CGFGR

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

(incorporated in Bermuda with limited liability)

(Stock code: 00910)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2011

The board of directors (the "Board" or "Directors") of China Grand Forestry Green Resources Group Limited is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2011 together with comparative figures for the year ended 31 March 2010:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	*3*	**2,761**	7,684
Loss arising from changes in fair value less costs to sell of biological assets		**(719,800)**	(1,841,665)
Other income	*3*	**11,330**	3,866
Other net (losses)/gains	*5*	**(24,647)**	573
Write-off of patent		**(13,762)**	(411,362)
Write-off of goodwill		**—**	(189,607)
Cost of inventories and forestry products sold		**(1,626)**	(7,800)
Impairment loss on long-term prepayments		**(96,547)**	(17,189)
Impairment loss on other receivables		**(66,154)**	—
Impairment loss on available-for-sale investment		**(12,416)**	(25,146)
Gain on disposal of assets		**—**	949,351
Write-off of biological assets		**(279,363)**	(262,608)
Write-off of prepaid lease payments		**(57,741)**	(56,924)
Staff costs		**(28,281)**	(66,911)
Depreciation of property, plant and equipment		**(12,587)**	(14,172)
Amortisation of biological assets		**—**	(20,033)
Amortisation of patent		**(928)**	(26,803)
Release of prepaid lease payments		**(28,469)**	(30,152)
Other operating expenses		**(36,959)**	(63,748)
Finance costs	*6*	**(9,660)**	(35,164)
Loss before income tax	*8*	**(1,374,849)**	(2,107,810)
Income tax credit/(expense)	*7*	**171,197**	(373,678)
Loss for the year		**(1,203,652)**	(2,481,488)

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Other comprehensive income, after tax:	*9*		
Exchange differences on translating foreign operations		**168,528**	20,443
Change in fair value of available-for-sale investment		**—**	20,115
Release of exchange reserve on disposal of interests in overseas subsidiaries		**—**	(8,510)
Other comprehensive income for the year, after tax		**168,528**	32,048
Total comprehensive income for the year		**(1,035,124)**	(2,449,440)
Loss attributable to:			
Owners of the Company		**(1,203,652)**	(2,481,488)
Non-controlling interests		**—**	—
		(1,203,652)	(2,481,488)
Total comprehensive income attributable to:			
Owners of the Company		**(1,035,124)**	(2,449,440)
Non-controlling interests		**—**	—
		(1,035,124)	(2,449,440)
Loss per share	*10*		
— Basic		**HK(13.07) cents**	HK(39.07) cents
— Diluted		**HK(13.07) cents**	HK(39.07) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Biological assets		**2,487,426**	3,372,253
Property, plant and equipment		**65,693**	88,036
Construction in progress		**39,857**	30,566
Prepaid lease payments		**1,217,950**	1,248,472
Long-term prepayments		**—**	93,398
Intangible assets		**—**	14,083
Available-for-sale investment		**1,425**	13,842
		3,812,351	4,860,650
Current assets			
Inventories		**816**	384
Trade receivables	*11*	**373**	1,306
Prepaid lease payments		**29,545**	31,366
Other receivables, deposits and prepayments		**13,625**	90,840
Financial assets at fair value through profit or loss		**313,266**	114,770
Cash and cash equivalents		**580,938**	605,952
		938,563	844,618
Total assets		**4,750,914**	5,705,268

	Note	2011 HK$'000	2010 HK$'000
Current liabilities			
Trade payables	*12*	**18,007**	17,239
Other payables and accruals		**251,684**	211,519
Convertible notes payable		**—**	99,125
Tax payable		**80,574**	77,191
		350,265	405,074
Net current assets		**588,298**	439,544
Total assets less current liabilities		**4,400,649**	5,300,194
Non-current liabilities			
Long term payables		**162,085**	179,691
Deferred taxation		**135,526**	297,772
		297,611	477,463
Net assets		**4,103,038**	4,822,731
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**974,105**	790,772
Reserves		**3,128,866**	4,031,892
Equity attributable to owners of the Company		**4,102,971**	4,822,664
Non-controlling interests		**67**	67
Total equity		**4,103,038**	4,822,731

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Excepts as explained below, the adoption of these new/revised standards and interpretations has no material effect on the Group's financial statements.

HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) — Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group concluded that the classification of such leases as operating leases continues to be appropriate and therefore the adoption of revised HKAS 17 has had no impact on the consolidated financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1&2]
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

Effective date

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's consolidated financial statements.

3. REVENUE AND OTHER INCOME

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

	2011	2010
	HK$'000	*HK$'000*
Revenue/Turnover		
Sale of forestry products	**2,761**	7,684
Other income		
Bank interest income	**4,062**	445
Imputed interest arising from the discounting of the consideration receivable for the disposal of certain forest farms	**1,332**	3,372
Dividend income from listed investments	**369**	49
Income arising from transfer of research and development project to third parties	**3,294**	—
Income arising from granting of patent use rights	**2,273**	—
	11,330	3,866
	14,091	11,550

4. SEGMENTAL INFORMATION

(a) Reportable segments

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

(b) Geographical information

During 2011 and 2010, the Group's operations and assets are situated in the PRC in which all of its revenue was derived.

5. OTHER NET (LOSSES)/GAINS

	2011	2010
	HK$'000	*HK$'000*
Fair value gain/(loss) on financial assets at fair value through profit or loss	**7,782**	(23,978)
Net realised gain on disposal of financial assets at fair value through profit or loss	**32**	5,553
Net gain/(loss) on financial assets at fair value through profit or loss	**7,814**	(18,425)
Loss on disposal of forest farms*	**(18,159)**	—
Impairment loss on trade receivables	**(985)**	(6,008)
Reversal of impairment loss on amount due from jointly-controlled entities	**—**	13,542
Loss on disposal of property, plant and equipment	**(17,492)**	(119)
Gain on disposal of subsidiaries	**—**	9,910
Rental income	**3,816**	2,171
Others	**359**	(498)
	(24,647)	573

* It represents loss on disposal of biological assets and prepaid lease payment as follows:

	Biological assets	**Prepaid lease payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Sales proceeds	4,140	1,207	5,347
Carrying amounts	(22,339)	(1,167)	(23,506)
	(18,199)	40	(18,159)

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms	**9,033**	27,735
Interest on convertible notes	**627**	7,429
	9,660	35,164

7. INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
Hong Kong profits tax		
— deferred tax credit	**144**	979
Overseas tax		
— current	**(394)**	—
— deferred tax		
— deferred tax credit	**171,447**	432,016
— resulting from a change in tax status	**—**	(729,122)
— underprovision of in respect of prior years	**—**	(77,551)
	171,197	(373,678)

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

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

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from the PRC enterprise income tax commencing from 1 January 2008. Chongqing Wan Fu Chun Forestry Development Company Limited ("Chongqing WFC"), a wholly-owned subsidiary of the Group, is engaged in the forestry operation enterprise in the PRC. Chongqing WFC does not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged. No deferred tax has been provided for the year.

Wan Fu Chun Forest Resources Group Company Limited ("WFC"), a wholly-owned subsidiary of the Group, was certified as a High and New Tech Enterprise for three years from 1 January 2008 to 31 December 2010, which is subject to annual review. According to the preferential regulations specified by State Council, WFC had entitled to a favourable enterprise income tax rate of 15%. Due to the low level of research and development activities took place during the calendar years ended 31 December 2009 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. During the year ended 31 March 2010, WFC lodged an application, however, as of the date of this report, the PRC tax authority has not yet granted the exemption approval to WFC. Due to the unexpected prolonged application process, management was not confident that the exemption will be granted from the tax authority, and so it did not qualify for tax exemption for the calendars year ended 31 December 2009 and 2010. Accordingly, WFC is subject to enterprise income tax rate of 25% and provision for enterprise income tax and deferred taxation has been provided for the years ended 31 March 2010 and 2011.

Yunnan Shenyu New Energy Company Limited ("Yunnan Shenyu"), a wholly owned subsidiary of the Group, is also operating in forestry business during the year. Pursuant to the approval obtained from the relevant PRC tax authority, Yunnan Shenyu is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2010. Yunnan Shenyu did not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged. No deferred tax has been provided for the year.

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

8. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting):

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration	**1,267**	1,439
Minimum lease payments under operating leases on leasehold properties	**8,468**	11,344
Research and development costs	**900**	2,846
Staff costs (including directors' remuneration):		
Wages and salaries	**16,239**	33,184
Share-based payment	**11,152**	32,582
Retirement benefits scheme contribution	**890**	1,145
	28,281	66,911
Net exchange losses/(gains)	**1,627**	(19,267)

9. OTHER COMPREHENSIVE INCOME, AFTER TAX

	2011			2010		
	Before-tax-amount	**Tax expense/ (benefits)**	**Net-of-tax amount**	Before-tax-amount	Tax expense/ (benefits)	Net-of-tax amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translating foreign operations	**168,528**	**—**	**168,528**	20,443	—	20,443
Change in fair value of available-for-sale investments	**—**	**—**	**—**	20,115	—	20,115
Release of exchange reserve on disposal of interests in overseas subsidiaries	**—**	**—**	**—**	(8,510)	—	(8,510)
	168,528	**—**	**168,528**	32,048	—	32,048

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(1,203,652)**	(2,481,488)
Interest on convertible notes	**—**	—
Loss for the year attributable to owners of the Company used in the diluted loss per share calculation	**(1,203,652)**	(2,481,488)

(ii) Weighted average number of ordinary shares

	Number of shares	
	2011	2010
	'000	*'000*
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic loss per share	**9,206,117**	6,352,187
Effect of dilutive potential ordinary shares:		
Share options	**—**	—
Convertible notes	**—**	—
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted loss per share	**9,206,117**	6,352,187

The computation of diluted loss per share for the years ended 31 March 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. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**69,589**	66,605
Less: Impairment loss	**(69,216)**	(65,299)
	373	1,306

The Group normally allows credit terms to established customers ranging from 90 to 120 days (2010: 90 to 120 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk, with overdue balances regularly reviewed by senior management. Trade receivables are generally non-interest bearing and their carrying amounts approximate their fair values.

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

	2011	2010
	HK$'000	*HK$'000*
Over 90 days	**69,589**	66,605
Less: Impairment loss	**(69,216)**	(65,299)
	373	1,306

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

	2011	2010
	HK$'000	*HK$'000*
As at 1 April 2010	**65,299**	58,969
Impairment loss recognised for the year	**985**	6,008
Exchange adjustment	**2,932**	322
As at 31 March 2011	**69,216**	65,299

12. TRADE PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Over 90 days	**18,007**	17,239

13. SHARE CAPITAL

	Number of shares		**Ordinary share capital**	
	2011	2010	**2011**	2010
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
As at 1 April	**7,907,715**	5,471,715	**790,772**	547,172
Placement of new shares	**1,000,000**	2,426,000	**100,000**	242,600
Shares issued on exercise of share options	**—**	10,000	**—**	1,000
Share issued from conversion of convertible notes	**833,333**	—	**83,333**	—
As at 31 March	**9,741,048**	7,907,715	**974,105**	790,772

14. CONTINGENT LIABILITIES

At 31 March 2011 and 2010, the Company and the Group did not have contingent liabilities.

15. CAPITAL COMMITMENTS

At 31 March 2011 and 2010, the Group had the following commitments:

	2011	2010
	HK$'000	*HK$'000*
Capital commitments contracted but not provided for:		
Construction in progress	**33,479**	31,370

16. RELATED PARTY TRANSACTIONS

Key management compensation

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

	2011	2010
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**3,732**	9,853
Post-employment benefits	**21**	35
Share based payments	**395**	10,144
	4,148	20,032

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year, the Group recorded a turnover of approximately HK$3 million (2010: HK$8 million), representing a decrease of 64% compared with the year ended 31 March 2010. The Group's loss attributable to shareholders was approximately HK$1,204 million, representing a basic loss per share of HK13.07 cents (2010: loss of HK$2,481 million, representing a basic loss per share of HK39.07 cents).

The loss is mainly attributable to a non-cash revaluation loss of biological assets of HK$720 million and a write-off of biological assets of HK$279 million.

DIVIDEND

The Board does not recommend any final dividend for the year (2010: HK$Nil).

REVIEW OF THE ECOLOGICAL FORESTRY BUSINESS

The ecological forestry business has been identified as the single operating segment for the year ended 31 March 2011.

(i) Forest land and timber business

During the Year, there was no significant acquisition or disposal of forest land. As at 31 March 2011, the total area of 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.

It would be difficult to yield a reasonable return from the production and sales of traditional timber products under the current market conditions where production cost increases greatly, high capital expenditure of road construction in forest farms and raise of environmental protection situation. Therefore, the Group scale down traditional logging business and turnover dropped during the Year. Most of the revenue arising from sale of standing timbers. Since the expected future wood flow adjusted downward, the fair value of biological assets' other trees decreased during the year.

(ii) Biomass energy

Biomass energy is providing a business opportunity for the forestry industry in China which is a clean burning alternative fuel, produced from renewable and sustainable resources. As at 31 March 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 in August 2010. Due to insufficient supply of raw materials and high fluctuation of energy price, the biomass energy project is slowing down. The Group is evaluating the business opportunities and the relevant business risk in order to determine the appropriate development strategy.

PROSPECTS

PRC Government highlighted, to proactively address climate change, additional afforestation for boosting 'greening' efforts and improving forest carbon sequestration. The Group expects that domestic harvesting in the plantations and domestic timber supply would be tightened, thereby increasing the forest coverage. Thus, the Group has to seek appropriate resources business opportunities.

Looking forward, the Group is optimistic about the resources business growth in the coming years to capture business opportunities arising from the surging demand on resources in PRC. The Group is aimed to strengthen its competitive edge by optimizing its forest portfolios, seek for appropriate business partner to assist the Group to increase revenue and at the same time actively sourcing any appropriate high-quality resources investment opportunities or projects to maximise our shareholders' returns.

FINANCIAL REVIEW

Revenue

The decrease in sales for the year is mainly attributable to the difficult business environment arising from logging costs kept rising which was contributable to the increase of costs in labour, overhead, road construction, transportation, plantation expenditure etc. Traditional logging business was hard to obtain a reasonable return to compensate business risk. The sales in current year mainly was sales of standing timbers.

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

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

	Loss arising from changes in fair value *HK$'000*	Write-off *HK$'000*
Other trees	679,294	237,848
Paper mulberry trees	—	18,813
Liquorices	—	22,702
Jatropha	40,506	—
	719,800	279,363

The revaluation loss of other trees mainly arising from decrease of future's projected woodflow and adjust upward in direct costs such as silvicultural cost, transportation cost, harvesting cost, roading cost and overhead.

In addition, in the past few years, extreme instable climate which led to serious harm to newly planted biological assets which cause the survival rate dropped significantly and no significant economic commercial value of those injured biological assets, fair value loss and write off incurred accordingly.

Impairment loss on long-term prepayments and other receivables

During the year, the Group temporarily closed various biological assets projects, appropriate amount of impairment loss on long-term prepayments were made. In addition, the Group had made appropriate amount of impairment loss on long aged other receivables.

Cost of inventories and forestry products sold

The amount decreased in line with the significant drop of sales. The cost mainly the timber cost incurred during the year.

Other operating expenses

The Group's other operating expenses represent various administrative expenses, such as rental, maintenance cost on various biological assets and professional fees.

During the year, the Group adopted a tighter cost control in order to reduce the operating loss.

Gains on Disposal of assets

During year ended 31 March 2010, the Company entered into a Disposal Agreement with the Purchaser to dispose substantial standing trees, Jatropha estates and a hotel development project in Yunnan Province.

The transaction was completed on 31 March 2010 and there was a gain of HK$949 million.

Staff costs

Staff cost included non-cash share based payments expenses of HK$11 million (2010: HK$33 million). The Group adopted a tighter cost control and no new share option was granted during the year, thus staff costs decreased accordingly.

Finance costs

Financial costs, included approximately HK$9 million of non-cash imputed interest expenses on payables for acquisitions of certain forest farms and HK$0.6 million of interest on convertible notes.

Biological assets

The biological assets of the Group included other forest assets, Jatropha, paper mulberry trees and Liquorice.

During the year, Pöyry (Beijing) Consulting Company Limited Shanghai Branch valued the Group's other forest assets and Jatropha.

The net decrease in value was mainly arising from loss arising from changes in fair value of HK$720 million and write-off of HK$279 million. The movements of biological assets were as follows:

	Liquorices	**Paper mulberry trees**	**Jatropha**	**Other forest assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2010	22,230	18,420	379,340	2,952,263	3,372,253
Disposal	—	—	—	(22,339)	(22,339)
Plantation expenditure incurred	—	—	7,927	2,261	10,188
Harvest as agricultural produce	—	—	—	(664)	(664)
Exchange adjustment	472	393	16,159	110,127	127,151
Loss arising from changes in fair value less costs to sell	—	—	(40,506)	(679,294)	(719,800)
Write-off	(22,702)	(18,813)	—	(237,848)	(279,363)
As at 31 March 2011	—	—	362,920	2,124,506	2,487,426

Due to uncertainty of the business development of liquorices and paper mulberry trees, and most of these biological assets were injured by extreme instable climate, these two biological assets projects were temporarily closed during the year.

Prepaid lease payments

Prepaid lease payments are the prepayments of land use rights located in the PRC. The amount decreased was mainly due to the amortization and write-off amounted to HK$28 million and HK$58 million respectively.

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

	2011
	HK$'000
As at 1 April 2010	**1,279,838**
Exchange adjustment	**55,034**
Disposals	**(1,167)**
Write-off	**(57,741)**
Amount released to profit or loss	**(28,469)**
As at 31 March 2011	**1,247,495**
Classified as current assets	**29,545**
Classified as non-current assets	**1,217,950**

Other payables, accruals and long term payables

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2011, the Group's cash and bank balances amounted to approximately HK$581 million (2010: HK$606 million), which were principally denominated in Renminbi and Hong Kong dollar. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose.

As at 31 March 2011, the Group had no borrowing.

The Group generally finances its operation using internally generated resources and proceed raised from issue of new shares in previous years. As at 31 March 2011, the Group's net current assets amounted to approximately HK$588 million (2010: HK$440 million). The Group's current ratio, being its current assets as a percentage of its current liabilities, amounted to 268% (2010: 209%).

As at 31 March 2011, the share capital of the Company consisted of 9,741,048,000 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the Company issued convertible notes as alternative financing instruments.

As at 31 March 2011, the Group's gearing ratio was zero, measured on the basis of total borrowings as a percentage of total shareholders' funds (2010: 2.1%).

SIGNIFICANT EVENT

On 3 August 2010, the Group entered into the memorandum of understanding ("MOU") in relation to the proposed acquisition of equity interests in (i) Mingxin Enterprises Limited ("target company 1") incorporated in British Virgin Islands and/or (ii) Hai Hua Holdings Limited ("target company 2") incorporated in British Virgin Islands. Both target companies are the registered holders of exploration licence in respect of the coking coal mine in Mongolia. The proposed acquisition is subject to the preliminary valuation of target company 1 by an independent valuer of international standing acceptable to indicate a value of asset of target company 1 not less than HK$8 billion, and/or the preliminary valuation of target company 2 by an independent valuer of international standing acceptable to indicate a value of asset of target company 2 not less than HK$8 billion. Any acquisition of target company 1 will not need to be conditional upon the acquisition of the target company 2 or vice-versa. On 17 August 2010, the Company has deposited the sum of HK$100 million as a refundable deposit for the Proposed Acquisition pursuant to the MOU. On 2 February 2011, being the end of the exclusivity period of MOU, there was no definitive agreement being entered into, and accordingly, the Company has issued a written notice to the Proposed Vendor to terminate the MOU on 2 February 2011. The deposit had been received before the year ended 31 March 2011.

CHARGE ON THE GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2011 and 2010 to secure general banking facilities.

CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not have contingent liabilities of material amounts.

CAPITAL COMMITMENTS

As at 31 March 2011, capital commitments in respect of construction costs which had been contracted but not provided for by the Group amounted to approximately HK$33 million.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

EMPLOYEES

As at 31 March 2011, the Group employed a total of approximately 200 employees, of which 12 employees are employed in Hong Kong. In addition to competitive packages offered to the employees, other benefits provided to eligible candidates include contributions to mandatory provident fund as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to directors, executives and employees of the Company as incentives for their contribution to the growth of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

The Chairman provides leadership to and oversees the effective functioning of the Board. With support of the 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors, the Group's annual results for the year ended 31 March 2011, 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 2011. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF RESULTS OF THE STOCK EXCHANGE

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

By order of the Board
China Grand Forestry Green Resources Group Limited
Pang Chun Kit
Chairman

Hong Kong, 30 June 2011

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