CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED
中國林大綠色資源集團有限公司

(Formerly known as "China Grand Forestry Resources Group Limited 中國林大資源集團有限公司*")
(incorporated in Bermuda with limited liability)
(Stock code: 00910)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2008

The board of directors (the "Board" or "Directors") of China Grand Forestry Green Resources Group Limited (formerly known as China Grand Forestry Resources Group Limited) (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2008 together with comparative figures for the year ended 31 March 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	**2008** **HK$'000**	(Restated) 2007 *HK$'000*
Continuing operations			
Revenue	2	**1,023,832**	733,126
Gain arising from changes in fair value of biological assets less estimated point-of-sale costs		**2,097,242**	1,117,515
Other income	2	**17,380**	2,460
Other net gain	4	**7,393**	2,326
Cost of inventories and forestry products sold		**(276,854)**	(208,561)
Staff costs		**(34,835)**	(29,062)
Depreciation		**(3,777)**	(1,662)
Amortisation of biological assets		**(33,057)**	(22,146)
Amortisation of patent		**(17,411)**	(18,865)
Release of prepaid lease payments		**(16,665)**	(65)
Other operating expenses		**(104,005)**	(115,694)
Finance costs	5	**(7,790)**	(14,138)
Share of losses of jointly-controlled entities		**(2,839)**	(3,684)
Profit before taxation		**2,648,614**	1,441,550
Taxation	6	**122,382**	(69,560)
Profit for the year from continuing operations		**2,770,996**	1,371,990

	Notes	2008 HK$'000	2007 HK$'000
Discontinued operations			
(Loss)/profit for the year from discontinued operations	8	**(27,136)**	16,412
Profit for the year		**2,743,860**	1,388,402
Attributable to:			
Equity holders of the Company		**2,743,860**	1,319,310
Minority interest		**–**	69,092
		2,743,860	1,388,402
Earnings per share for result attributable to the equity holders of the Company during the year			
From continuing and discontinued operations	9		
– Basic		**HK51.03 cents**	HK28.82 cents
– Diluted		**HK43.86 cents**	HK24.49 cents
From continuing operations	9		
– Basic		**HK51.53 cents**	HK28.46 cents
– Diluted		**HK44.29 cents**	HK24.19 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 *HK$'000*	(Restated) 2007 *HK$'000*
ASSETS			
Non-current assets			
Biological assets		**5,128,712**	1,598,133
Property, plant and equipment		**31,970**	63,790
Construction in progress		**36,792**	12,081
Prepaid lease payments		**956,682**	17,730
Long term prepayments		**112,918**	108,764
Intangible assets		**552,293**	571,657
Interests in jointly-controlled entities		**19,387**	28,755
Available-for-sale investments		**40,714**	–
Deposits for acquisition of forest farms		**–**	45,470
Investment properties		**–**	3,160
		6,879,468	2,449,540
Current assets			
Inventories		**38,240**	31,886
Trade receivables	10	**125,696**	156,328
Prepaid lease payments		**20,960**	430
Other receivables, deposits and prepayments		**120,512**	40,333
Financial assets at fair value through profit or loss		**56,949**	23,578
Amounts due from jointly-controlled entities		**5,193**	–
Amount due from a director		**116**	–
Pledged bank deposits		**–**	11,265
Bank and cash balances		**853,686**	613,044
		1,221,352	876,864
Total assets		**8,100,820**	3,326,404

	Note	**2008** *HK$'000*	2007 *HK$'000*
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital		**555,781**	506,281
Treasury shares		**(4,420)**	–
Reserves		**6,370,131**	2,084,307
Total equity		**6,921,492**	2,590,588
Non-current liabilities			
Convertible notes payable		**87,622**	82,367
Deferred taxation		**2,166**	128,567
		89,788	210,934
Current liabilities			
Trade payables	11	**30,073**	4,414
Other payables and accruals		**1,013,077**	415,890
Promissory notes payable		**–**	98,969
Amounts due to related companies		**46,390**	–
Tax payable		**–**	5,609
		1,089,540	524,882
Total liabilities		**1,179,328**	735,816
Total equity and liabilities		**8,100,820**	3,326,404

NOTES:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company.

The impact of the adoption of HKFRS 7, Financial Instruments: Disclosures and Amendment to HKAS 1, Capital Disclosures has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

The HKICPA has issued the following new standards and interpretations that are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of initial application.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1, Amendments	Puttable Financial Instruments and Obligations arising on Liquidation[1]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1. Effective for the financial years beginning on or after 1 January 2009.
2. Effective for the financial years beginning on or after 1 July 2009.
3. Effective for the financial years beginning on or after 1 January 2008.
4. Effective for the financial years beginning on or after 1 July 2008.

2. REVENUES AND OTHER INCOME

The Group was engaged in forestry business and the manufacture and sale of garment. Revenues recognised during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
From continuing operations		
Revenue		
Sales of forestry products	**1,023,832**	733,126
Other income		
Interest income	**17,380**	2,460
Total revenues	**1,041,212**	735,586
From discontinuing operations		
Revenue		
Sale of garment products	**81,246**	95,792
Other income		
Dividend income from listed investments	**6**	–
Interest income	**723**	1,253
Others	**352**	1,446
	1,081	2,699
Total revenues	**82,327**	98,491

3. SEGMENTAL INFORMATION

Segmental information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

For management purpose, the Group's operations were organised into the ecological forestry business and the manufacture and sale of garment. The following tables represent revenue and profit/(loss) information on each of the above business segments for the year ended 31 March 2008 and year ended 31 March 2007 and certain assets and liabilities information regarding business segments at 31 March 2008 and 2007:

(a) Primary Reporting Format – Business segments

Revenue and profit/(loss) information

	Continuing operations		Discontinued operations					
	Ecological Forestry Business		Garment Business		Elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**1,023,832**	733,126	**81,246**	95,792	**–**	–	**1,105,078**	828,918
Segment results	**2,678,837**	1,490,840	**(7,867)**	15,736	**–**	–	**2,670,970**	1,506,576
Unallocated revenue and net gain							**15,788**	2,460
Unallocated expenses							**(47,024)**	(36,247)
Profit from operating activities							**2,639,734**	1,472,789
Finance costs							**(7,790)**	(14,155)
Share of loss of jointly controlled entities							**(4,366)**	(3,684)
Gain on disposal of interest in a jointly controlled entity							**–**	2,326
Profit before taxation							**2,627,578**	1,457,276
Taxation							**116,282**	(68,874)
Profit for the year							**2,743,860**	1,388,402

Assets and liabilities information

	Continuing operations		Discontinuing operations					
	Ecological Forestry Business		Garment Business		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**7,383,469**	2,807,252	**–**	368,411	**717,351**	150,741	**8,100,820**	3,326,404
Segment liabilities	**1,039,629**	472,065	**–**	76,842	**139,699**	186,909	**1,179,328**	735,816
Other information								
Capital Expenditure	**57,300**	5,224	**2,752**	340	**3,150**	–	**63,202**	5,564
Depreciation and amortisation	**53,917**	42,526	**5,094**	5,206	**328**	–	**59,339**	47,732
Provision for doubtful debts	**–**	–	**7,800**	–	**–**	–	**7,800**	–
Provision for obsolete inventories	**–**	–	**4,155**	1,431	**–**	–	**4,155**	1,431

(b) Secondary Reporting Format – Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographic location of customers, whereas segment assets and capital expenditure are based on the geographical location of the assets.

The following is the analysis of the Group's turnover by geographic markets based on geographic location of customers:

	The PRC (excluding Hong Kong)		Hong Kong		Elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
External sales	**1,103,120**	828,411	**1,958**	507	**–**	–	**1,105,078**	828,918
Inter-segment sales	**6,800**	3,771	**330**	–	**(7,130)**	(3,771)	**–**	–
	1,109,920	832,182	**2,288**	507	**(7,130)**	(3,771)	**1,105,078**	828,918

Additional information in respect of segment assets and cost for capital expenditure, based on the geographical location of assets is as follows:

	The PRC (excluding Hong Kong and Macau)		Hong Kong		Macau		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**7,442,469**	2,458,870	**106,058**	189,309	**–**	106,568	**–**	–	**7,548,527**	2,754,747
Intangible assets	**–**	–	**–**	–	**–**	–	**–**	1,953	**–**	1,953
Goodwill	**–**	–	**–**	–	**–**	–	**85,511**	85,511	**85,511**	85,511
Patent in application	**–**	–	**–**	–	**–**	–	**466,782**	484,193	**466,782**	484,193
	7,442,469	2,458,870	**106,058**	189,309	**–**	106,568	**552,293**	571,657	**8,100,820**	3,326,404

	The PRC (excluding Hong Kong and Macau)		Hong Kong		Macau		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure	**60,051**	5,315	**3,151**	249	**–**	–	**–**	–	**63,202**	5,564

4. OTHER NET GAIN

	2008	2007
	HK$'000	*HK$'000*
From continuing operations		
Net unrealised loss on financial assets at fair value through profit or loss	**(5,609)**	–
Net realised gain on disposal of financial assets at fair value through profit or loss	**12,999**	–
Gain on disposal of interest in a jointly-controlled entity	**–**	2,326
Others	**3**	–
	7,393	2,326

	2008	2007
	HK$'000	*HK$'000*
From discontinued operations		
Net unrealised gain on financial assets at fair value through profit or loss	**40**	20,421
Net realised gain on disposal of non-current asset held for sales	**–**	4,223
Gain on disposal of investments in subsidiaries	**9,642**	–
Surplus on revaluation of investment properties, net	**40**	660
Surplus on revaluation of leasehold properties, net	**10,493**	–
Loss on disposal of property, plant and equipment	**–**	(985)
Net realised loss on disposal of financial assets at fair value through profit or loss	**(5,400)**	(140)
Others	**633**	36
	15,448	24,215

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Continuing operations		
Interest on convertible notes	**6,759**	5,767
Interest on promissory notes	**1,031**	8,371
Total finance costs	**7,790**	14,138
Discontinued operations		
Interest on bank loans and overdrafts	**–**	17
Total finance costs	**–**	17

6. TAXATION

	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current	**(3,600)**	(2)
– deferred tax credit	**76,626**	774
Overseas tax		
– deferred tax (charge)/credit	**43,256**	(69,646)
	116,282	(68,874)
From continuing operations	**122,382**	(69,560)
From discontinued operations	**(6,100)**	686
	116,282	(68,874)

Hong Kong profits tax had been provided at 17.5% based on the estimated assessable profit for the year. With effect from the year of assessment 2008/09, Hong Kong profits tax rate has been reduced from 17.5% to 16.5%.

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

In accordance with the relevant applicable tax regulations of the PRC, Beijing WFC, the Company's principal operating subsidiary engaged in the forestry business, is entitled to full exemption from PRC enterprise income tax for the first three years and 50% reduction in enterprise income tax for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years. Local income tax is exempted during the tax concession years. Currently, Beijing WFC is under the full tax exemption period and accordingly no tax provision has been made in respect of the operating results derived by Beijing WFC during the year.

According to the Implementation Rules, all forestry business is entitled to full exemption from PRC enterprise income tax commencing from 1 January 2008. Beijing WFC is currently under the full tax exemption period and therefore has not yet lodged application for full exemption under the New Tax Law. However, as Beijing WFC is operating forestry business, the directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged. Therefore, no deferred tax had been provided for the year and the deferred tax provided in previous year were fully reversed.

7. PROFIT FOR THE YEAR

The Group's profit for the year (including continuing and discontinued operations) is arrived at after charging/(crediting) the following:

	2008	2007
	HK$'000	*HK$'000*
Amortisation of patent	**17,411**	18,865
Amortisation of paper mulberry saplings	**33,057**	22,146
Auditors' remuneration	**1,007**	820
Cost of inventories and forestry products sold	**361,511**	267,905
Cost of saplings sold	**–**	30,678
Depreciation on property, plant & equipment	**8,871**	6,721
Minimum lease payments under operating leases on leasehold properties	**7,893**	11,778
Release of prepaid lease payments	**16,752**	179
Research and development cost	**20,223**	20,739
Provision for doubtful debts	**7,800**	–
Provision for obsolete inventories	**4,155**	1,431
Directors' emoluments	**4,788**	6,589
Staff costs (excluding directors' emoluments)		
Wages and salaries	**33,174**	26,148
Retirement benefits scheme contribution	**598**	277
Exchange gain	**(349)**	(748)

8. DISCONTINUED OPERATIONS

In February 2008, the Group disposed its business of garment manufacturing and selling and distribution for a consideration of HK$189,000,000.

	Notes	**2008**	2007
		HK$'000	*HK$'000*
Discontinuing operations			
Revenue	2	**81,246**	95,792
Other income	2	**1,081**	2,699
Other net gain	4	**15,448**	24,215
Cost of inventories and product sold		**(84,657)**	(90,022)
Staff costs		**(3,725)**	(3,952)
Depreciation		**(5,094)**	(5,059)
Release of prepaid lease payments		**(87)**	(114)
Provision for doubtful debts		**(7,800)**	–
Provision for obsolete inventories		**(4,155)**	(1,431)
Other operating expenses		**(11,766)**	(6,419)
Finance costs	5	**–**	17
Share of losses of jointly-controlled entities		**(1,527)**	–
(Loss)/profit before taxation		**(21,036)**	15,726
Taxation	6	**(6,100)**	686
(Loss)/profit for the year from discontinuing operations		**(27,136)**	16,412

9. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

(i) Profit attributable to equity holders of the Company

	2008	2007
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**2,743,860**	1,319,310
Interest expense on convertible notes	**6,759**	5,767
Profit for the year attributable to equity holders of the Company used in the dilutive earnings per share calculation	**2,750,619**	1,325,077

(ii) Weighted average number of ordinary shares

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic earnings per share	**5,376,954**	4,577,257
Effect of dilutive potential ordinary shares:		
Share options	**61,093**	21
Convertible notes	**833,333**	833,333
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted earnings per share	**6,271,380**	5,410,611

From continuing operations

(i) Profit attributable to equity holders of the Company

	2008	2007
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**2,743,860**	1,319,310
Less: Loss/(profit) for the year from discontinued operations	**(27,136)**	16,412
Profit for the year for the purpose of basic earnings per share from continuing operations	**2,770,996**	1,302,898
Interest expense on convertible notes	**6,759**	5,767
Profit for the year for the purpose of calculation of diluted earnings per share from continuing operations	**2,777,755**	1,308,665

(ii) Weighted average number of ordinary shares

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic earnings per share	**5,376,954**	4,577,257
Effect of dilutive potential ordinary shares:		
Share options	**61,093**	21
Convertible notes	**833,333**	833,333
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted earnings per share	**6,271,380**	5,410,611

From discontinued operations

(i) (Loss)/profit attributable to equity holders of the Company

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit for the year from discontinued operations for the purpose of basic and diluted (loss)/earnings per share	**(27,136)**	16,412

(ii) Weighted average number of ordinary shares

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic earnings per share	**5,376,954**	4,577,257
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted earnings per share	**6,271,380***	5,410,611

* *Because the basic loss per share amount attributable to discontinued operations for the year ended 31 March 2008 is reduced when taking share options and/or convertible notes into account, the share options and convertible notes have an anti-dilutive effect on the basic loss per share attributable to the discontinued operations for the year. Accordingly, no diluted loss per share attributable to the discontinued operations is presented for the year ended 31 March 2008.*

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 90 to 120 days (2007: 30 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 to their fair values.

The aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sales, is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**54,734**	81,561
31 – 60 days	**18,902**	60,543
61 – 90 days	**8,538**	7,966
Over 90 days	**43,522**	6,258
	125,696	156,328

The directors consider that the carrying amounts of the Group's trade receivables at 31 March 2008 approximate to their fair values.

11. TRADE PAYABLES

The aging analysis of the trade payables as at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**182**	1,358
31 – 60 days	**–**	201
61 – 90 days	**–**	–
Over 90 days	**29,891**	2,855
	30,073	4,414

12. COMMITMENTS

At 31 March 2008, the Group had commitments, so far as not provided for in the consolidated financial statements, as follows:

	2008	2007
	HK$'000	*HK$'000*
Capital commitments contracted but not provided for:		
Construction cost	**9,089**	–
Acquisition of leasehold forest land	**–**	144,548
	9,089	144,548

13. CONTINGENT LIABILITIES

As at 31 March 2008, the Group did not have contingent liabilities of material amounts.

DIVIDEND

The Board has resolved not to recommend any dividend for the year ended 31 March 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 August 2008 to 29 August 2008, both days inclusive, during which period no transfer of shares can be registered. In order to determine the entitlement and vote at the annual general meeting to be held on 29 August 2008, all transfers of shares in the Company accomplished by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 26 August 2008.

CHAIRMAN STATEMENT

On behalf of China Grand Forestry Green Resources Group Limited (formerly known as China Grand Forestry Resources Group Limited) (the "Company"), I would like to express our heartfelt gratitude for your support and confidence in the Company. I am pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2008 together with comparative figures for the year ended 31 March 2007.

For the year ended 31 March 2008, with the steady growth of the economy in the People's Republic of China (the "PRC") and buoyant market demand for timber as raw material, a favourable business environment was created for the Group, which continuously added strong impetus to our business development. For the financial year ended 31 March 2008, the Group had seized various opportunities to acquire potential forest resources. As a result, 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.

The positive growth prospect of the macro-economy and timber-consumption industries in the PRC indicates that the demand for timber products in China will continue to grow over the next five years. Meanwhile, the shortfall between supply and demand will continue to increase. As a result, surging timber price is anticipated. Coupled with the PRC government's emphasis on carbon emission mitigation and encouragement to renewable resources development, the available reafforestation will not only be limited to the plantation of general tree species, but will be further extended to species which can be converted into green energy resources. It improves the species in the forests and substantially raises the value of forest resources. With the favourable industry environment and government policies, plantation of energy-source species and timber is encouraged, bringing golden business opportunity to the Group.

Sustainable development and utilization of forest resources is our business philosophy. Our operation involves plantation of saplings, fast-growing and high-yield plantation and low-yield plantation improvement. Sustainable forest resources will ensure long-term growth of forestry enterprises, and form virtuous cycle for forestry industry. During the year, the Group had commenced its research and development programme on biomass energy and entered into a very substantial acquisition agreement and is looking forward to its completion. Besides, through large-scale forestation, the Group will also contribute to environmental protection undertakings such as carbon emission mitigation. The Group will strive to strengthen its core competitiveness continuously so as to bring added-value to our shareholders.

Remarkable performance leading to impressive results

For the year ended 31 March 2008, the Group recorded net profit attributable to shareholders of HK$2,744 million, equivalent to earnings per share of HK51.03 cents. The profit included an amount of HK$120 million arising from reversal of deferred taxation provided in previous years. Excluding the gains from the change in the fair value of biological assets, net profit attributable to shareholders amounted to HK$647 million (2007: HK$298 million).

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.

However, the cold, rainy and snowy weather at the beginning of year 2008 had damaged, to various extents, part of the Group's forest resources, made logging more difficult and affected the Group's transportation work. The Group had made strategic adjustment accordingly with an aim to maintain its competitiveness and lay the foundation for its operation in the coming year.

Principal businesses and income streams of the group

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.

The Ecological Forestry Business

(i) Forest resources

During the year, the Group actively pursued the opportunity of acquiring forest lands in China. As at 31 March 2008, the Group's forest land from the long lease-term forest land so acquired, coupled with the forest land previously acquired by the Group had increased from an area of approximately 1,000,000 Chinese Mu last year to over 5,000,000 Chinese Mu, spreading across ten provinces in the PRC. The Group had forest resources amounting to approximately 17,000,000 cubic meters, the majority of which were pine, mixed hard wood, fir and broad leave trees. In addition, the Group had acquired a piece of uncanopied forest with an area of approximately 4,000,000 Chinese Mu in Inner Mongolia to be used as a base for developing biomass energy cultivation during the year. 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 China 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 Company entered into an Acquisition Agreement and Supplemental Acquisition Agreements 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. It had set up large scale planting bases of Jatropha Curcas L in Yunnan, which was in line with the Group's business philosophy. As some of the existing forest land of the Group in Yunnan is 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. The Group is now actively preparing for its forest biomass energy project, out on its piece of uncanopied forest with an area of 4,000,000 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 our 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 China. The Group believes that 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 Company 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 financial year ended 31 March 2008. However, the plan was postponed due to the fact that transportation was affected by the continuous rain and snow in January and February 2008. 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 our 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.

The Garment business

The Group's core garment business consists of the design, manufacture and sale of a range of high-end apparel and uniforms. During the year, the revenue and loss of the Group generated from its garment business amounted to HK$81,246,000 and 27,136,000 respectively. The Group had disposed of its garment business during the year and focused all its resources on the development of the above ecological forestry projects.

Prospect

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 bio-mass energy project of the Group can broaden the income base, increase the overall efficiency of resources of the Group and assist the Group to achieve a sustainable 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.

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2008, the Group's continuing operations recorded a revenue of approximately HK$1,024 million, representing an increase of 40% compared with the year ended 31 March 2007. The profit attributable to shareholders were approximately HK$2,744 million, and its earnings per share for the year was HK51.03 cents, representing an increase of 1.08 times and 77% respectively compared with the year ended 31 March 2007. The profit included an amount of HK$120 million arising from reversal of deferred taxation provided in previous years. The Group's profit attributable to shareholders excluding the revaluation gain of biological assets was approximately HK$647 million (2007: HK$298 million).

During the year, the Group actively pursued the opportunities of acquiring forest lands, and the lands so acquired, coupled with forest lands previously acquired was over 5,000,000 Chinese Mu as at 31 March 2008. The increase in turnover and profit of the Group was mainly attributable to its ecological forestry business.

In arriving at the Group's net profit, sharing in losses of its joint-venture investment in Nano-technologies in the amount of HK$4.4 million (in the year ended 31 March 2007, the Group recorded a loss in the amount of HK$3.7 million for this investment) has been included.

CHANGE OF PRESENTATION OF CONSOLIDATED INCOME STATEMENT

Owing to the disposal of the garment business during the year, management determined that the presentation of income statement by nature of expenses should be more appropriate to reflect the operating results of the Group.

DIVIDEND

The Board did not recommend payment of a final dividend for the year ended 31 March 2008.

BUSINESS AND OPERATIONAL REVIEW

The ecological forestry business segment

The Group's business operations in the ecological forestry business developed well for the year ended 31 March 2008. During the year, the Group's share in the net profit of ecological forestry business segment amounted to approximately HK$2,800,300,000. The turnovers mainly from the sales of processed standard timber, pulpwood and standing timbers during the year.

Value of biological assets

Biological assets of the Group include genetically modified paper mulberry and other forest stock. The values of such assets amounted to approximately HK$5,128,712,000 as at 31 March 2008. The increase in the fair value of biological assets for the year was approximately HK$2,097,242,000.

The garment business segment

The Group's core garment business consisted of the design, manufacture and sale of a range of high-end apparel and uniforms. The PRC market remained the most important market segment of the Group. During the year, the revenue of the Group generated from its garment business amounted to HK$81,246,000. The garment business had been disposed during the year.

OPERATING RESULTS REVIEW

Revenue of continuing operation

During the year ended 31 March 2008, the Group's continuing business recorded a turnover of HK$1,023,832,000, representing an increase of 40% over the year ended 31 March 2007. The increase was mainly due to increases of sales volume and achievement of a higher unit selling price.

The sales of products of continuing operation including sales of processed standard timber, pulpwood and standing timber amounted to HK$878,277,000, HK$78,800,000 and HK$66,755,000 respectively.

Cost of inventories and forestry products sold

Cost of inventories and forestry products sold mainly included cost incurred in timber logging, raw materials consumption and miscellaneous direct charges. The Group's increase in cost for the year was mainly a result of the increase of sales volume.

Finance cost

The finance cost mainly included interest on convertible notes and interest on promissory notes. The finance cost was decreased as promissory notes were fully repaid during the year.

Taxation

The taxation included an amount of HK$120 million arising from reversal of deferred taxation provided in previous years.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2008, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, totally amounted to approximately HK$853,686,000. 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 31 March 2008, the Group has no borrowing (after excluding convertible notes liabilities).

The Group generally finances its operation using internally generated resources. As at 31 March 2008, the Group's net current assets amounted to approximately HK$131,812,000. The Group's current ratio, being the percentage of its current assets in its current liabilities, amounted to 1.12 times.

As at 31 March 2008, the share capital of the Company was consisted of 5,557,813,600 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the Company issued convertible notes as alternative financing instruments.

During the year, a total of 80,000,000 new shares were issued as a result of the exercise of options to subscribe for new shares in the Company.

During the year, a total of 539,560,000 new shares were issued under a top-up placing and subscription arrangement.

As at 31 March 2008, the Group's gearing ratio, measured on the basis of total borrowings (including convertible notes) as a percentage of total shareholders' fund, was approximately 1.3% (2007: 7%).

MATERIAL ACQUISITION

On 16 November 2007, 26 November 2007, 18 December 2007 and 20 June 2008, the Board announced that the Company had entered into an acquisition agreement on 5 November 2007 and subsequently, the supplemental agreements dated 23 November 2007, 17 December 2007 and 14 June 2008, which superseded certain terms and conditions of the acquisition agreement, in relation to the very substantial acquisition made by the Company. Pursuant to the acquisition agreement, the Company has conditionally agreed to acquire and the Forcemade Investment Limited has conditionally agreed to dispose of the entire issued share capital of Shenyu New Energy Group Limited ("Shenyu New Energy") at the consideration up to an aggregate amount of HK$4,000 million.

Upon the completion of the acquisition, the Company will wholly own Shenyu New Energy, which in turn owns the entire equity interest in Beijing Shenhao New Energy Group Limited ("Beijing Shenhao"). Beijing Shenhao owns the entire equity interest in Yunnan Shenyu New Energy Company Limited ("Yunnan Shenyen New Energy"), which in turn owns 99% equity interest in Shuangbai Shenyu. Yunnan Shenyu New Energy is principally engaged in the research and development of Jatropha Curcas L based biological energy sources, such as bio-diesel. Shuangbai Shenyu is principally engaged in the research and development of biological energy sources and forestry resources and the holder of the minority interest of 1% is a senior management of Yunnan Shenyu New Energy and a legal representative of Shuangbai Shenyu New Energy Base Company Limited ("Shuangbai Shenyu") who is an independent third party with the Company and its connected persons (as defined in the Listing Rules).

Details of the acquisition were disclosed in circular dated on 24 July 2008.

DISCLOSURE AND CONNECTED TRANSACTION

In March 2008 the Company has disposed the entire issue share capital of Holt Hire Holdings Limited ("Holt Hire"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, to Mr. Ng (the Chairman, an executive Director and a substantial Shareholder of the Company). The details of the disposal has been disclosed in the Company's announcement and circular of the Company dated 17 January 2008 and 5 February 2008 respectively. The disposal was completed on 25 March 2008. The garment business, software development business, properties and securities investment of the Holt Hire and its subsidiaries have been disposed.

CHARGE ON THE GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2008 (2007: HK$11,265,000) to secure general banking facilities.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group did not have contingent liabilities of material amounts.

CAPITAL COMMITMENTS

As at 31 March 2008, the capital commitment in respect of construction cost which had been made but which had not been provided for by the Group was approximately HK$9,089,000.

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 expenditures in China and does not use any financial instruments for hedging purpose.

EMPLOYEES

As at 31 March 2008, the Group employed a total of approximately 645 employees of which 10 staff was employed in Hong Kong. In addition to the competitive package 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 to provide them with incentive interest in the growth of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, by virtue of the exercise of the rights granted by the Company's shareholders to the Directors under the general mandate, the Company repurchased on the Stock Exchange of Hong Kong Limited in aggregate 129,742,000 of its ordinary shares of HK$0.1 each at a total consideration of approximately HK$178,539,000. 124,554,000 shares have been cancelled and the cancellation of the remaining 5,188,000 shares for a total consideration of HK$4,420,000 have been completed in 15 April 2008 and held these shares as treasury shares as at 31 March 2008.

Apart from the foregoing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the 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 under review, the 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 separate 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 2008, 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 2008. 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 behalf of the Board
China Grand Forestry Green Resources Group Limited
Ng Leung Ho
Chairman

Hong Kong, 25 July 2008

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Hu Xiaoming and Mr. Cheung Wai Tak being the Executive Directors; Mr. John MacMillan Duncanson being the Non-executive Director; and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong being the Independent Non-Executive Directors.

* *For identification purpose only*