Minority interest		–	(1)
		<hr/>	<hr/>
		(2,449,440)	(337,949)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	10		
– Basic		HK(39.07) cents	HK(8.23) cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		HK(39.07) cents	HK(8.23) cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets			
Biological assets		3,372,253	6,819,281
Property, plant and equipment		88,036	92,338
Construction in progress		30,566	64,888
Prepaid lease payments		1,248,472	1,363,390
Long-term prepayments		93,398	108,901
Intangible assets		14,083	640,221
Interests in jointly-controlled entities		–	–
Available-for-sale investment		13,842	18,872
		<u>4,860,650</u>	<u>9,107,891</u>
Current assets			
Inventories		384	294
Trade receivables	11	1,306	302,554
Prepaid lease payments		31,366	31,848
Other receivables, deposits and prepayments		90,840	154,117
Financial assets at fair value through profit or loss		114,770	40,632
Amounts due from jointly-controlled entities		–	–
Amounts due from related companies	16(b)	–	72,823
Amounts due from directors	16(c)	–	240
Cash and cash equivalents		605,952	201,116
		<u>844,618</u>	<u>803,624</u>
Total assets		<u>5,705,268</u>	<u>9,911,515</u>

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current liabilities			
Trade payables	12	17,239	60,958
Other payables and accruals		211,519	247,750
Purchase consideration payable		–	100,000
Amount due to related companies	16(b)	–	89,001
Convertible notes payable		99,125	–
Tax payable		77,191	–
		<u>405,074</u>	<u>497,709</u>
Net current assets		<u>439,544</u>	<u>305,915</u>
Total assets less current liabilities		<u>5,300,194</u>	<u>9,413,806</u>
Non-current liabilities			
Long term payable		179,691	469,091
Purchase consideration payable		–	2,269,831
Convertible notes payable		–	93,196
Deferred taxation		297,772	1,123
		<u>477,463</u>	<u>2,833,241</u>
Total net assets		<u>4,822,731</u>	<u>6,580,565</u>
Capital and reserves attributable to owners of Company			
Share capital	13	790,772	547,172
Reserves		4,031,892	6,033,326
		<u>4,822,664</u>	<u>6,580,498</u>
Equity attributable to owners of the Company		<u>4,822,664</u>	<u>6,580,498</u>
Minority interests		67	67
Total equity		<u>4,822,731</u>	<u>6,580,565</u>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new and revised HKFRSs

The Group has adopted the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual period beginning on or after 1 July 2009.
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRSs 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Interpretation 13	Customer Loyalty Programmes
HK(IFRIC)-Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Interpretation 18	Transfers of Assets from Customers

The adoption of the above new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes:

HKAS 1 (Revised) “Presentation of Financial Statements”

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statements are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners’ changes in equity are presented under the Statement of Changes in Equity.

HKFRS 8 “Operating Segment”

HKFRS 8 replaces HKAS 14 “Segment Reporting, and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

HKFRS 7 (Amendments) Improving Disclosures about Financial Instruments

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurement according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
Amendments to HKAS 32	Classification of Rights Issues ⁵
Amendments to HKAS 39	Eligible Hedged Items ¹
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions ⁴
Amendments to HK(IFRC) -Interpretation 14	Prepayments of a Minimum Funding Requirements ⁷
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ⁶
HKAS 24 (Revised)	Related Party Disclosures ⁷
HKFRS 9	Financial Instruments ⁸

Effective date

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
- ³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
- ⁴ Effective for annual periods beginning on or after 1 January 2010
- ⁵ Effective for annual periods beginning on or after 1 February 2010
- ⁶ Effective for annual periods beginning on or after 1 July 2010
- ⁷ Effective for annual periods ending on or after 1 January 2011
- ⁸ Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. It also requires an entity to attribute the share of profit or loss to non-controlling interests (previously known as minority interests) even if it results in the non-controlling interests having a deficit balance.

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

The Group is in the process of making an assessment of the potential impact of other new or revised HKFRSs and the directors so far concluded that the application of the other new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND OTHER INCOME

The Group is engaged in forestry business. Revenue and other income recognised during the year are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue/Turnover		
Sale of forestry products	<u>7,684</u>	<u>685,465</u>
Other income		
Bank interest income	445	5,724
Imputed interest arising from the discounting of the consideration receivable for the disposal of certain forest farms	3,372	–
Dividend income from listed investments	<u>49</u>	<u>123</u>
	<u>3,866</u>	<u>5,847</u>
	<u>11,550</u>	<u>691,312</u>

4. SEGMENTAL INFORMATION

(a) Reportable segments

On adoption of HKFRS 8, the Group has identified and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their assessment of performance and resources allocation. Accordingly, the business of ecological forestry operation has been identified as the single reportable operating segment for the Group for the current and prior reporting period.

(b) Geographical information

During 2010 and 2009, the Group's operations and assets are situated in the PRC in which all of its revenue was derived.

5. OTHER NET GAINS/(LOSSES)

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Fair value loss on financial assets at fair value through profit or loss	(23,978)	(47,239)
Gain on disposal of forest farms*	–	65,466
Impairment loss on trade receivables	(6,008)	(58,969)
Impairment loss on interests in jointly-controlled entities	–	(11,043)
Reversal of/(impairment loss) on amount due from jointly-controlled entities	13,542	(13,495)
Expenses incurred in snow-storm disaster	–	(34,020)
Net realised gain on disposal of financial assets at fair value through profit or loss	5,553	575
Gain on disposal of subsidiaries	9,910	–
Others	1,554	–
	<u>573</u>	<u>(98,725)</u>

* The gain comprised gain on disposal of biological assets and prepaid land use rights as follows:

	Biological assets <i>HK\$'000</i>	Prepaid land use rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sales proceeds	119,020	47,529	166,549
Carrying amounts	(67,857)	(33,226)	(101,083)
	<u>51,163</u>	<u>14,303</u>	<u>65,466</u>

6. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Imputed interest arising from the discounting of the consideration payable for the acquisition of Shenyu New Energy Group	–	54,170
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms	27,735	4,576
Interest on convertible notes	7,429	7,074
Bank interest	–	6
	<u>35,164</u>	<u>65,826</u>

7. TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong profits tax		
– deferred tax credit	979	920
– resulting from a change in tax rate	–	123
Overseas tax		
– current	–	(363)
– deferred tax		
– deferred tax credit	432,016	–
– resulting from a change in tax status	(729,122)	–
– underprovision of in respect of prior years	(77,551)	–
	<u>(373,678)</u>	<u>680</u>

Hong Kong profits tax has been provided at 16.5% based on the estimated assessable profit for the current and prior year. No provision of Hong Kong profits tax was made as there was no assessable profits derived for both years.

The Group's subsidiaries in the PRC are subject to the PRC income tax.

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from the PRC enterprise income tax commencing from 1 January 2008. Chongqing Wan Fu Chun Forestry Development Company Limited ("Chongqing WFC"), a wholly-owned subsidiary of the Group, is engaged in the forestry operation enterprise in the PRC. Pursuant to the approval obtained from the relevant PRC tax authority, Chongqing WFC is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2009.

Chongqing WFC does not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged. No deferred tax has been provided for the year.

Wan Fu Chun Forest Resources Group Company Limited ("WFC"), a wholly-owned subsidiary of the Group, was certified as a High and New Tech Enterprise for three years from 1 January 2008 to 31 December 2010, which is subject to annual review. According to the preferential regulations specified by State Council, WFC had entitled to a favourable enterprise income tax rate of 15%. Due to the low level of research and development activities took place during the calendar year ended 31 December 2009, the management considered WFC does not qualify as a High and New Tech Enterprise after the annual review and thus unable to enjoy the favourable enterprise income tax. Pursuant to the Implementation Rules, WFC should be entitled to full exemption from the PRC enterprise income tax as it is operating in forestry business during the year. As of 31 March 2009, though WFC had not yet applied for the exemption under the Implementation Rules, in the opinion of the directors, full exemption would be granted from the PRC tax authority under the Implementation Rules if application was lodged. As such, no deferred tax had been provided in

the previous years. During the year, WFC has lodged an application, however, as of the date of this report, the PRC tax authority has not yet granted the exemption approval to WFC. Due to the unexpected prolonged application process, management is not confident that the exemption will be granted from the tax authority, and so it did not qualify for tax exemption for the calendar year ended 31 December 2009. Accordingly, WFC is subject to enterprise income tax rate of 25% and provision for enterprise income tax in respect of prior year and deferred taxation due to change in tax status have been provided for the year.

Yunnan Shenyu New Energy Company Limited (“Yunnan Shenyu”), a wholly owned subsidiary of the Group, is also operating in forestry business during the year. Pursuant to the approval obtained from the relevant PRC tax authority, Yunnan Shenyu is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2009. Yunnan Shenyu did not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged. No deferred tax has been provided for the year.

The applicable PRC enterprise income tax is 25% for 2009 and 2010 for other PRC subsidiaries.

8. LOSS BEFORE TAXATION

The Group’s loss before taxation is arrived at after charging/(crediting):

	The Group	
	2010	2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
Auditor’s remuneration	1,439	950
Minimum lease payments under operating leases on leasehold properties	9,173	12,319
Research and development cost	2,846	11,401
Staff costs (including directors’ remuneration):		
Wages and salaries	33,184	23,894
Share-based payment	32,582	38,860
Retirement benefits scheme contribution	1,145	1,130
Net exchange (gains)/losses	(19,267)	9,246

9. OTHER COMPREHENSIVE INCOME, NET OF TAX

	2010			2009		
	Before-tax- amount	Tax expense/ (benefits)	Net-of-tax amount	Before-tax- amount	Tax expense/ (benefits)	Net-of-tax amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange differences on translating foreign operations	20,443	-	20,443	137,097	-	137,097
Change in fair value of available-for-sale financial assets	20,115	-	20,115	(21,842)	-	(21,842)
Release of exchange reserve on disposal of interests in overseas subsidiaries	(8,510)	-	(8,510)	-	-	-
	<u>32,048</u>	<u>-</u>	<u>32,048</u>	<u>115,255</u>	<u>-</u>	<u>115,255</u>

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

(i) Loss attributable to owners of the Company

	2010 HK\$'000	2009 HK\$'000
Loss for the year attributable to owners of the Company	(2,481,488)	(453,203)
Interest on convertible notes	-	-
Loss for the year attributable to owners of the Company used in the dilutive loss per share calculation	<u>(2,481,488)</u>	<u>(453,203)</u>

(ii) Weighted average number of ordinary shares

	Number of shares	
	2010 '000	2009 '000
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic loss per share	6,352,187	5,506,786
Effect of dilutive potential ordinary shares:		
Share options	-	-
Convertible notes	-	-
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted loss per share	<u>6,352,187</u>	<u>5,506,786</u>

The computation of diluted loss per share for the year ended 31 March 2010 and 2009 did not assume the exercise of share options and conversion of convertible notes since their exercise would result in a decrease in loss per share.

11. TRADE RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	66,605	361,523
Less: Impairment loss	(65,299)	(58,969)
	1,306	302,554

The Group normally allows credit terms to established customers ranging from 90 to 120 days (2009: 90 to 120 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk, with overdue balances regularly reviewed by senior management. Trade receivables are generally non-interest bearing and their carrying amounts approximate their fair values.

- (i) The ageing analysis of the trade receivables as at the end of reporting period, based on the date of recognition of the sales, was as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0-30 days	–	11,839
31-60 days	–	–
61-90 days	–	–
Over 90 days	66,605	349,684
	66,605	361,523
Less: Impairment loss	(65,299)	(58,969)
	1,306	302,554

- (ii) The movement in the impairment loss of trade receivables during the year, including both specific and collective loss components, is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
As at 1 April 2009	58,969	–
Impairment loss recognised for the year	6,008	58,969
Exchange differences	322	–
	<hr/>	<hr/>
As at 31 March 2010	65,299	58,969
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers. An ageing analysis of the trade payables as at the end of reporting date, based on the receipt of goods purchased, was as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0-30 days	–	5,616
31-60 days	–	–
61-90 days	–	4,340
Over 90 days	17,239	51,002
	<hr/>	<hr/>
	17,239	60,958
	<hr/> <hr/>	<hr/> <hr/>

13. SHARE CAPITAL

	Number of shares		Ordinary share capital	
	2010 '000	2009 '000	2010 HK\$'000	2009 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:	20,000,000	20,000,000	2,000,000	2,000,000
Issued and fully paid:				
As at 1 April 2009	5,471,715	5,557,813	547,172	555,781
Placement of new shares	2,426,000	–	242,600	–
Shares issued on exercise of share options	10,000	–	1,000	–
Repurchase of shares	–	(86,098)	–	(8,609)
As at 31 March 2010	7,907,715	5,471,715	790,772	547,172

14. CONTINGENT LIABILITIES

At 31 March 2010 and 2009, the Company and the Group did not have contingent liabilities.

15. CAPITAL COMMITMENTS

At 31 March 2010, the Group had the following commitments:

	2010 HK\$'000	2009 HK\$'000
Capital commitments contracted but not provided for:		
Construction cost	31,370	45,941

16. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31 March 2010 HK\$'000	Year ended 31 March 2009 HK\$'000
Salaries and other short-term employee benefits	9,853	7,215
Post-employment benefits	35	39
Share options	10,144	18,037
	20,032	25,291

(b) Amounts due from/(to) related companies

The amounts due were unsecured, non-interest bearing and had no fixed repayment terms. An ex-director, Mr Ng Leung Ho was beneficially interested in these related companies. No guarantees had been given or received. No expenses had been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties. During the year ended 31 March 2010, the maximum outstanding balance of amounts due from related companies was HK\$72,823,000 (2009: HK\$93,862,000). The amounts were fully paid during the year.

(c) Amounts due from directors

The amounts were due from ex-directors, Ms. Cao Chuan and Mr. Cheng Shouheng. The balances were unsecured, interest free and with no fixed repayment terms. The maximum amount outstanding during the year was HK\$240,000 (2009: HK\$240,000). The amounts were fully paid during the year.

17. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended 31 March 2010, two subsidiaries of the Group, Chongqing Wan Fu Chun and Wan Fu Chun, entered into several debt restructuring agreements with certain customers and vendors of forest farms. As a result, trade receivables and other receivables of HK\$180,135,000 and HK\$39,139,000 respectively were offset against other payables of HK\$219,274,000.
- (ii) Upon completion of Very Substantial Disposal Transaction to dispose partial assets of a wholly owned subsidiary, the purchase consideration payable of HK\$2,369,831,000 was cancelled during the year ended 31 March 2010.

18. EVENTS AFTER THE REPORTING PERIOD

- (a) The Company entered into a placing agreement on 3 June 2010 as disclosed in the Company's announcement on the same date.
- (b) On 30 April and 7 May 2010, holders of Convertible Notes converted the entire Convertible Notes with principal amount of HK\$100,000,000 into 833,333,333 new ordinary shares of the Company. The enlarged issued share capital of the Company immediately after the above conversion was HK\$874,105,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year, the Group recorded a turnover of approximately HK\$8 million (2009: HK\$685 million), representing a decrease of 98% compared with the year ended 31 March 2009. The Group's loss attributable to shareholders was approximately HK\$2,481 million, representing a basic loss per share of HK39.07 cents (2009: loss of HK\$453 million, representing a basic loss per share of HK8.23 cents).

The loss is mainly attributable to:

1. a non-cash revaluation loss of biological assets of HK\$1,842 million and a write-off of biological assets of HK\$263 million;
2. a write-off of patent and goodwill amounted to HK\$411 million and HK\$190 million respectively;
3. a significant drop in sales during the year because of the decrease in the demand for and prices of timber products,

In calculating the Group's net loss, there was no share of the result of its joint-venture investment (2009: loss of HK\$1.5 million).

During the year, the Group completed a Very Substantial Disposal Transaction and through which a liability of HK\$2,370 million was reduced accordingly. As at year ended 31 March 2010, cash in bank and net current assets amounted to HK\$606 million and HK\$440 million respectively.

DIVIDEND

The Board does not recommend any final dividend for the year (2009: HK\$Nil).

REVIEW OF THE ECOLOGICAL FORESTRY BUSINESS

(i) Forest land and forest resources

As at 31 March 2010, the total area of traditional forest land use rights owned by the Group amounted to approximately 5 million Chinese Mu and is mainly located in Hunan, Yunnan, Guizhou and Chongqing. The tree species mainly include massonpine, broadleaf hardwood, broadleaf tree, pine, foreign pine, Yunnan pine, Chinese pine and coniferous-broad leaved mixed natural forests.

During the year, the Group disposed of substantial standing timbers located in certain counties of Yunnan Province amounted to HK\$1,018 million. The paragraph 'Gain on Disposal of assets' in the Financial Review section would describe the respective financial effect.

(ii) Biomass energy

Biomass energy provides significant business opportunities for the forestry industry in China and would also optimise the Group's business development. The Group's biomass energy development mainly focus on *Jatropha Curcas* L. ("Jatropha"), being used as a raw material for bio-diesel production. The development and cultivation bases are mainly located in Yunnan. During the year, the Group disposed of substantial Jatropha estate amounted to HK\$339 million in order to improve the management efficiency, reduce liabilities and allocate appropriate resources to strategic Jatropha estate. The paragraph 'Gain on Disposal of assets' in the Financial Review section would describe the respective financial effect. As at 31 March 2010, the Group owned Jatropha estate of approximately 300,000 Chinese Mu in Yunnan Province.

Because of the severity of the financial tsunami and the uncertainty on economic development, the previous planned biomass electrical generation related projects suffered a delay in the year.

PROSPECTS

Looking forward, the Group is optimistic about the resources business growth in the coming years to capture business opportunities arising from the surging demand on resources. The Group is aimed to strengthen its competitive edge by optimizing its forest portfolios and will actively sourcing any high-quality resources investment opportunities to maximise our shareholders' returns.

FINANCIAL REVIEW

Revenue

The decrease in sales for the year is mainly attributable to the financial turmoil that dealt a serious blow to the global economy; worldwide markets are hampered by the uncertainty from a credit crunch; China's exports fell led to a shrinking demand for local timber products and a drop in product prices.

However, logging costs kept rising which was contributable to the increase of costs in labour, overhead, road construction, transportation, etc. Traditional logging business of the Group became a loss making business in this year. The Group had to minimize its logging operation to reduce the operating loss.

Loss arising from changes in fair value of biological assets less costs to sell and write-off of biological assets

The details of the losses of each biological assets are as follow:

	Loss arising from changes in fair value <i>HK\$'000</i>	Write-off <i>HK\$'000</i>
Other trees	1,772,428	115,407
Paper mulberry trees	50,820	147,201
Liquorices	12,067	–
Jatropha	6,350	–
	<u>1,841,665</u>	<u>262,608</u>

The significant revaluation loss of other trees mainly arising from lower log price, increase of local harvest tax and increase of direct cost expectation.

In addition, the past two years, extreme instable climate led to serious harm to newly planted biological assets which cause the survival rate dropped significantly. A fair value loss and write off incurred accordingly.

Write-off of goodwill and patent

The goodwill is arising from previous acquisitions of cash-generating units of Paper Mulberry trees business and Jatropha based bio-diesel business. The patent is related to Paper Mulberry trees. During the year, the Group employed an Independent Valuer to evaluate the value of the relevant cash-generating units in order to reflect the fair value of these businesses as at 31 March 2010.

In the Consideration of the valuation result performed by the Independent Valuer, its business development strategies and current economic environment, the Group decided to decrease the development size of both Paper Mulberry trees business and Jatropha based bio-diesel business accordingly. Thus, the recoverable amount from these businesses would decrease and respective intangible assets, included goodwill of HK\$190 million and patent of HK\$411 million were written off.

Cost of inventories and forestry products sold

The amount decreased in line with the significant drop of sales.

Other operating expenses

The Group's other operating expenses represent various administrative expenses.

Gains on Disposal of assets

During the year, The Company entered into a Disposal Agreement with the Purchaser to dispose substantial standing trees, Jatropha estates and a hotel development project in Yunnan Province.

The transaction was completed on 31 March 2010 and upon the completion of the Disposal, purchase consideration payables arising from the acquisition of Shenyu New Energy Group Limited has been completely cancelled out and no outstanding amount under the respective Acquisition Agreement was due to or owing to the Purchaser from the Group.

Details of the assets disposed and the financial effect were illustrated as follows:

	Carrying amount HK\$'000
Purchase consideration payables cancelled out	2,369,831
Less: Assets disposed of:	
Construction in progress of a hotel development project	32,359
Prepaid lease payment	31,378
Biological assets	1,356,743
	<u>1,420,480</u>
Gain on disposal of assets	<u><u>949,351</u></u>

Staff costs

Staff cost included non-cash share based payments expenses of HK\$33 million.

Finance costs

Financial costs, included approximately HK\$28 million of non-cash imputed interest expenses on payables for acquisitions of certain forest farms and HK\$7 million of interest on convertible notes.

Since the purchase consideration payable was fully settled during the year, the respective non-cash imputed interest expense reduced to zero (2009: HK\$54 million).

Biological assets

The biological assets of the Group included other forest assets, Jatropha, paper mulberry trees and Liquorice which amounted to HK\$2,952 million, HK\$379 million, HK\$18 million and HK\$22 million respectively.

During the year, Poyry Forest Industry Limited valued the Group's other forest assets and Jatropha plantation. In addition, LCH (Asia-Pacific) Surveyors Limited, a firm of independent chartered surveyors, valued the Group's growing barks and round logs of paper mulberry trees and Liquorice.

The net decrease in value was mainly arising from the disposal of substantial assets of Shenyu New Energy Group amounted to approximately HK\$1,357 million, loss arising from changes in fair value of HK\$1,842 million and write-off of HK\$263 million. The movements of biological assets were as follows:

	Liquorices <i>HK\$'000</i>	Paper mulberry trees <i>HK\$'000</i>	Jatropha <i>HK\$'000</i>	Other forest assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2009	–	237,497	712,162	5,869,622	6,819,281
Purchase	–	–	–	182	182
Amortisation of stumps	–	(20,033)	–	–	(20,033)
Disposal	–	–	(338,640)	(1,018,103)	(1,356,743)
Transfer from deposit paid	34,258	–	–	–	34,258
Plantation expenditure incurred	–	378	8,396	7,091	15,865
Harvest as agricultural produce	–	(2,271)	–	(3,325)	(5,596)
Exchange differences	39	870	3,772	27,670	32,351
Loss arising from changes in fair value less costs to sell	(12,067)	(50,820)	(6,350)	(1,772,428)	(1,841,665)
Adjustment [#]	–	–	–	(43,039)	(43,039)
Write-off	–	(147,201)	–	(115,407)	(262,608)
As at 31 March 2010	<u>22,230</u>	<u>18,420</u>	<u>379,340</u>	<u>2,952,263</u>	<u>3,372,253</u>

[#] It represents the adjustments to the final consideration paid respect of acquisition of forest farms in prior years.

Prepaid lease payments

Prepaid lease payments are the prepayments of land use rights located in the PRC. The amount decreased was mainly due to the disposal of a land use right of a hotel development project, amortization and write-off amounted to HK\$31 million, HK\$30 million and HK\$57 million respectively.

Movements of prepaid lease payments during the year were as follows:

	2010 HK\$'000
As at 1 April 2009	1,395,238
Acquisition of subsidiaries	–
Exchange differences	7,222
Additions	101
Adjustment [#]	(4,269)
Disposals	(31,378)
Write-off	(56,924)
Amount released to profit or loss	(30,152)
	<hr/>
As at 31 March 2010	1,279,838
	<hr/>
Classified as current assets	31,366
	<hr/>
Classified as non-current assets	1,248,472
	<hr/> <hr/>

[#] It represents the adjustments to the final consideration paid in respect of acquisition of forest farms in prior years.

Purchase consideration payable

The balances represent the present value of purchase consideration payable arising from the acquisition of Shenyu New Energy Group Limited in 2008, which has been fully settled by the disposal of certain assets of Shenyu New Energy Group Limited during the year.

Other payables, accruals and long term payables

The balances mainly included payables of forest farms and plantation expenditures.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2010, the Group's cash and bank balances amounted to approximately HK\$606 million (2009: HK\$201 million), which were principally denominated in Renminbi and Hong Kong dollar. 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 the PRC and did not use any financial instruments for hedging purpose.

As at 31 March 2010, the Group had no borrowing (after excluding convertible notes liabilities).

The Group generally finances its operation using internally generated resources. As at 31 March 2010, the Group's net current assets amounted to approximately HK\$440 million (2009: HK\$306 million). The Group's current ratio, being its current assets as a percentage of its current liabilities, amounted to 209% (2009: 161%).

As at 31 March 2010, the share capital of the Company consisted of 7,907,715,600 ordinary shares of HK\$0.10 each. Apart from the ordinary shares in issue, the Company issued convertible notes as alternative financing instruments.

As at 31 March 2010, the Group's gearing ratio, measured on the basis of total borrowings (including convertible notes) as a percentage of total shareholders' funds, was approximately 2.1% (2009: 1.4%).

VERY SUBSTANTIAL DISPOSAL (“VSD”)

On 31 March 2010, the Company completed the VSD of part of assets of Yunnan Shenyu New Energy Company Limited, a company incorporated in the PRC. The details of the transaction were disclosed in the announcement dated on 19 February 2010 and the circular published on 12 March 2010.

The detailed financial effects were described in paragraph ‘Gain on Disposal of assets’ in Financial Review Section.

CHARGE ON THE GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2010 and 2009 to secure general banking facilities.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not have contingent liabilities of material amounts.

CAPITAL COMMITMENTS

As at 31 March 2010, capital commitments in respect of construction costs which had been contracted but not provided for by the Group amounted to approximately HK\$31 million.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Group mainly uses its Renminbi income receipt for operating expenditure in the PRC and does not use any financial instruments for hedging purpose.

EMPLOYEES

As at 31 March 2010, the Group employed a total of approximately 200 employees, of which 10 employees are employed in Hong Kong. In addition to competitive packages offered to the employees, other benefits provided to eligible candidates include contributions to mandatory provident fund as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to directors, executives and employees of the Company as incentives for their contribution to the growth of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board of the Company believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. During the Year, Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited.

The objectives of the management structures within the Group, headed by the Board and led by the Chairman, are to deliver sustainable value to shareholders.

The Chairman provides leadership to and oversees the effective functioning of the Board. With support of the Chief Executive Officer and the Company Secretary, the Chairman approves Board meeting agenda, and ensures Directors have proper briefing, and timely receive adequate and reliable information, on all Board matters.

The role of the Chairman is separated from that of the Chief Executive Officer, and different persons hold the separate offices. Chief Executive heads the management and focuses on the day-to-day operations of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors, the Group's consolidated financial statements for the year ended 31 March 2010, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' securities transactions in 2004. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2010. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF RESULTS OF THE STOCK EXCHANGE

A detailed results announcement containing all the information required by Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
China Grand Forestry Green Resources Group Limited
Tse On Kin
Chairman

Hong Kong, 27 July 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Tse On Kin, Mr. Pang Chun Kit, Mr. Lau Man Tak and Mr. Chi Chi Hung Kenneth being the Executive Directors and Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Ms. Xu Lei being the Independent Non-Executive Directors.