



CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED

中國林大綠色資源集團有限公司

Announces Annual Results for the Year Ended 31 March 2008
Profit Attributable to Shareholders Increased 108% to HK\$2,744 Million
Profit Attributable to Shareholders Excluding Revaluation Gain of Biological Assets
Increased 117% to HK\$647 Million

Financial Highlights

Continuing and Discontinued Operations (Including ecological forestry business and garment business)

	(HKD Million)		
	2008	2007	Change
Profit attributable to shareholders	2,744	1,319	+108%
Profit attributable to shareholders (excluding the gain from the change in the fair value of biological assets)	647	298	+117%
Basic earnings per share	HK51.03 cents	HK28.82 cents	+77%

(Hong Kong, 27 July 2008) China Grand Forestry Green Resources Group Limited (“CH GRAND FOREST” or the “Group”) (SEHK: 00910) announced the annual results for the 12 months ended 31 March 2008 (the “Year”).

Financial Performance

The Group’s continuing operations recorded a revenue of approximately HK\$1,024 million (2007: HK\$733 million), representing an increase of 40% compared with the year ended 31 March 2007 (the “Previous Year”). The growth of profit from core operating activities was mainly attributed to an increase in the sales volume and the sustained high unit selling price of timber. During the Year, the demand for timber was strong, the imbalances arising from scant supply of and excess demand for timber remained, leading to sustained high timber prices, which enabled the Group to achieve good financial results.

Gain arising from changes in fair value of biological assets less estimated point-of-sale costs was approximately HK\$2,097 million (2007: HK\$1,118 million), representing an increase of 88%.

The profit attributable to shareholders from continuing and discontinued operations was HK\$2,744 million (2007: HK\$1,319 million), equivalent to basic earnings per share of HK51.03 cents (2007: HK28.82 cents), representing increases of 108% and 77% respectively. Excluding the gain from the change in the fair value of biological assets, profit attributable to shareholders amounted to HK\$647 million (2007: HK\$298 million), representing an increase of 117%.

Mr. Ng Leung Ho, Chairman of the Group, said, “With the steady growth of the PRC economy and buoyant market demand for timber as raw material, this favourable business environment continuously added strong impetus to our business development. The Group had seized various opportunities to acquire forest resources, thus the forest areas under management was further expanded to over 5 million Chinese Mu and the forest resources reserves was increased to approximately 17 million cubic meters, laying a solid foundation for the Group’s future business development.”

Mr. Ng added, “The Group is optimistic about the prospect of its ecological forestry business as sufficient forest reserve can provide the Group with steady cash flow in next few years. In view of potential risk of general unstable economic condition, the Group is closely monitoring the market condition of forestry products as well as the consolidation of existing forest resources. The expansion of the carbon development mechanism business and initiation of biomass energy project of the Group can broaden the income base, increase the overall efficiency of resources and secure a sustainable profit growth. The Group is determined to be the supplier of forest resources and intends to capitalize on respective strengths through strategic cooperation with enterprises in related industries. The Group will also speed up its development of renewable and sustainable forest resources for the pursuit of a green, environmentally friendly and pleasant ecological environment, so as to increase shareholders’ return.”

Business Review

The turnovers of ecological forestry business were mainly generated from the sales of processed standard timber, pulpwood and standing timbers.

Revenue	(HKD'000)		
	2008	2007	Change
Ecological forestry business	1,023,832	733,126	+39.7%
Garment business	81,246	95,792	-15.2%
Total	1,105,078	828,918	+33.3%

(A) Ecological Forestry Business

Through accelerating the acquisition of forest resources, forestation, logging and initiation of projects on biomass energy and carbon mitigation, the Group had achieved the objectives of enhancing integrated efficiency of forest resources and maintaining sustainable development and utilization of forest resources.

(i) Forest Resources

The Group actively pursued the opportunity of acquiring forest lands in the PRC. As at 31 March 2008, the Group’s forest land had increased from an area of approximately 1 million Chinese Mu last year to over 5 million Chinese Mu, spreading across ten provinces in the PRC. The Group had forest resources amounting to approximately 17 million cubic meters, the majority of which were pine, mixed hard wood, fir and broad leaf trees. In addition, the Group had acquired a piece of uncanopied forest with an area of approximately 4 million Chinese Mu in Inner Mongolia during the Year. The land will be used as a base for developing biomass energy cultivation. It is expected that the forest land resources of the Group will sustain steady growth. The Group will adopt suitable measures to preserve and operate its forest land according to various conditions.

(ii) Forest Biomass Energy

The strong demand for energy in the PRC had created good conditions for the development of green, clean and renewable energy. The PRC government had issued policies to support the development of renewable energy and promoted the establishment of energy source forests. Seizing the opportunity, the Group had also developed its forest land suitable for plantation of raw material of forest biomass energy into energy-source forests, which were matched up with appropriate acquisition planning to create synergy for its existing forest land resources.

Forest biomass energy is presenting a significant opportunity for forestry industry in the PRC as forest resources can be converted to raw materials of forest biomass energy. For example, branches and bushes in energy-source forests can be used as raw material for generating biomass electricity while fruits from oil energy forests for biodiesel refinery. There are also other species that can be used as raw materials for bioethanol. Biodiesel is a clean alternative fuel, produced from renewable resources. Biodiesel can be blended with any petroleum as a mixed diesel. It can be used in normal diesel engines with few or no modifications. The Group considers that *Jatropha* is one of the most promising non-edible crops for biodiesel production. It is very undemanding with regard to soil

quality, thus it would not compete farmland with food crops.

During the Year, the Group entered into an acquisition agreement and a supplemental acquisition agreement to acquire Shenyu New Energy Group Limited (“Shenyu New Energy”). Shenyu New Energy is principally engaged in the research and development of *Jatropha Curcas L* based biological energy, such as biodiesel, which was in line with the Group’s business philosophy. It had set up large scale planting bases of *Jatropha Curcas L* in Yunnan. As some of the existing forest land of the Group in Yunnan is also suitable for plantation of *Jatropha*, the Group believes this acquisition has synergy effect on its ecological forestry business and will assist the Group to achieve sustainable profit growth. Meanwhile, the Group is now actively preparing for its forest biomass energy project, out on its piece of uncanopied forest with an area of 4 million Chinese Mu in Inner Mongolia. The Group has also entered into technological cooperation with related enterprises for plantation experiments.

(iii) Sales of Timber

Timber supply in the PRC fails to satisfy the country’s demand. In the future, the Group will continue its strategy of integrated development and resources saving and utilization whereby on one hand, raw timbers are further processed into standard timbers with higher add-on value; on the other hand, splinters from logging, cutting and processing are recycled as raw materials for pulpwood and supplied to customers.

(iv) Plantation of genetically modified paper mulberry and pulp business

The domestic wood pulp supply has not fully satisfied the growing demand resulting from the paper production boom, mainly due to the pulpwood deficit in the PRC. A stronger emphasis on forest plantation is required so as to lessen the imbalance between low domestic production and high imports of wood pulp. During the Year, the Group planted the genetically modified paper mulberry in various saplings centre and forest lands with an area of approximately 50,000 Chinese Mu and accumulated plantation area of approximately 100,000 Chinese Mu.

On 16 October 2007, the Group entered into a strategic cooperation agreement regarding the supply of paper-making raw materials with Lee & Man Paper Manufacturing Limited, pursuant to which both parties can capitalize on respective advantages edges.

The Group planned to sell the mature genetically modified paper mulberry together with pulpwood to customers in the second half of the Year. However, the plan was postponed due to the continuous rain and snow in January and February 2008, which in turn affected the transportation. The Group has started selling the bark and trunk of genetically modified paper mulberry in May 2008.

In consideration of the fact that focusing on the upper stream plantation business will be more beneficial to the Group and having conducted prudent and in-depth research, the Group will only operate as the raw material supplier of pulpwood in the short run. There is no specific plan to build wood pulp plant or paper pulp plant for the time being.

(v) Carbon mitigation

Climatic deterioration is a burning issue for the global village in the 21st century. Facing the intensifying greenhouse effect, the Group will step up its forestation efforts resolutely and improve the environment.

The Group has started carbon credit trading project through co-operation with China CDM Exchange Centre Limited. The Group is applying for approval for a carbon credit trading trial project with a forest area of approximately 300,000 Chinese Mu. The project is located in Shanxi Province.

(B) Garment Business

The Group's garment business consists of the design, manufacture and sale of a range of high-end apparel and uniforms. The Group had disposed of its garment business during the Year. It would focus all its resources on the development of the above ecological forestry projects.

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About China Grand Forestry Green Resources Group Limited (SEHK: 00910)

The Group is principally engaged in the tree plantation & management and sales of forestry products. In view of the enormous market demand for timber, pulp and energy in the PRC, the Group believes that forestry business has a promising prospect. The Group will focus its resources on developing ecological forestry business and consolidating its position as the industry leader.

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

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