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## 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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors (the “Board” or “Directors”) of China Grand Forestry Green 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 2011 (the “Period”), being the interim results of the Group for the financial year ending 31 March 2012 of the Company.

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2011</b>	<b>2010</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>6,320</b>	2,268
Loss arising from changes in fair values less costs to sell of biological assets		<b>(7,073)</b>	(818,478)
Other income	3	<b>3,142</b>	7,320
Other net (losses)/gains	5	<b>(203,844)</b>	5,008
Cost of inventories and forestry products sold		<b>(2,233)</b>	(1,088)
Staff costs		<b>(4,906)</b>	(9,474)
Depreciation of property, plant and equipment		<b>(6,276)</b>	(9,799)
Amortisation of patent		—	(456)
Release of prepaid lease payments		<b>(14,439)</b>	(16,215)
Other operating expenses		<b>(15,721)</b>	(14,691)
Finance costs	7	<b>(4,326)</b>	(6,886)
Impairment loss on available-for-sale investment		<b>(1,046)</b>	(3,403)
Loss before income tax credit		<b>(250,402)</b>	(865,894)
Income tax credit	8	<b>5,930</b>	213,668
Loss for the Period	6	<b>(244,472)</b>	(652,226)
Other comprehensive income for the Period:			
Exchange difference on translating foreign operations		<b>76,250</b>	73,217
Total comprehensive income for the Period		<b>(168,222)</b>	(579,009)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*(Continued)*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2011</b>	<b>2010</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss attributable to:</b>			
Owners of the Company	9	(244,472)	(652,226)
Non-controlling interests		—	—
		<u>(244,472)</u>	<u>(652,226)</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(168,222)	(579,009)
Non-controlling interests		—	—
		<u>(168,222)</u>	<u>(579,009)</u>
<b>Loss per share</b>			
— basic	10	<u>HK(2.51) cents</u>	<u>HK(7.52) cents</u>
— diluted		<u>HK(2.51) cents</u>	<u>HK(7.52) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2011 (Unaudited) <i>HK\$'000</i>	31 March 2011 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Biological assets		2,516,263	2,487,426
Property, plant and equipment	11	56,053	65,693
Construction in progress		41,444	39,857
Prepaid lease payments		1,184,377	1,217,950
Deposits paid for very substantial acquisition		430,000	—
Available-for-sale investments		379	1,425
		4,228,516	3,812,351
<b>Current assets</b>			
Inventories		3,401	816
Trade receivables	12	995	373
Prepaid lease payments		30,347	29,545
Other receivables, deposits and prepayments		17,022	13,625
Financial assets at fair value through profit or loss		190,801	313,266
Cash and cash equivalents		129,001	580,938
		371,567	938,563
<b>Total assets</b>		4,600,083	4,750,914
<b>Current liabilities</b>			
Trade payables	15	18,495	18,007
Other payables and accruals		265,056	251,684
Tax payable		82,760	80,574
		366,311	350,265
<b>Net current assets</b>		5,256	588,298
<b>Total assets less current liabilities</b>		4,233,772	4,400,649

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(Continued)*

		<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Long term payables		<b>165,745</b>	162,085
Deferred taxation		<b>133,211</b>	135,526
		<u><b>298,956</b></u>	<u>297,611</u>
<b>Total net assets</b>		<u><b>3,934,816</b></u>	<u>4,103,038</u>
<b>Capital and reserves attributable to the Company's owners</b>			
Share capital	<i>13</i>	<b>974,105</b>	974,105
Reserves	<i>14</i>	<b>2,960,644</b>	3,128,866
		<u><b>3,934,749</b></u>	<u>4,102,971</u>
Non-controlling interests		<b>67</b>	67
<b>Total equity</b>		<u><b>3,934,816</b></u>	<u>4,103,038</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(15,825)</b>	(8,302)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(437,470)</b>	(115,497)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>—</u>	<u>204,650</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(453,295)</b>	80,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>580,938</b>	605,952
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>1,358</u>	<u>1,462</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><b>129,001</b></u>	<u>688,265</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<u><b>129,001</b></u>	<u>688,265</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 September 2011					
	Share capital <i>HK\$'000</i>	Share premium and other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2011 (Audited)	974,105	3,171,117	(42,251)	4,102,971	67	4,103,038
Loss for the period	—	—	(244,472)	(244,472)	—	(244,472)
Other comprehensive income	—	76,250	—	76,250	—	76,250
Total comprehensive income	—	76,250	(244,472)	(168,222)	—	(168,222)
Lapse of share option	—	(1,318)	1,318	—	—	—
Balance at 30 September 2011 (Unaudited)	<u>974,105</u>	<u>3,246,049</u>	<u>(285,405)</u>	<u>3,934,749</u>	<u>67</u>	<u>3,934,816</u>

  

	For the six months ended 30 September 2010					
	Share capital <i>HK\$'000</i>	Share premium and other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2010 (Audited)	790,772	2,880,665	1,151,227	4,822,664	67	4,822,731
Loss for the period	—	—	(652,226)	(652,226)	—	(652,226)
Other comprehensive income	—	73,217	—	73,217	—	73,217
Total comprehensive income	—	73,217	(652,226)	(579,009)	—	(579,009)
Issue of shares upon conversion of convertible notes	83,333	16,426	—	99,759	—	99,759
Placement	100,000	104,650	—	204,650	—	204,650
Balance at 30 September 2010 (Unaudited)	<u>974,105</u>	<u>3,074,958</u>	<u>499,001</u>	<u>4,548,064</u>	<u>67</u>	<u>4,548,131</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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. The address of registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3309, 33/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong respectively.

The principal activity of the Company is investment holding. The Group is engaged in the ecological forestry business.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2011 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Statements have been prepared under the historical cost basis except for certain financial instruments and certain biological assets which are measured at fair value or fair value less costs to sell.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2011 (the “Annual Financial Statements”), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the “HKASs”) and Interpretations) issued by the HKICPA as disclosed in Note 2 to these Interim Financial Statements. The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

In addition, in the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“new or revised HKFRSs”) issued by the HKICPA, which are effective for the current period’s unaudited condensed consolidated interim financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The Group has not early applied the following new and revised standards, amendments or interpretations which have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>4</sup>
HKFRS 11	Joint Arrangements <sup>4</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>4</sup>
HKFRS 13	Fair Value Measurement <sup>4</sup>
HKAS 1 (Amendments)	Presentation of Item of Other Comprehensive Income <sup>3</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>4</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>4</sup>
HKAS 28 (2011)	Investments in Associate and Joint Ventures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

The Group anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. REVENUE AND OTHER INCOME

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Revenue		
Sale of forestry products	<b>6,320</b>	2,268
Other income		
Bank interest income	<b>1,402</b>	1,612
Imputed interest arising from the discounting of the consideration receivable for the disposal of certain forest farms	—	868
Dividend income from listed investments	<b>1,740</b>	369
Income arising from transfer of research and development project to third parties	—	3,342
Income arising from granting of patent use rights	—	1,129
	<b>3,142</b>	7,320
	<b>9,462</b>	9,588

#### 4. SEGMENTAL INFORMATION

##### Reportable segment

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 periods.

#### 5. OTHER NET (LOSSES)/GAINS

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value (loss)/gain on financial assets at fair value through profit or loss	(132,465)	4,299
Loss on disposal of forest farms	(81,273)	—
Loss on disposal of property, plant and equipment	(2,240)	—
(Loss)/gain on disposal of a subsidiary	(920)	3
Exchange differences	11,237	25
Others	1,817	681
	<u>(203,844)</u>	<u>5,008</u>

#### 6. LOSS FOR THE PERIOD

The Group's loss for the Period is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	—	303
Minimum lease payments under operating leases on leasehold properties	2,312	2,698
Research and development costs	3,668	645
Staff costs:		
Basic salaries and allowances	4,684	8,857
Retirement benefits scheme contribution	42	617
Net exchange gains	<u>(11,237)</u>	<u>(25)</u>

## 7. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms	4,326	6,156
Interest on convertible notes	—	730
	<u>4,326</u>	<u>6,886</u>

## 8. INCOME TAX CREDIT

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Overseas tax — deferred tax credit	5,930	213,571
Hong Kong profit tax — deferred tax credit	—	97
	<u>5,930</u>	<u>213,668</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 September 2011 (2010: HK\$Nil).

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. Chongqing WFC does not apply for tax exemption as it sustained loss for both periods. 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 both periods.

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 both calendar years ending 31 December 2011 and 2010, 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. Due to the unexpected prolonged application process in previous years, management was not confident that the exemption will be granted from the tax authority, and so it did not qualify for tax exemption for the calendar years ended 31 December 2011 and 2010. Accordingly, WFC is subject to enterprise income tax rate of 25% and deferred taxation has been provided for the periods ended 30 September 2011 and 2010. WFC did not subject to enterprise income tax as it sustained loss for both periods.

Pursuant to the approval obtained from the relevant PRC tax authority, Yunnan Shenyu New Energy Company Limited (“Yunnan Shenyu”), a wholly owned subsidiary of the Group, is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2010. Upon expiry of the tax concession period in 2011, the standard PRC enterprise income tax rate of 25% will be applied in accordance with the PRC Enterprise Income Tax Law approved by the National People’s Congress on 16 March 2007 and became effective from 1 January 2008. Yunnan Shenyu is also entitled to full exemption from the PRC enterprise income tax as it is operating in forestry business. Yunnan Shenyu did not apply for tax exemption as it sustained loss for both periods. 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 both periods.

The applicable PRC enterprise income tax is 25% for 2011 and 2010 for other PRC subsidiaries.

## 9. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY AND DIVIDEND

The net loss for the Period attributable to owners of the Company for the period ended 30 September 2011 dealt with in the financial statements of the Company was approximately HK\$7,231,000 (for the six months ended 30 September 2010: net loss of HK\$11,526,000).

No dividend was paid or proposed during the period ended 30 September 2011 (for the six months ended 30 September 2010: HK\$Nil), nor has any dividend been proposed since 30 September 2011.

## 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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$’000</b>	HK\$’000
Loss for the Period attributable to owners of the Company	<b>(244,472)</b>	(652,226)
Interest expense on convertible notes	—	—
Loss for the Period attributable to owners of the Company used in the diluted loss per share calculation	<u><b>(244,472)</b></u>	<u>(652,226)</u>

(ii) **Weighted average number of ordinary shares**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Weighted average number of ordinary shares at 30 September for the purpose of calculation of basic loss per share	<b>9,741,048</b>	8,674,109
Effect of dilutive potential ordinary shares:		
Share option/Convertible notes	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares at 30 September for the purpose of calculation of diluted loss per share	<b><u>9,741,048</u></b>	<b><u>8,674,109</u></b>

The computation of diluted loss per share for the periods ended 30 September 2011 and 2010 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. PROPERTY, PLANT AND EQUIPMENT**

During the Period, additions of property, plant and equipment amounted to approximately HK\$306,000 (for the six months ended 30 September 2010: HK\$305,000).

**12. TRADE RECEIVABLES**

The Group normally allows credit terms to established customers ranging from 90 to 120 days. An ageing analysis of the trade receivables as at the end of reporting period, based on the date of recognition of the sales, is as follows:

	<b>30 September</b>	<b>31 March</b>
	<b>2011</b>	<b>2011</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–30 days	<b>612</b>	—
31–60 days	—	—
61–90 days	—	—
Over 90 days	<b><u>71,477</u></b>	<u>69,589</u>
	<b>72,089</b>	69,589
Less: Impairment loss	<b><u>(71,094)</u></b>	<u>(69,216)</u>
	<b><u>995</u></b>	<b><u>373</u></b>

### 13. SHARE CAPITAL

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.10 each	<u><b>2,000,000</b></u>	<u>2,000,000</u>
Issued and fully paid: 9,741,048,933 ordinary shares of HK\$0.10 each	<u><b>974,105</b></u>	<u>974,105</u>

### 14. RESERVES

	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Subscription right reserve HK\$'000	Statutory reserve fund HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2011 (Audited)	2,176,284	99,156	24,543	137,290	4,069	729,775	(42,251)	3,128,866
Loss for the period	—	—	—	—	—	—	(244,472)	(244,472)
Other comprehensive income	—	—	—	—	—	76,250	—	76,250
Total comprehensive income	—	—	—	—	—	76,250	(244,472)	(168,222)
Lapse of share option	—	(1,318)	—	—	—	—	1,318	—
At 30 September 2011 (unaudited)	<u>2,176,284</u>	<u>97,838</u>	<u>24,543</u>	<u>137,290</u>	<u>4,069</u>	<u>806,025</u>	<u>(285,405)</u>	<u>(2,960,644)</u>

### 15. 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 period, based on the receipt of goods purchased, is as follows:

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
0–30 days	—	—
31–60 days	—	—
61–90 days	—	—
Over 90 days	<u><b>18,495</b></u>	<u>18,007</u>
	<u><b>18,495</b></u>	<u>18,007</u>

## 16. CAPITAL COMMITMENTS

As at 30 September 2011, the Group had the following capital commitments contracted but not provided for:

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Capital commitments contracted but not provided for:		
Construction cost	<u><b>34,756</b></u>	<u>33,479</u>

## 17. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties and nursery gardens under operating leases arrangements. Leases for properties are negotiated for terms for one year. Leases for nursery gardens are negotiated for terms for five years.

### The Group as lessee

At 30 September 2011, the Group had total future minimum lease payments under non-cancellable operating leases in respect of the Group falling due as follows:

	<b>30 September 2011 (Unaudited) HK\$'000</b>	31 March 2011 (Audited) HK\$'000
Within one year	<b>567</b>	920
In the second to fifth years, inclusive	<u><b>413</b></u>	<u>535</u>
	<u><b>980</b></u>	<u>1,455</u>

## 18. CONTINGENT LIABILITIES

As at 30 September 2011, the Company and the Group did not have contingent liabilities.

## 19. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 26 July, 30 September 2011 and 28 October 2011, a wholly owned subsidiary of the Company, entered into an equity transfer agreement and the supplemental agreements with Top Trendy Holdings Limited (independent third party) for the acquisition of the entire equity interest in Grandbiz Holdings Limited ("Sale Share A") for an aggregate consideration of HK\$2,198,000,000, which will be satisfied as to (i) HK\$444,500,000 in cash; (ii) HK\$1,263,500,000 by the issue and allotment of the convertible preference shares of the Company; and (iii) HK\$490,000,000 by way of issue of the convertible notes of the Company. After the completion of the reorganization, Grandbiz Holdings Limited will hold an entire equity interest in Mazy International Limited, which in turn holds 40% equity interest in Fijian Sinco Industrial Co., Ltd ("Fijian Sinco"). Details of the aforesaid acquisition were set out in the announcement of the Company dated 30 September 2011 in relation to, among other things, acquisition of Sale Share A, which constitutes a very substantial acquisition of the Company.

- (b) On 30 September 2011 and 28 October 2011, a wholly owned subsidiary of the Company, entered into an equity transfer agreement with Good Fellow Resources Holdings Limited, the issued shares of which are listed on the Stock Exchange, for the acquisition of the entire equity interest in Great Peace Global Group Limited (“Sale Share B”), and the loan advanced to Great Peace Global Group Limited (“Sale Loan”) for an aggregate consideration of HK\$942,000,000, which will be satisfied as to (i) HK\$190,500,000 in cash; (ii) HK\$541,500,000 by the issue and allotment of the convertible preference shares of the Company; and (iii) HK\$210,000,000 by way of issue of the convertible notes of the Company. Great Peace Global Group Limited holds 50% equity interest in a jointly controlled entity, Grand International Development limited, which in turn holds 60% equity interest in Fijian Sinco. Details of the aforesaid acquisition were set out in the announcement of the Company dated 30 September 2011 in relation to, among other things, acquisition of Sale Share B and Sale Loan, which constitutes a very substantial acquisition of the Company.
- (c) Pursuant to a special resolution passed by the Company’s shareholders on 30 November 2011, the proposed reorganisation of the share capital of the Company involving *inter alia*, (a) a consolidation of every twenty (20) shares of HK\$0.10 each into one (1) consolidated share of HK\$2.00 each; (b) a reduction in the nominal value of the then issued consolidated shares from HK\$2.00 to HK\$0.01 each by canceling the paid-up capital to the extent of HK\$1.99 on each of the issued consolidated shares; and (c) a subdivision of each authorised but unissued consolidated shares into two hundred (200) adjusted shares of HK\$0.01 each, was approved. Details of which are set out in the circular dated 7 November 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial highlights

For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK\$6 million, representing an increase of 179% compared with the six months ended 30 September 2010 (the “period ended 30 September 2010”). The Group’s loss attributable to shareholders was approximately HK\$244 million, and its basic loss per share for the Period was HK2.51 cents (for the period ended 30 September 2010: loss of HK\$652 million, representing a basic loss of HK7.52 cents).

### Dividend

The Board does not recommend any interim dividend for the period ended 30 September 2011.

### Business review

The ecological forestry business has been identified as the single operating segment for the Group for the period ended 30 September 2011.

#### (i) *Forest land and timber business*

During the Period, there was no significant acquisition or disposal of forest land. As at 30 September 2011, the total area of traditional forest land use right owned by the Group amounted to approximately 5 million Chinese Mu. Such forest land is mainly located in Hunan, Chongqing, Yunnan and Guizhou.

*(ii) Biomass energy*

Biomass energy in China is a clean burning alternative fuel, produced from renewable and sustainable resources. As at 30 September 2011, the Group owned Jatropha estate of approximately 300,000 Chinese Mu in Yunnan Province.

A trial processing plant of Jatropha based bio-diesel has been operated since August 2010. The Group would evaluate the trial result and determine the development strategy.

**Prospects**

Due to the increasing concerns for environmental protection issues such as carbon sequestration in the PRC, the Group expects that the domestic harvesting in the plantations would be tightened.

The Jatropha based bio-diesel production is still at trial processing. Certain issues have to be overcome in order to move on to the next phase of the development.

In view of the stringent business environment of the forestry industry, the Group has to seek other business opportunities, such as property investment, which may generate steady inflow of cash and profit to the Group.

**Operating results and financial review**

*Revenue*

The sales of forestry products for the Group during the Period was mainly the sales of standing timber.

*Other net (losses)/gains*

Other net (losses)/gains in the current Period mainly included fair value loss on investments in equity securities listed in Hong Kong amounting to approximately HK\$132 million, and loss on disposal of forest farms amounting to approximately HK\$81 million.

*Cost of inventories and forestry products sold*

The Group's decrease in cost for the Period was mainly a result of the drop of the sales of forestry products.

*Other operating expenses*

The Group's other operating expenses for the Period in the amount of approximately HK\$16 million mainly included various administrative and selling expenses. During the Period, the Group adopted a tighter cost control in order to reduce the operating loss.

### *Finance costs*

Finance costs mainly represent non-cash imputed interest expenses on payables for previous acquisitions of certain forest land.

### *Biological assets*

The following table summarises the movement of biological assets during the Period.

	<b>Jatropha</b>	<b>Other forest assets</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2011	362,920	2,124,506	2,487,426
Plantation expenditures	2,950	217	3,167
Direct sales and harvest as agricultural produce	—	(1,977)	(1,977)
Disposal	—	(32,360)	(32,360)
Exchange differences	10,036	57,044	67,080
Gain/(loss) arising from changes in fair value less costs to sell	15,731	(22,804)	(7,073)
	<u>391,637</u>	<u>2,124,626</u>	<u>2,516,263</u>
As at 30 September 2011	<u>391,637</u>	<u>2,124,626</u>	<u>2,516,263</u>

Poyry Forest Industry Limited has performed a valuation update on Jatropha and other forest assets to assist the Group to assess the fair value of those biological assets.

### *Prepaid lease payments*

Prepaid lease payments being the prepayments of land use rights located in the PRC and the change in value mainly arising from amortisation during the Period amounted to HK\$14 million and exchange difference on translating.

### *Other payables and accruals and long-term payables*

Other payables and accruals and long-term payables mainly included payables of forest farms, government subsidies received and plantation expenditures payable.

### **Liquidity, financial resources and capital structure**

As at 30 September 2011, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately a total of HK\$129 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.

As at 30 September 2011, the Group had no borrowing and therefore, the Group's gearing ratio is zero, measured on the basis of total borrowings as a percentage of total shareholders' funds.

The Group's currently available liquidity resources are sufficient to meet its capital commitments. As at 30 September 2011, the Group's net current assets amounted to approximately HK\$5 million. The Group's current ratio, being the percentage of its current assets in its current liabilities, amounted to 1.01 times.

As at 30 September 2011, the capital structure of the Company is constituted exclusively of 9,741,048,933 ordinary shares of HK\$0.1 each.

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

The Group did not have any pledged assets as at 30 September 2011.

### **Contingent liabilities**

As at 30 September 2011, the Group did not have any material contingent liabilities.

### **Employees**

As at 30 September 2011, the Group employed a total of approximately 150 employees of which 10 were employed in Hong Kong. In addition to competitive remuneration package offered to the employees, other benefits included 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 the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") in respect of the securities dealing by the Directors. The Company has made specific enquiry of all Directors in respect of the securities dealing by the Directors and is not aware of any non-compliance with the Model Code during the six months ended 30 September 2011.

### **Purchase, redemption or sale of listed securities by the Company**

There was no purchase, redemption or sale of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2011.

## **Directors' interests in a competing business**

During the Period and up to the date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses for which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

## **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 throughout the Period.

## **Audit and remuneration committees**

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, Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Mr. Yu Pak Yan.

The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the Period, and was of the opinion 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 with reference to the corporate goals and objectives resolved by the Board from time to time.

## **Sufficiency of public float**

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25 per cent of the Company's issued shares at the latest practicable date (29 November 2011) prior to the issue of this interim result.

## **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**  
**Chi Chi Hung, Kenneth**  
*Executive Director and Company Secretary*

Hong Kong, 30 November 2011

*As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Lau Man Tak and Mr. Chi Chi Hung, Kenneth being the Executive Directors and Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Mr. Yu Pak Yan, Peter being the Independent Non-Executive Directors.*