



**Announces Its Annual Results for the Year Ended 30 June 2006
Turnover Up 161% to HK\$ 360,770,000**

**Ecological Forestry Business Turns the Group into Profit
Change of Group Name Reflects Commitment of Becoming the Industry Leader**

<u>Financial Highlights</u>	12 months ended 30 June (HK\$'000)		
	2006	2005 (restated)	% Changes
Turnover	360,770	138,262	+160.9%
Gross Profit	193,918	11,486	+1588.3%
Profit (loss) Attributable to Shareholders	83,208	(150,189)	N/A
Basic Earnings (Loss) Per Share	HK 2.72 cents	(HK 5.61 cents)	N/A

(Hong Kong, 23 October 2006) **Good Fellow Group Limited** (“Good Fellow”, or the “Group”) (SEHK: 910) announced its annual results for the year ended 30 June 2006 (the “Year”).

During the Year, the Group’s turnover amounted to HK\$360,770,000 (2005: HK\$138,262,000), representing an increase of 160.9 per cent over the corresponding period of last year. Profit attributable to shareholders is HK\$83,208,000, comparing to a loss attributable to shareholders of HK\$150,189,000 during the corresponding period of last year. Basic earnings per share is HK2.72 cents, while loss per share was HK\$5.61 cents last year.

Mr. Ng Leung Ho, Chairman of the Group, said, “2006 was a transformational milestone for the Group. During the Year, the Group has successfully diversified its business into ecology forestry industry in the PRC through the 70 per cent equity acquisition of Beijing Wan Fu Chun. The market demand of raw materials for the paper making industry is enormous in the PRC. The Group believes that the ecological forestry business is a unique opportunity with favorable long-term prospect that will complement the highly competitive apparel market and improve the Group’s earnings base and asset quality. Looking forward, the Group is committed to developing ecological forestry business with the change of Group’s name to ‘China Grand Forestry Resources Group Limited’, and creating better returns to shareholders.”

Business Review

<u>Turnover – Business Segment</u>	12 months ended 30 June (HK\$ ‘000)			
	2006	% of the Total Turnover	2005	% of the Total Turnover
The Ecological Forestry Business	219,230	60.7%	N/A	N/A
The Garment Business	141,540	39.3%	138,262	100%
Total	360,770	100%	138,262	100%

The Ecological Forestry Business

The Group’s business operations in the ecological forestry business was carried out by Beijing Wan Fu Chun Forest Resources Development Company Limited (“Beijing WFC”), a Sino-Foreign joint venture principally engaged in the business of tree planting and management, manufacture and distribution of forest products such as timber and bark materials. The Group held a 70 per cent effective equity interest in Beijing WFC.

For the first post-acquisition period, the Group’s share in net profit contribution from Beijing WFC amounted to approximately HK\$ 93.8 million. The profit contribution, which has been consolidated into the Group accounts for the Year, arose mainly from the sale of paper mulberry saplings and also quality pinewood by Beijing WFC. The sale of paper mulberry saplings was undertaken in Beijing WFC’s initial

stage of business launching to avail working capital and cash resources for future large scale plantation of the modified tree specie *Broussonetia Papyriferalvent*. The Group's turnover in respect of its forestry operations were entirely derived from the PRC.

In addition to the direct sale of saplings, during the post-acquisition period Beijing WFC has also commenced the plantation of the modified tree specie *Broussonetia Papyriferalvent*. The plantation works was carried out in a leasehold agricultural premise in the Shandong province and also certain other leased premises in other regions of the PRC; mainly near the Beijing border. Based on professional survey performed, as at 30 June 2006, the harvestable volume of *Broussonetia Papyriferalvent* being grown was assessed as approximately 805 tons of bark and 5,926 tons of tree trunk. During the Year, post-acquisition profit contribution in the amount of HK\$11.9 million was recorded in respect of the fair value re-measurement gains assessed in terms of harvestable timber which can be obtained by Beijing WFC from its plantation activities rendered during the period. At this stage of new commencement of plantation, however, the growth of the *Broussonetia Papyriferalvent* was still in continuance and has not reached their optimal stage for harvest. Therefore, no harvesting of the modified tree specie and sale of the collectible timber has been made during the Year.

In respect of the Group's secondary forestry business operation in pinewoods, namely, the Shanxi Xiyang Dongfeng Forest Farm and the Shanxi Xiyang State-run Bixiaguan Forest Farm in Shanxi province, the PRC, during the post-acquisition period, harvesting has been made of approximately 56,000 cubic meters by volume of the pinewoods and sale of the collectible timber. Based on professional survey performed, as at 30 June 2006, the flocks of living pine trees of different maturities grown thereon was assessed to have an aggregate bulk volume of approximately 332,000 cubic meters. Amongst these, approximately 91 per cent by volume of the living pine trees have reached optimal harvestable stage of full maturity and near-maturity. Of these wholesome living pine trees, the Group has vested interests in contracts for the sale of portions of the flocks of approximately HK\$49 million by sales value, the delivery of which has not been completed as at 30 June 2006.

The Garment Business

The Group's core garment business consisted of the design, manufacture and sale of a range of high-end apparel and uniforms. The PRC market remained the most important market segment, accounting for over 90 per cent of the Group's total garment sales. During the Year, the turnover generated from the garment business remains stable while the gross product margin normalized and improved from 8.4 per cent in last year to a healthier level of around 13.6 per cent. As a result, the Group succeeded in considerably reducing the net operating loss from its garment operation to approximately HK\$2.6 million for the Year.

The improvement was mainly the result of the Group's effort in rectifying its operations and advertising and intensified marketing and promotional campaign, including the appointment of renowned screen celebrity as the brand image ambassador and the roll out of a series of television advertisements to increase customers' brand awareness. In addition, the Group's effort in promulgating a nationwide sales retail network in the PRC and broaden sales channel has enabled the Group to concentrate on products with higher profit margin. Such promotional effort while requires a higher level of overhead outlay on part of the Group over the last two years, was beginning to impart its benefits. Along with the increase in brand awareness, a higher emphasis of sales effort was placed with apparel products under the Group's own branding which generally command higher profit margin than uniform sales. During the Year, the Group also introduced to the market the leisure series of apparel to complement the men's suits and uniform product lines; and was well received by the market.

Investment in Nano-Technology Business

The Group's share of results of jointly-controlled entities, in the amount of HK\$1.6 million, represents share of operational loss from high-tech investment in Zhongke Nanotech, the Group's joint venture investment vehicle engaged in the development and sales of nano materials and transfer of related technology. Following a period of loss-incurring operational consolidation over the last year, Zhongke Nanotech succeeded in turning around the operation for the Year. The result contribution for the Year was derived mainly from the sale of Nano metallic paint; Nano interior and exterior paint; and Nano paste as successfully commercialized by Zhongke Nanotech's second industrialization plant in Suzhou, the PRC. In addition, technology transfer contracts completed during the Year includes the technology in the industrial manufacture of Nano self-cleansing glass material.

Prospects

Going forward, the Group sees the newly diversified ecological forestry business as the turbo engine to the Group' growth momentum. Capitalizing on the global ecological emphasis, the Group sees the business development potential of this new business as very promising. The Group will actively seek out suitable forest lands with growth potential in order to further expand its ecological forestry resources and develop related business. On 16 October 2006, the Group entered into a conditional agreement for the acquisition of an additional 30 per cent stake-holding in the ecological forestry business.

The reform of the PRC forestry industry has reached the final stage of lifting previous confinements. Along with the new development, the Group stands to benefit from opportunities arising from the conversion of State-owned forest fields and the incentives provided to encourage domestic and foreign participation in the industry. In particular, in view that the country is facing a serious unfulfilled market demand with wood pulp materials, the hybridized advancement of the traditional tree specie *Broussonetia papyriferalvent* to its high growth variety suitable for frequent cyclic harvest methodologies; and the forthcoming country-wise promotion of the modified tree specie as one of the major wood pulp sourcing tree specie will confer immense development potential as well as generating increasing future revenue sources for the Group.

Meanwhile, the garment business will continue to provide the Group with a reliable revenue base. While the Group anticipates the competition in the PRC's apparel market will continue to be severe, the Group is confident that the Group has successfully seasoned its difficult trial period and begun to turn around the operations. Nevertheless, the Group will review its marketing strategy periodically and adjust to the market environment as warranted, and devote sales and marketing efforts to substantiate its market share in the PRC. The Group's active expansion of its reach in the PRC market through the establishment of more outlets in various provinces has already proceeded to important cities such as Beijing, Shandong and Shanxi, providing a solid foundation to the garment business.

The Group sees itself as heading on the right track. Leveraged on the Group's competitive strength in its chosen fields, the Group believes that it is geared to reap its greater achievements in the upcoming years.

About Good Fellow Group Limited (SEHK: 910)

The Group is an investment company which principally engaged in the design, manufacture and sale of quality men's and women's wear and accessories, providing uniforms for government departments, national-owned enterprises and various companies. In order to complement with the highly competitive apparel market, the Group focuses on the diversification of business into new areas of high-growth potential. In the second quarter of 2006, the Group has successfully diversified its business into ecology forestry business in the PRC through the acquisition of Beijing Wan Fu Chun Forest Resources Development Company Limited.

- End -

Released by the **Elite Communications Group Limited** for and on behalf of **Good Fellow Group Limited**. For further information, please contact:

Investor Relations

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

Media Relations

Mr. Danny Cheng
Tel.: 3183 0233
Fax: 2155 9165