China Grand Forestry

Annual Report 2007/08

CGFGR

China Grand Forestry Green Resources Group Limited

(formerly known as "China Grand Forestry Resources Group Limited")
(Incorporated in Bermuda with limited liability)
Stock code : 910

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Ng Leung Ho *(Chairman)*
Ms. Cao Chuan *(Deputy Chairman)*
Ms. Lee Ming Hin
Mr. Hu Xiaoming
Mr. Cheung Wai Tak
(appointed on 2 October 2007)
Mr. Ge Wen Hong
(resigned on 2 October 2007)

NON-EXECUTIVE DIRECTOR
Mr. John MacMillan Duncanson
(appointed on 2 October 2007)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lo Cheung Kin
Mr. Zou Zi Ping
Mr. Zhu Jian Hong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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Hong Kong

COMPANY SECRETARY
Mr. Lau Che Yue, Stephen, FCCA, AHKICPA

SOLICITORS
DLA Piper Hong Kong
40th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

AUDITOR
Shu Lun Pan Horwath Hong Kong CPA Limited
20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Chiyu Banking Corporation Ltd.
42-44 Mut Wah Street
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL REGISTRARS AND TRANSFER OFFICE
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

BRANCH REGISTRARS AND TRANSFER OFFICE
Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN
STATEMENT

Dear Shareholders,

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 the PRC 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.

CHAIRMAN STATEMENT

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 the PRC. 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 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 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 the PRC. 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 emission 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.

CHAIRMAN STATEMENT

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.

APPRECIATION

On behalf of the board, I would like to express our gratitude to the shareholders, customers, suppliers and professional advisors for their support over the past year, and to sincerely thank our management and staff for their dedication and diligence.

Ng Leung Ho
Chairman

Hong Kong, 25 July 2008

MANAGEMENT

DISCUSSION AND ANALYSIS

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 is 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 revenue 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 by improvement of product mix.

The sales of forestry 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.

Gain arising from changes in fair value of biological assets less estimated point-of-sale costs

The amount represents the sum of fair value gain at recognition of biological assets and gain arising from changes in fair value less estimated point- of-sale costs. Please refer to note 25 for details.

Cost of inventories and forestry products sold

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

Release of prepaid lease payment

Amount of release of prepaid lease payment increased greatly as during the year the Group acquired the prepaid lease payment of forest farms for the right to use the land increased significantly which caused the amount released to income statement increased accordingly.

Other operating expenses

Other operating expenses mainly included research and development cost, expenses of share option scheme, professional consultancy fee and miscellaneous administrative cost.

Finance costs

The finance costs 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 the PRC 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

DISCLOSEABLE AND CONNECTED TRANSACTION

In March 2008 the Company has disposed of 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.

MANAGEMENT

DISCUSSION AND ANALYSIS

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 the PRC 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 are 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.

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which became effective for the Group commencing financial year 2005 (being the period from 1 July 2005 to 30 June 2006).

In the opinion of the Directors, the Company substantially complied with the provisions of the Code throughout the year ended 31 March 2008. The principal corporate governance principles and practices of the Company are summarised as follows:

RESPONSIBILITIES OF THE BOARD

The Board's primary responsibilities include the formulation of long-term corporate strategy, policy decisions and overseeing the management of the Group's operations. In addition, the Board evaluates the performance of the Group and assesses the achievement of targets periodically set by the Board. In carrying out its duties and projects, the Board delegates certain specific considerations to designated board committees and management task forces. The daily management, administration and operations of the Company are delegated to the Chief Executive Officer, executive Directors and senior management with divisional heads responsible for different aspects of the business. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

All directors have full and timely access to all relevant information in discharging their duties, and in appropriate circumstances are normally granted right to seek independent professional advice at the Company's expense.

COMPOSITION OF THE BOARD

The composition of the Board reflects the necessary balance of skills and experience necessary for effective leadership and independence in decision making. As at the date of this report, the Board comprises eight directors, whose biographical details are set out in the "Biographical Details of the Directors of the Company and Senior Management of the Group." on page 22 to 25 of the Report of the Directors. Five of the directors are executive Directors, namely, Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Hu Xiaoming and Mr. Cheung Wai Tak, one non-executive Director, Mr. John MacMillan Duncanson, three independent non-executive Directors, namely Mr. Zou Zi Ping, Mr. Lo Cheung Kin and Mr. Zhu Jian Hong.

The Company has complied with Rules 3.10(1) and 3.12(2) of the Listing Rules relating to the appointment of a sufficient number of independent non-executive directors and at least one of the independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise throughout the year ended 31 March 2008.

The Company has received confirmations from all independent non-executive Directors that they did not have any business or financial interest with the Group and were independent as at 31 March 2008 in accordance with Rule 3.13 of the Listing Rules.

CORPORATE

GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated and not exercised by the same individual. The Board appointed Mr. Ng Leung Ho as Chairman of the Company and Ms. Lee Ming Hin as Chief Executive Officer of the Company during the Year Ended 31 March 2007 (Ms. Lee Ming Hin's role as the Chief Executive Officer of the Company was assumed by Ms. Cao Chuan after the end of the Year Ended 31 March 2007, who was appointed as the Chief Executive Officer on 25 May 2007). The Chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the Chief Executive Officer is responsible for overseeing day-to-day management of the Group's business. The Board is of the opinion that the segregation of the two roles enhances the balance of power within the Company's corporate governance structure.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The Board as a whole is responsible for reviewing its composition, developing and formulating the relevant procedures for the nomination and appointment of directors; and monitoring their succession. The Board's established policies include procedures for the appointment of directors nominated by the Company's shareholders. The existing Bye-laws of the Company empower the Board to appoint any person as Director either as an additional member or to fill a casual vacancy.

The term of office for each of the executive Director is governed by service contract provisions. The Company's independent non-executive Directors were not appointed for specific terms as required by code provision A.4.1 but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. Commencing on 25 October 2005, to comply with the Code provisions, revisions have been made to appoint the independent non-executive directors on the basis of specific terms of three years.

The term of office for the non-executive Director is three years. The existing Bye-laws of the Company provide that at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. A retiring director shall be eligible for re-election. The Company at the general meeting at which a director retire may fill the vacated office. In addition, all directors appointed to fill a casual vacancy or as an additional director shall retire in the next annual general meeting but eligible for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules in respect of securities dealing by directors. The Company has made specific enquiry to all directors of the Company in respect of securities dealing by the Directors that they have fully complied with the required standard set out in the Model Code throughout the year ended 31 March 2008.

CORPORATE
GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

On 15 April 2005, the Company established a Remuneration Committee with terms of reference in accordance with the Code. The Remuneration Committee comprises the three independent non-executive Directors of the Company and chaired by Mr. Lo Cheung Kin. The principal responsibilities of the Remuneration Committee include making recommendation on the policy and structure for the remuneration of directors and senior management of the Company, the establishment of a formal and transparent procedure for developing such policy, and the review of specific remuneration packages of all executive directors and senior management of the Company by reference to corporate goals and objective resolved by the Board from time to time.

The principal elements of the executive directors' remuneration package include basic salary, benefit in kind, discretionary bonus, retirement benefits and participation in the share option scheme adopted by the shareholders of the Company in November 2001. The remuneration packages of the executive directors will be proposed by Chairman of the Group annually for the review and approval of the Remuneration Committee based on the following factors:

a) the executive director's responsibilities and contribution;

b) the executive director's individual performance;

c) performance of the business unit(s) headed by the executive director; and

d) performance of the Group as a whole.

The non-executive director and independent non-executive directors' remuneration includes directors fee and participation in the share option scheme, and subject to annual assessment and recommendation by the Remuneration Committee. The Board's authority to fix directors' remuneration was granted by the Company's shareholders at the Annual General Meeting.

The Remuneration Committee met once during the year ended 31 March 2008 and reviewed the existing remuneration policy and structure of the Company and remuneration packages of the Directors and senior management. Attendance of each member at the Remuneration Committee meeting is set out in the table under section "Meeting Attendance" of this report.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an Audit Committee, the terms of which are consistent with the provisions set out in the relevant section of the Code. The Audit Committee of the Company presently comprises the three independent non-executive directors, one of whom processes the appropriate professional qualification or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. The primary responsibilities of the Audit Committee include the followings:

a) To review the Company's financial information including annual report and half-yearly report and the appropriateness of any significant financial reporting judgments contained therein;

b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and

c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Company's results for the year ended 31 March 2008 and interim results for the six months ended 30 September 2007 have been reviewed by the Audit Committee.

During the year ended 31 March 2008, two meetings have been held by the Audit Committee. Attendance of each member at the Audit Committee meeting is set out in the table under section "Meeting Attendance" of this report.

CORPORATE
GOVERNANCE REPORT

MEETING ATTENDANCE

During the year ended 31 March 2008, ten board meetings had been held for reviewing business performance, and considering and approving the overall strategies and policies of the Company. Attendance of each member, on a named basis, during the year ended 31 March 2008 is set out in the table below.

	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Mr. Ng Leung Ho	10/10	N/A	N/A
Ms. Cao Chuan	7/10*	N/A	N/A
Ms. Lee Ming Hin	10/10	N/A	N/A
Mr. Hu Xiaoming	9/10	N/A	N/A
Mr. Ge Wen Hong	4/10**	N/A	N/A
Mr. Cheung Wai Tak	4/10***	N/A	N/A
Mr. John MacMillan Duncanson	3/10***	N/A	N/A
Mr. Lo Cheung Kin	9/10	1/1	2/2
Mr. Zou Zi Ping	8/10	1/1	2/2
Mr. Zhu Jian Hong	7/10	1/1	1/2

* Ms. Cao Chuan was appointed as a director on 25 May 2007.

** Mr. Ge Wen Hong resigned as a director on 2 October 2007.

*** Mr. Cheung Wai Tak and Mr. John MacMillan Duncanson were appointed as directors on 2 October 2007.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledged that they are responsible for the preparation of the financial statements of the Group. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

The Statement of the external auditors of the Company about their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 33 to 34.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The remuneration in respect of audit service provided by the external auditors for the year ended 31 March 2008 is HK$950,000. There was no non-audit service provided by the external auditor for the year ended 31 March 2008.

CORPORATE
GOVERNANCE REPORT

INTERNAL CONTROL

The Board acknowledged that they are responsible for maintaining effective internal control system of the Group. Notwithstanding the Audit Committee reviews financial results and the overall internal control environment periodically, the directors design well defined management structure with limit of authority and segregation of duties, and ensure the whole operation system is in compliance with the relevant regulation and legislation. The directors regularly review the management and financial reports, and ensure that the Company maintains a healthy financial position all the time.

During the year ended 31 March 2008, the Board conducted a review on the effectiveness of the Group's material internal controls, covering financial, operational, compliance and risk management functions. Based on the review undertaken, the Board is of the view that present internal control system of the Group is considered adequate. However, the Board shall remain open to suggestion for further improvement, including recommendation from the external auditors of any potential areas for improvement noted during the audit process.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of the communication with shareholders. In order to maintain and further enhance the investors' relationship with the Company's shareholders, the Company established various channels of communication with its shareholders:–

1) The annual general meeting provides a platform for shareholders to exchange views with the Board. The members of the Board and external auditors will attend the meeting. The Group encourages all shareholders to attend and raise any comment on performance of the Group. The Board is welcome to exchange views with the shareholders at the meeting.

2) The Company has regularly met with financial analysts, fund managers and potential investors during year ended 31 March 2008, in order to enhance the understanding the Group's operations and developments.

3) Information relating to the Company's financial information is provided through publication of annual reports, announcements, circulars and press release.

4) The Company has establish a corporate website which provides regularly updated Company financial information and other corporate information.

Separate resolutions are proposed at shareholders' meeting on each substantial issue, including the election of individual director. The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and are explained at the beginning of the proceedings of meeting. Poll results will be published on the business day following the shareholders' meeting and posted on the websites of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and at www.capitalfp.com.hk/eng/index.jsp?co=910.

REPORT

OF THE DIRECTORS

The directors of the Company herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2008.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at a special general meeting held on 30 April 2008 and the approval by the Registrar of Companies in Bermuda, the name of the Company has been changed from "China Grand Forestry Resources Group Limited" to "China Grand Forestry Green Resources Group Limited 中國林大綠色資源集團有限公司" with effect from 30 April 2008.

CHANGE OF FINANCIAL YEAR END

On 4 July 2006, the Company announced the change of the financial year-end date of the Company from 30 June to 31 March. The purpose of the change is to align the financial year-end date with the normal agricultural season associated with the principal operations of the Company's ecological forestry business. The consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and related notes now cover a period of twelve months from 1 April 2007 to 31 March 2008. The comparative figures for the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and related notes now cover a period of nine months from 1 July 2006 to 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 23 to the financial statements.

During the year, the Group discontinued its garment business with details set out in note 13 to the financial statements.

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.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and results by principal activity and geographical location of markets for the year ended 31 March 2008 is set out in note 8 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 35.

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

REPORT

OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out below. The amounts for the year ended 31 March 2008 are those set out in the accompanying financial statements on pages 35 to 114. The amounts for the nine months ended 31 March 2007 and before are extracted from previously published audited financial statements of the Company as appropriate.

RESULTS

	Year Ended 31 March 2008	Nine months Ended 31 March 2007	Year ended 30 June 2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,105,078**	828,918	360,770	138,262	189,026
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**2,743,860**	1,319,310	83,208	(150,189)	29,614

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March 2008	2007	As at 30 June 2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**6,879,468**	2,449,540	955,546	98,935	242,449
CURRENT ASSETS	**1,221,352**	876,864	562,395	360,612	273,401
TOTAL ASSETS	**8,100,820**	3,326,404	1,517,941	459,547	515,850
CURRENT LIABILITIES	**1,089,540**	524,882	323,000	16,264	16,686
NON-CURRENT LIABILITIES	**89,788**	210,934	260,004	691	2,942
TOTAL LIABILITIES	**1,179,328**	735,816	583,004	16,955	19,628
MINORITY INTERESTS	**–**	–	236,818	–	–
NET ASSETS	**6,921,492**	2,590,588	698,119	442,592	496,222

REPORT
OF THE DIRECTORS

FIXED ASSETS AND INVESTMENT PROPERTIES
Details of movements in the fixed assets and investment properties of the Group are set out in notes 18 and 21 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS
Details of movements in the Company's share capital during the year ended 31 March 2008 and subsequent thereto are set out in notes 34 and 36 to the financial statements, respectively.

Details of movements in the Company's share options during the year ended 31 March 2008 are set out in note 36 to the financial statements.

CONVERTIBLE NOTES
Details of movements in the Company's convertible notes during the year ended 31 March 2008 are set out in note 39 to the financial statements.

PRE-EMPTIVE RIGHTS
There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a prorata basis to existing shareholders.

APPLICATION OF SHARE ISSUE PROCEEDS
During July, August and September 2007, by virtue of the exercise of options to subscribe for new shares in the Company, the Company issued and allotted 80,000,000 new shares at a share issue price of HK$0.98. The net price to the Company of each new share issued approximately equals to the respective share issue price. The aggregate net proceeds amounts to approximately HK$78,400,000 and has been used by the Group for general working capital purposes.

On 17 September 2007, the Company raised proceeds, net of related expenses, of approximately HK$1,268,000,000 from a top-up placing and subscription arrangement. An aggregate of 539,560,000 new Shares were issued and allotted at a price of HK$2.4 per share to Golden Prince Group Limited, which is a company incorporated in the British Virgin Islands, as the subscription shares pursuant to the placing and subscription agreement. Mr. Ng, chairman and executive Director of the Company, wholly owns Golden Prince Group Limited. Both of Mr. Ng and Golden Prince Group Limited are substantial Shareholders of the Company. Up to 31 March 2008, approximately HK$474,000,000 was used for the acquisition of forestry lands and resources and approximately HK$68,000,000 was used for working capital purposes.

REPORT

OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 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.

Other than the foregoing and as disclosed under the above section "Application of Share Issue Proceeds", neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company has no reserves available for cash distribution and/or distribution in specie as computed in accordance with the Companies Act 1981 of Bermuda. In addition, under the laws of Bermuda, the Company's share premium account, with a balance of approximately HK$1,686,355,000 as at 31 March 2008, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales to the Group's five largest customers accounted for approximately 77.50% of the total sales for the year and the sales to the largest customer included therein amounted to 30.20%.

Purchases from the Group's five largest suppliers accounted for approximately 35.2% of the total purchases for the year and the purchase from the largest supplier included therein amounted to 7.4%.

None of the directors of the Company, any of their associates or any shareholders (which, to the best knowledge of the directors of the Company, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

REPORT

OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Executive directors

Mr. Ng Leung Ho
Ms. Cao Chuan
Ms. Lee Ming Hin
Mr. Hu Xiaoming
Mr. Cheung Wai Tak (appointed on 2 October 2007)
Mr. Ge Wen Hong (resigned on 2 October 2007)

Non-executive director

Mr. John MacMillan Duncanson (appointed on 2 October 2007)

Independent non-executive directors

Mr. Lo Cheung Kin
Mr. Zou Zi Ping
Mr. Zhu Jian Hong

In accordance with the Bye-laws 111(A) and 111(B) of the Company, Ms. Cao Chuan, Mr. Hu Xiaoming and Mr. Zou Zi Ping shall retire from office by rotation at the forthcoming annual general meeting. Among the retiring directors, Ms. Cao Chuan and Mr. Zou Zi Ping, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Pursuant to Bye-law 115 of the Company, Mr. Cheung Wai Tak and Mr. John MacMillan Duncanson, being newly appointed directors, shall retire from office at the forthcoming annual general meeting and being eligible, offer themselves for re-election at the annual general meeting.

REPORT
OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive directors

Mr. Ng Leung Ho, aged 56, is the Chairman and the founder of the Group. Mr. Ng is also the Chairman and an executive director of Wonderful World Holdings Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He held directorship in various subsidiaries of the Company. He is also the chairman of Zhongke Nanotech Engineering Center Co., Ltd., the jointly controlled entity of the Company engaged in the business of Nano technology applications. Mr. Ng has more than 36 years of experience in the design, manufacture, and trading of men's suits in Hong Kong and the PRC. Mr. Ng is currently a JP and a member of the Chinese People's Political Consultative Conference and is a visiting professor at the Fujian Teachers University. Mr. Ng is responsible for the corporate strategic planning and formulation of corporate policies for the Group. In addition, Mr. Ng oversee the Group's product development and industrialisation efforts in various areas of Nano technology, made possible through the application of research results obtained by of Zhongke Nanotech Engineering Center Co., Ltd.

Ms. Cao Chuan, aged 50, BEng, PH.D supervisor in Biology. She is an executive director of the Company. She also serves as the deputy chairman and the chief executive officer of the Company. She has accumulated more than 20 years of working experience in the field of scientific research and promotion. Various patents have been granted for her invention. She is well-acquainted with the operation, market development and financial management of Chinese forestry enterprise. She has comprehensive knowledge in plant fostering and the coordination and management of scientific experimental project, and also has an agile sense on the induction of new specie and purification. Ms. Cao is the chairman of the board of Beijing Wan Fu Chun Forest Resources Development Company Limited ("Beijing WFC"), a subsidiary of the Company principally engaged in the business in tree plantation and management, manufacture and distribution of forestry products. On 25 May 2007 Ms. Cao was appointed the chief executive officer and deputy chairman of the Company.

Ms. Lee Ming Hin, aged 52, is an executive director of the Company. Ms. Lee has served the Group for more than 16 years and is the director of various subsidiaries of the Company. Prior to joining the Group, Ms. Lee had more than 14 years of experience in raw material procurement, sales and marketing in the apparel industry. Ms. Lee currently oversees the general administration, finance, personnel functions and raw material procurement of the Group.

Mr. Hu Xiaoming, aged 43, is an executive director and joined the Group in 2004. He is responsible for overseeing the industrialisation of research results obtained from the Group's interest in Nano-technology research. Mr. Hu obtained his Doctorate degree in Polymer Chemistry and Physics from the Department of Organic Silane, Institute of Chemistry, Chinese Academy of Science and further his post-doctoral studies in Chemistry in Tsing Hua University. Mr. Hu has worked as an associate researcher of the Institute of Chemistry, Chinese Academy of Science, and currently held the post of deputy general manager in Zhongke Engineering Center Co., Ltd., a joint venture company established by a subsidiary of the Company and the Chinese Academy of Science.

REPORT

OF THE DIRECTORS

Mr. Cheung Wai Tak, aged 54, was appointed as an executive Director on 2 October 2007. Mr. Cheung has more than 20 years of working experience in the investment banking and accounting field. He is a Certified Public Accountant in the United States of America and a member of the Hong Kong Institute of Certified Public Accountants. He graduated with an MBA degree from the University of California at Berkeley, the United States of America in 1981. Mr. Cheung's experience in the forestry industry dated back to 1994, when he was the initial management team of Sino Forest Corp, which is currently listed on the Toronto Stock Exchange.

Non-executive director

Mr. John MacMillan Duncanson, aged 57, was appointed as a non-executive Director on 2 October 2007. Mr. Duncanson has worked for the past 32 years in the forest sector and more recently, in the investment industry as an analyst and a corporate banker. He is a registered professional forester, an ISO 10000 auditor and a financial analyst. He obtained his Bachelor of Science in Forestry degree from the University of Toronto, Canada in 1974. Mr. Duncanson is currently working as the President of Duncanson Investment Research Inc – Toronto (a consulting firm which specializes in independent market and resource analysis).

Independent non-executive directors

Mr. Lo Cheung Kin, aged 60, graduated from the Fujian Teachers University in 1975. Mr. Lo is a director of the companies under the Victorfield Group in Hong Kong, a private investment group engaged in property development, management and investment, construction, trading and securities business in Hong Kong and the PRC. Mr. Lo has more than 27 years of experience in corporate management, the tourism and hospitality industry, and property investment, development and management in the PRC. Mr. Lo is also an executive director of Buildmore International Limited, a company listed on the Stock Exchange of Hong Kong Ltd.

Mr. Zou Zi Ping, aged 53, has extensive experience in the hotel industry in the PRC. He is currently the general manager of the Fuzhou Lakeside Hotel and the managing director of the Fuzhou Lakeside Hotel Management Company. Mr. Zou is also a visiting assistant professor of the Fujian Teachers University and Fujian Minjiang University.

Mr. Zhu Jian Hong, aged 42, is a member of the Chinese Institute of Certified Public Accountants. Mr. Zhu graduated from the Accountancy Department of the Shanghai University of Finance and Economics and has obtained over 18 years of experience in accountancy and financial management, including working as a lecturer of accountancy in Jimei Finance & Economics College in Xiamen Special Economics Zone and statutory auditor of the financial statements of a number of companies. Mr Zhu was also a member of the Finance Bureau of Xianyou County, Fujian Province, the PRC, where he held the responsibility of administering the accountancy and finance affairs at provisional levels.

Senior management

Mr. Pang Chun Kit, aged 35, chief financial officer of the Company, is responsible for financial management, merger and acquisition affairs of the Company. Mr. Pang graduated from the Hong Kong Polytechnic University with a Bachelor degree in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, having over ten year's experience in various kinds of auditing, financial, merger and acquisition, and investor relationship work. Mr. Pang was the former chief financial officer of a Hong Kong listed company and the former manager of an international accounting firm.

REPORT
OF THE DIRECTORS

Mr. Lau Che Yue, Stephen, aged 43, is the financial controller and the company secretary of the Company. Mr. Lau obtained his Master of Business (Information Technology) from RMIT University, Australia and Master of Business Administration from Heriot-Watt University, United Kingdom. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Lau has over 20 years of experience in auditing, accounting and finance.

Mr. Cheng Shouheng, aged 50, is the President of Beijing WFC. Mr. Cheng graduated from Peking University with a bachelor's degree in 1984 and in 1994, received a doctorate degree from Russian Academy of Sciences with the former People's Friendship University of Russia. Mr. Cheng has over 24 years of managerial experience and over 8 years of experience in forest industry.

Mr. Shen Shihua, aged 46, is the chief consultant scientist of Beijing WFC and chief researcher of Institute of Botany, the Chinese Academy of Sciences. Mr. Shen graduated from South-western University of Agriculture with a Bachelor's degree in Biology and obtained his Ph.D degree in Botany from the Institute of Botany, Chinese Academy of Sciences. During the period from 1996 to 1998, Mr. Shen did post-doctor research in Gene Experiment Center, University of Tsukuba, Japan. Mr. Shen is an internationally-recognised researcher in cloning of the genes encoding dehydration-responsive element binding protein (DREB) and their transformations in main crops, and application of bio-techniques in common paper mulberry (Broussonetia papyrifera) and physic nut (Jatropha curcas) studies. Mr. Shen has registered twenty genes, held three Chinese patents and published over thirty professional papers in Chinese and foreign professional periodicals.

Mr. Liu Yuhua, aged 51, is the Forest Operation Director of Beijing WFC. Mr. Liu graduated from Agricultural University of Hebei with a bachelor's degree in agriculture in 1978. Mr. Liu has over 30 years of experience in various areas in forestry such as forestation, saplings cultivation and forest management and production. Prior to joining the Group, Mr. Liu was responsible for overall planning of nature reserve at national and provincial level in the PRC.

Mr. Wang Feng, aged 52, is the Forest Management Director of Beijing WFC. Mr. Wang received a bachelor's degree in forestry from Northeast Forestry University. Mr. Wang has over 26 years of experience in forestry management and planning.

Mr. Song Funing, aged 53, is the Head of Resources Division of Beijing WFC. Mr. Song graduated from Beijing Forestry College in 1979. He is well experienced in forestry survey, resource management and forest management.

REPORT OF THE DIRECTORS

Mr. Liang Bin, aged 52, is the Resource Director of Beijing WFC. Mr. Liang graduated from Northeast Forestry University with a bachelor's degree in forestry in 1982. He has over 26 years of experience in forest production, forest cultivation, operation management, forestry resources survey and planning and design of forestry works.

Mr. Zhao Shikai, aged 52, is the Deputy Resource Director of Beijing WFC. Mr. Zhao graduated from Northeast Forestry University with a bachelor's degree in forestry in 1982. He has over 26 years of experience in various areas of forestry operation such as forestation planning, selective logging and design of logging area.

Mr. Zhang Jianping, aged 54, is the Director of the Southern Operation Center of Beijing WFC. Mr. Zhang graduated from Southwest Agricultural University with a bachelor's degree in agricultural economics and management in 1985. Mr. Zhang is well experienced in various areas of forestry operation such as saplings cultivation, forestation, tending, preservation and logging.

Mr. Yu Haibin, aged 43, he is in charge of the Technology Department of Beijing WFC. Mr. Yu graduated from Northeast Forestry University with a bachelor's degree in forestry in 1989 and received a master degree in forest botany in 1992. Mr. Yu is well experienced in the design of urban landscape greening and cultivation of special flowers and vegetables, design and construction of pulpwood base in sandy area, planation of pulpwood forests, etc. Mr. Yu has participated in the research works of the national Eighth Five-Year Key Project – Ecological Benefits of Landscape Greening.

DIRECTORS' SERVICE CONTRACTS

Ms. Cao Chuan, being an executive director, has entered into service contract with the Company for a term of three years commencing on 25 May 2007.

Mr. Hu Xiaoming, being an executive director, has entered into service contract with the Company for a term of three years commencing on 19 July 2007.

Each of Ms. Lee Ming Hin, being an executive director,, and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong, being independent non-executive directors, have each entered into a service contract with the Company for a term of three years commencing on 25 October 2007.

Mr. Ng Leung Ho, being an executive director has entered into service contract with the Company for a term of three years commencing on 18 May 2006.

Each of Mr. Cheung Wai Tak, being an executive director, and Mr. John MacMillan Duncanson, being a non-executive director, has entered into service contract with the Company, for a term of three years commencing on 2 October 2007.

In addition, all directors of the Company shall be subject to retirement by rotation in accordance with the Bye-laws of the Company. The term of office of each executive director may also be terminated with three months' notice served by either party on the other.

REPORT
OF THE DIRECTORS

The contractual remuneration by which the executive directors and non-executive directors are entitled to (subject to certain conditions) may be increased by an annual increment of no more than 5% after each year of completed service. The emoluments of the independent non-executive directors will be determined by the Board (as to be authorised by the shareholders of the Company at the forthcoming annual general meeting) in its discretion with reference to their duties and responsibilities.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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.

Save as disclosed, none of the directors of the Company had any interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

REPORT
OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

At 31 March 2008, the interests or short positions of directors or chief executives of the Company or their respective associates in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO were as follows:

	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the issued share capital	Interests in underlying shares (share options)	Total interests (including underlying shares) as % of issued share capital	*Note*
Mr. Ng Leung Ho	8,000,000	–	960,000,000	968,000,000	17.42%	6,000,000	17.52%	*1, 2*
Ms. Cao Chuan	–	–	–	–	0%	10,000,000	0.18%	*3*
Ms. Lee Ming Hin	4,000,000	–	–	4,000,000	0.07%	6,000,000	0.18%	*3*
Mr. Hu Xiaoming	–	–	–	–	0%	3,000,000	0.05%	*3*
Mr. Cheung Wai Tak	–	–	–	–	0%	6,000,000	0.11%	*4*
Mr. John MacMillan Duncanson	125,000	–	–	125,000	0.01%	3,000,000	0.06%	*4*
Mr. Zou Zi Ping	1,500,000	–	–	1,500,000	0.03%	–	0.03%	
Mr. Lo Cheung Kin	300,000	–	–	300,000	0.01%	900,000	0.02%	*3*
Mr. Zhu Jian Hong	1,500,000	–	–	1,500,000	0.03%	–	0.03%	

Notes:

1. The corporate interests attributed to Mr. Ng Leung Ho of 960,000,000 shares held by Golden Prince Group Limited, a company incorporated in the British Virgin Islands. The entire issues share capital of the Golden Prince Group Limited is directly wholly owned by Mr. Ng Leung Ho.

2. The interests in underlying shares attributed to Mr. Ng Leung Ho includes share options to subscribe for 6,000,000 new shares in the Company, exercisable at a price of HK$0.98 per share and granted pursuant to the Company's existing share option scheme, as adopted by the Company's shareholders in the Company's annual general meeting held on 23 November 2001.

3. The interests in underlying shares attributed to these directors represented share options to subscribe for new shares in the Company, exercisable at a price of HK$0.98 per share and granted pursuant to the Company's existing share option scheme, as adopted by the Company's shareholders in the Company's annual general meeting held on 23 November 2001.

4. The interests in underlying shares attributed to these directors represented share options to subscribe for new shares in the Company, exercisable at a price of HK$2.61 per share and granted pursuant to the Company's existing share option scheme, as adopted by the Company's shareholders in the Company's annual general meeting held on 23 November 2001.

REPORT

OF THE DIRECTORS

Save as disclosed above, none of the directors and chief executives of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities transaction by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 23 November 2001, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme").

The New Scheme

The documented purpose of the New Scheme is to recognise the contribution of the executives and employees to the Group by granting share options to them as incentives or rewards. The major terms of the New Scheme are summarised as follows:

1. Eligible participants of the New Scheme include executive, employee, executive director and/or non-executive director (including independent non-executive director) of the Company and its subsidiaries who is in employment at the time when the option is granted to such person.

2. The total number of shares available for issue upon exercise of all options to be granted under the New Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the New Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company from time to time.

3. The total number of shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the shares of the Company in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.

4. Any grant of share options to a director, chief executive or substantial shareholders of the Company or any of their associates are subject to approval in advance by the independent non-executive directors of the Company.

5. Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the shares of the Company in issue and having an aggregate value (based on closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to prior approval by shareholders in a general meeting.

6. Unless otherwise determined by the board of directors in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.

7. The exercise period of the share options granted is not later than 10 years from the date of the grant of the share options.

8. The offer of a grant of option, if accepted, may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

9. The exercise price of the share options is determinable by the directors of the Company, but may not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

10. The New Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing from the date of adoption on 23 November 2001.

REPORT
OF THE DIRECTORS

Particulars of options granted under the New Scheme during the year ended 31 March 2008 and remained outstanding up to 31 March 2008 are as follows:

	Number of shares under options						
	Beginning of year	Granted during the year	Exercised during the year	End of year	Subscription price per share	Date of grant of share options	Exercisable period
Directors							
Mr. Ng Leung Ho	10,000,000	–	(4,000,000)	6,000,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
Ms. Cao Chuan	10,000,000	–	–	10,000,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
Ms. Lee Ming Hin	10,000,000	–	(4,000,000)	6,000,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
Mr. Hu Xiaoming	3,000,000	–	–	3,000,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
Mr. Cheung Wai Tak	–	6,000,000	–	6,000,000	HK$2.61	2 October 2007	3 October 2007 to 2 October 2017
Mr. John MacMillan Duncanson	–	3,000,000	–	3,000,000	HK$2.61	2 October 2007	3 October 2007 to 2 October 2017
Mr. Zou Zi Ping	1,500,000	–	(1,500,000)	–	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
Mr. Lo Cheung Kin	1,500,000	–	(600,000)	900,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
Mr. Zhu Jian Hong	1,500,000	–	(1,500,000)	–	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
	37,500,000	9,000,000	(11,600,000)	34,900,000			
Employees	147,600,000	–	(68,400,000)	79,200,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
Total	185,100,000	9,000,000	(80,000,000)	114,100,000			

REPORT
OF THE DIRECTORS

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit scheme in operation for the year ended 31 March 2008 are set out in note 3(u) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had been notified of the following substantial shareholder's interests or short positions, being 5% or more of the Company's issued share capital:

Name	Capacity	Number of shares	Percentage of holding
Mr. Ng Leung Ho	Beneficial owner	974,000,000 *(Note 1)*	17.52%
Golden Prince Group Limited	Beneficial owner	960,000,000 *(Note 2)*	17.27%
Atlantis Investment Management Ltd	Investment manager	458,000,000	8.24%

Notes:

1. The beneficial interests of Mr. Ng Leung Ho in 968,000,000 shares comprise corporate interest in 960,000,000 shares, held through Golden Prince Group Limited, and personal interest in 14,000,000 shares, comprising 8,000,000 shares and 6,000,000 underlying shares in respect of shares options granted by the Company to him.

2. The entire issued share capital in Golden Prince Group Limited is beneficially owned by Mr. Ng Leung Ho, whose interests in shares of the Company are disclosed in the section headed "Directors' and chief executive's interests in shares or short position in shares and underlying shares".

Save as disclosed above, at 31 March 2008, the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance shows that the Company had not been notified of any substantial shareholders' interest and short positions, being 5% or more of the Company's issued share capital.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Report of the Corporate Governance accompanying the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

REPORT
OF THE DIRECTORS

INDEPENDENCE CONFIRMATION

The Company has received, from each independent non-executive director, an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all the independent non-executive directors are independent.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee currently comprises the three independent non-executive directors of the Company, namely, Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong. The audit committee has reviewed the accompanying financial statements prior to their publication.

POST BALANCE SHEET EVENT

Details of the post balance sheet event of the Group are set out in note 50 to the financial statements.

AUDITOR

On 7 October 2007, Horwath Hong Kong CPA Limited changed its name to Shu Lun Pan Horwath Hong Kong CPA Limited. The accompanying financial statements for the year ended 31 March 2008 were audited by Shun Lun Pan Horwath Hong Kong CPA Limited, who shall retire. A resolution for the appointment of auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Leung Ho
Chairman

Hong Kong, 25 July 2008

INDEPENDENT
AUDITOR'S REPORT

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2526 2191
Facsimile : (852) 2810 0502
Website : horwath@horwath.com.hk
Email : www.horwath.com.hk

TO THE SHAREHOLDERS OF
CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED
(FORMERLY KNOWN AS CHINA GRAND FORESTRY RESOURCES GROUP LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of China Grand Forestry Green Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 114, which comprise the consolidated and Company balance sheets as at 31 March 2008, the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT
AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Hong Kong, 25 July 2008

Chan Kam Wing, Clement
Practising Certificate number P02038

CONSOLIDATED

INCOME STATEMENT

for the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000 (Note 49)
Continuing operations			
Revenue	7	**1,023,832**	733,126
Gain arising from changes in fair value of biological assets less estimated point-of-sale costs	25	**2,097,242**	1,117,515
Other income	7	**17,380**	2,460
Other net gain	9	**7,393**	2,326
Cost of inventories and forestry products sold		**(276,854)**	(208,561)
Staff costs		**(34,835)**	(29,062)
Depreciation of property, plant and equipment		**(3,777)**	(1,662)
Amortisation of biological assets		**(33,057)**	(22,146)
Amortisation of patent		**(25,153)**	(18,865)
Release of prepaid lease payments		**(16,665)**	(65)
Other operating expenses		**(96,263)**	(115,694)
Finance costs	10	**(7,790)**	(14,138)
Share of losses of jointly-controlled entities	24	**(2,839)**	(3,684)
Profit before taxation		**2,648,614**	1,441,550
Taxation credit/(charge)	11	**122,382**	(69,560)
Profit for the year from continuing operations		**2,770,996**	1,371,990
Discontinued operations			
(Loss)/profit for the year from discontinued operations	13	**(27,136)**	16,412
Profit for the year	12	**2,743,860**	1,388,402
Attributable to:			
Equity holders of the Company	14	**2,743,860**	1,319,310
Minority interest		**–**	69,092
		2,743,860	1,388,402
Dividend	14	**–**	–
Earnings per share for result attributable to the equity holders of the Company	15		
From continuing and discontinued operations			
– basic		**HK51.03 cents**	HK28.82 cents
– diluted		**HK43.86 cents**	HK24.49 cents
From continuing operations			
– basic		**HK51.53 cents**	HK28.46 cents
– diluted		**HK44.29 cents**	HK24.19 cents

The accompanying notes form part of these financial statements.

CONSOLIDATED

BALANCE SHEET

at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Biological assets	25	**5,128,712**	1,598,133
Property, plant and equipment	18	**31,970**	63,790
Construction in progress	19	**36,792**	12,081
Prepaid lease payments	20	**956,682**	17,730
Long-term prepayments	26	**112,918**	108,764
Intangible assets	22	**552,293**	571,657
Interests in jointly-controlled entities	24	**19,387**	28,755
Available-for-sale investments	31	**40,714**	–
Investment properties	21	**–**	3,160
Deposits for acquisition of forest farms		**–**	45,470
		6,879,468	2,449,540
Current assets			
Inventories	27	**38,240**	31,886
Trade receivables	28	**125,696**	156,328
Prepaid lease payments	20	**20,960**	430
Other receivables, deposits and prepayments	29	**120,512**	40,333
Financial assets at fair value through profit or loss	30	**56,949**	23,578
Amounts due from jointly-controlled entities	24	**5,193**	–
Amount due from a director	46(d)	**116**	–
Pledged bank deposits	42	**–**	11,265
Bank and cash balances	33	**853,686**	613,044
		1,221,352	876,864
Total assets		**8,100,820**	3,326,404

CONSOLIDATED BALANCE SHEET

at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	34	**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	39	**87,622**	82,367
Deferred taxation	40	**2,166**	128,567
		89,788	210,934
Current liabilities			
Trade payables	41	**30,073**	4,414
Other payables and accruals	48	**1,013,077**	415,890
Promissory notes payable	38	**–**	98,969
Amounts due to related companies	46(c)	**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
Net current assets		**131,812**	351,982
Total assets less current liabilities		**7,011,280**	2,801,522
Net assets		**6,921,492**	2,590,588

The financial statements on pages 35 to 114 were approved and authorised for issue by the Board of Directors on 25 July 2008.

Mr. Ng Leung Ho
Director

Ms. Cao Chuan
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	23	**1,956,149**	1,129,344
Available-for-sale investments	31	**40,714**	–
		1,996,863	1,129,344
Current assets			
Other receivables, deposits and prepayments		**93,520**	431
Amounts due from related companies	46(c)	**45,642**	–
Bank and cash balances	33	**318,475**	121,555
		457,637	121,986
Total assets		**2,454,500**	1,251,330
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	34	**555,781**	506,281
Treasury shares		**(4,420)**	–
Reserves	37	**1,727,556**	558,140
Total equity		**2,278,917**	1,064,421
Non-current liabilities			
Convertible notes payable	39	**87,622**	82,367
Deferred taxation	40	**2,166**	3,086
		89,788	85,453
Current liabilities			
Other payables and accruals		**2,538**	2,487
Amount due to a related company	46(c)	**83,257**	–
Promissory notes payable	38	**–**	98,969
		85,795	101,456
Total liabilities		**175,583**	186,909
Total equity and liabilities		**2,454,500**	1,251,330
Net current assets		**371,842**	20,530
Total assets less current liabilities		**2,368,705**	1,149,874
Net assets		**2,278,917**	1,064,421

The financial statements on pages 35 to 114 were approved and authorised for issue by the Board of Directors on 25 July 2008.

Mr Ng Leung Ho
Director

Ms Cao Chuan
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

	Share capital HK$'000	Treasury stock HK$'000	Share premium account HK$'000	Share-based compensa-tion reserve HK$'000	Subscription right reserve HK$'000 (note i)	Fixed asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Statutory reserve fund HK$'000 (note ii)	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Conversion option reserve HK$'000 (note iii)	Retained profits HK$'000	Minority interest HK$'000	Total HK$'000
As 30 June 2006	387,981	–	116,077	–	24,543	5,699	–	13,741	3,504	(727)	34,621	112,680	236,818	934,937
Currency translation difference	–	–	–	–	–	–	–	–	–	21,750	–	–	–	21,750
Net profit for the period	–	–	–	–	–	–	–	–	–	–	–	1,319,310	69,092	1,388,402
Total recognised income and expenses for the year	–	–	–	–	–	–	–	–	–	21,750	–	1,319,310	69,092	1,401,152
Arising on exercise of share options	1,800	–	2,520	–	–	–	–	–	–	–	–	–	–	4,320
Placement of new shares	40,000	–	406,799	–	–	–	–	–	–	–	–	–	–	446,799
Arising upon conversation of convertible notes into new shares, net of deferred taxation	76,500	–	15,300	–	–	–	–	–	–	–	(15,582)	–	–	76,218
Equity settled share-based transactions	–	–	–	21,850	–	–	–	–	–	–	–	–	–	21,850
Share in reserve movement of jointly-controlled entities	–	–	–	–	–	(107)	–	–	739	1,590	–	–	–	2,222
Reserve appropriation	–	–	–	–	–	–	–	22,495	–	–	–	(22,495)	–	–
Arising from increase in equity interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(305,910)	(305,910)
At 31 March 2007	506,281	–	540,696	21,850	24,543	5,592	–	36,236	4,243	22,613	19,039	1,409,495	–	2,590,588
Currency translation difference	–	–	–	–	–	–	–	–	–	399,384	–	–	–	399,384
Net profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,743,860	–	2,743,860
Change in fair value of investment of available-for-sale	–	–	–	–	–	–	1,727	–	–	–	–	–	–	1,727
Total recognised income and expenses for the year	–	–	–	–	–	–	1,727	–	–	399,384	–	2,743,860	–	3,144,971
Arising on exercise of share options	8,000	–	94,008	(23,608)	–	–	–	–	–	–	–	–	–	78,400
Placement of new shares	53,955	–	1,213,314	–	–	–	–	–	–	–	–	–	–	1,267,269
Equity settled share-based transactions	–	–	–	24,376	–	–	–	–	–	–	–	–	–	24,376
Repurchase of shares	(12,455)	–	(161,663)	–	–	–	–	–	–	–	–	–	–	(174,118)
Share in reserve movement of jointly-controlled entities	–	–	–	–	–	(1,142)	–	–	4,874	–	–	–	–	3,732
Reserve appropriation	–	–	–	–	–	–	–	102,442	–	–	–	(102,442)	–	–
Arising from increase in equity interest in a subsidiary	–	–	–	–	–	(3,474)	–	(1,859)	–	–	–	5,333	–	–
Transfer to profit or loss on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(9,306)	–	–	–	(9,306)
Transfer of retained earning: Treasury stock	–	(4,420)	–	–	–	–	–	–	–	–	–	–	–	(4,420)
At 31 March 2008	555,781	(4,420)	1,686,355	22,618	24,543	976	1,727	136,819	9,117	412,691	19,039	4,056,246	–	6,921,492

CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

Notes:

(i) Subscription right reserve represents net proceeds received from issue of warrants.

(ii) In accordance with the relevant People's Republic of China ("PRC") regulations, the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after taxation, if any, to a statutory reserve fund. The statutory reserve fund can be converted into share capital of the subsidiaries, and subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve fund may be used to offset the accumulated losses, if any, of the subsidiaries.

(iii) Conversion option reserve represents equity portion of convertible notes issued by the Company and are transferred to the share premium account upon exercise of the conversion rights vested with the convertible note instruments; or directly released to retained profits when the convertible notes are redeemed.

The accompanying notes form part of these financial statements.

CONSOLIDATED
CASH FLOW STATEMENT
for the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before taxation	2,627,578	1,457,276
Interest income	(18,103)	(3,713)
Dividend income from listed and unlisted investment	(6)	–
Equity-settled share option expenses	24,376	21,850
Finance costs	14,549	14,155
Amortisation of intangible assets	200	67
Amortisation of patent	25,153	18,865
Amortisation of biological assets	33,057	22,146
Depreciation on property, plant and equipment	8,871	6,721
Net unrealised holding gain on financial assets at fair value through profit or loss	(5,569)	(20,421)
Net realised (gain)/loss on disposal of financial assets at fair value through profit or loss	(7,599)	140
Surplus on revaluation of investment properties, net	(40)	(660)
Release of prepaid lease payments	16,776	179
Gain on disposal of subsidiaries	(20,135)	–
Share of losses of jointly-controlled entities	4,365	3,684
Gain on changes in fair value less estimated point-of sale costs of biological assets	(2,097,242)	(1,117,515)
Loss/(gain) on disposal of property, plant and equipment	227	(4,235)
Gain on disposal of a jointly-controlled entity	–	(2,326)
Provision for obsolete inventories	–	1,431
Effect of foreign exchange differences	(9,677)	8,314
Operating profit before working capital changes	596,781	405,958
Decrease in inventories	15,808	4,947
Decrease in trade receivables	24,386	51,016
Increase in other receivables, deposits and prepayment	(28,714)	(15,983)
Increase in trade payables	28,447	1,488
(Decrease)/increase in other payables and accruals	(58,859)	92,112
Decrease in deferred revenue	–	(58,532)
Amount due from a director	(116)	–
Increase in amounts due to related companies	10,275	–
Net cash generated from operating activities	588,008	481,006

CONSOLIDATED

CASH FLOW STATEMENT

for the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Investing activities		
Interest received	**18,103**	3,713
Dividend received from listed and unlisted investments	**6**	–
Increase due to plantation	**(146,939)**	(98,040)
Decrease due to harvest	**72,073**	133,817
Acquisition of biological assets (including land use rights)	**(1,111,928)**	(310,699)
Deposits for acquisition of forest farms	**–**	(154,234)
Acquisition of financial assets at fair value through profit or loss	**–**	(1,255)
Acquisition of available-for-sale investments	**(38,988)**	–
Acquisition of intangible assets	**–**	(2,020)
Settlement of investment cost in Beijing WFC	**(220,000)**	–
Purchases of property, plant and equipment	**(27,184)**	(4,318)
Deposit for acquisition of business	**(50,000)**	–
Increase in receivable for security dealers	**(41,545)**	–
Increase in construction in progress	**(32,723)**	(274)
Net cash inflow/(outflow) on disposal of subsidiaries	**170,330**	(60,000)
Proceeds from disposal of financial assets at fair value through profit or loss	**203,659**	2,950
Purchases of financial assets at fair value through profit or loss	**(224,080)**	–
Proceeds from disposal of investment properties	**–**	7,000
Proceeds from disposal of property, plant and equipment	**210**	–
Proceeds from disposal of prepaid lease payments	**–**	9,515
Decrease/(increase) in pledged bank deposits	**11,265**	(277)
Net cash outflow from investing activities	**(1,417,741)**	(474,122)
Financing activities		
Interest paid	**(9,294)**	(17)
Proceed from issue of shares	**1,294,944**	460,000
Proceed from exercise of share option and warrants	**78,400**	4,320
Repurchase of shares	**(178,540)**	–
Expenses on issue of shares	**(27,673)**	(13,201)
Repayment of promissionary notes	**(98,969)**	(130,000)
Net cash inflow from financing activities	**1,058,868**	321,102
Net increase in cash and cash equivalents	**229,135**	327,986
Cash and cash equivalents at beginning of year	**613,044**	273,400
Effect of foreign exchange rate changes	**11,507**	11,658
Cash and cash equivalents at end of year	**853,686**	613,044
Analysis of balances of cash and cash equivalents at end of year		
Bank and cash balance	**853,686**	613,044

The accompanying notes form part of these financial statements.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of registered office and principal place of business of the Company are disclosed in corporate information to the annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 23 to the financial statements.

2. 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 their initial application.

		Notes
HKAS 1 (Revised)	Presentation of Financial Statements	1
HKAS 23 (Revised)	Borrowing Costs	1
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	2
HKASs 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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Statement of compliance**

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) **Basis of preparation of financial statements**

The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold properties, investment properties, certain financial instruments and certain biological assets which are carried at fair value. These financial statements are presented in Hong Kong dollar and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The presentation of financial information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts to assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The consolidated income statement is presented by nature of expenses which the directors considered is more appropriate to reflect the operating results of the Group.

(c) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Effects of different accounting policies of subsidiaries are adjusted for where necessary to ensure consistency with the policies adopted by the Company.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(d) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in note 3(h) below.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Subsidiaries

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

In the Company's balance sheet interests in subsidiaries are stated at cost together with advances from the Company which are neither planned nor likely to be settled in the foreseeable future, less provision for any impairment losses. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

(f) Jointly-controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) **Jointly-controlled entities** *(continued)*

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The Group reports its interests in jointly-controlled entities using the equity method of accounting. Under the equity method, investments in jointly-controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly-controlled entities, less impairment in the value of individual investments. Losses of a jointly-controlled entities in excess of the Group's interest in that jointly-controlled entity are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any goodwill arising on the acquisition of the Group's interest in a jointly-controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where a group enterprise transacts with a jointly-controlled entity of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the assets transferred.

(g) **Non-current assets held for sale and discontinued operations**

(i) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly-controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisitions of jointly-controlled entities is included in investments in jointly-controlled entities.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination after reassessment, the excess is recognised immediately in profit or loss.

On the disposal of a subsidiary or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a jointly-controlled entity is described in Note 3(f).

Patent

Patent is stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Amortisation of patent is charged to the profit or loss on a straight line basis over its estimated useful life unless such life is indefinite. The patent is amortised from the date they are available for use and its estimated useful life is 20 years. Both the period and method of amortisation and any conclusion drawn about the useful life of the patent are reviewed annually.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets *(continued)*

Technical know-how

Technical know-how acquired by the Group during the course of business is capitalised on the basis of the cost incurred to acquire and bring to use the specific technical knowhow. The cost is amortised on the straight line basis over its estimated useful life of 10 years.

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets including long-term prepayments at each reporting date. Such financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(j) Property, plant and equipment

Leasehold properties held for use in production or supply of goods, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Any revaluation increase arising on the revaluation of such leasehold properties is credited to the fixed asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such leasehold properties is charged to the profit and loss account to the extent that it exceeds the balance, if any held in the fixed asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued leasehold properties is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the fixed asset revaluation reserve is transferred directly to retained profits.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Property, plant and equipment *(continued)*

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Leasehold properties	The shorter of 50 years and the lease term
Turnpike	10 years
Plant and machinery	10 years
Furniture, office equipment and motor vehicles	10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(k) Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 3(j).

(l) Prepaid lease payment

Prepaid lease payments represent upfront premium paid for use of land. Prepaid lease payments are released to profit or loss over the lease term on a straight-line basis.

(m) Investment properties

Investment properties are land and/or buildings which are held to earn rental income or for capital appreciation. These include land held for a currently undetermined future use.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

(n) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets and agricultural produce, other than paper mulberry saplings and paper mulberry tree stumps, are measured at fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date. The fair value less estimated point-of-sale costs at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Biological assets *(continued)*

If an active market exists for a biological asset or agricultural produce with reference to comparable specie, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the balance sheet date, or the market prices for similar assets adjusted to reflect differences to determine fair values. The gain or loss arising on initial recognition and subsequent changes in fair values less estimated point-of-sale costs of biological assets is recognised in profit or loss in the period in which it arise. Upon the sale of the agricultural produce as forestry products, the carrying amount is transferred to cost of forestry products sold in the consolidated income statement.

Paper mulberry saplings in the absence of an active open market in which they are traded are stated at their initial cost of acquisition and transferred to the carrying value of stumps upon commencement of plantation.

Plantation expenditure on paper mulberry trees and the purchase cost of saplings for plantation are capitalised as costs for cultivation of stumps. Stumps are stated at cost less accumulated amortisation and impairment in the absence of an active open market in which they are traded. Stumps are amortised on the straight line basis over their estimated useful lives of 8 years.

(o) Impairment of assets excluding goodwill and financial assets

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Investments in securities which do not fall into any of the above categories are classified as available-for-sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

(i) Financial assets *(continued)*

Available-for-sale financial assets (continued)

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

(i) Financial assets (continued)

Impairment of financial assets (continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) **Financial instruments** *(continued)*

(i) ***Financial assets*** *(continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) ***Financial liabilities and equity instruments***

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible notes and fair value assigned to the liability component, representing the embedded option for the holder to convert the note into equity of the Group, is included conversion option reserve.

Issue costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate of similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible note.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Financial instruments *(continued)*

(ii) Financial liabilities and equity instruments *(continued)*

Financial liabilities

Other financial liabilities, including other payables and borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(q) Inventories

Inventories represent garment inventories and agricultural produce harvested and are stated at the lower of cost and net realisable value after allowance for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods and forestry products, on the transfer of risks and rewards of ownership, which generally coincides with the time the goods and forestry products are delivered to customers and title has passed;

(ii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

(iii) dividend income, when the shareholders' right to receive payment has been established.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) **Leases**

The Group as lessee

Rental payable under operating leases are charged to profit of loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property in HKAS 40 is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Company, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges are charged to the consolidated income statement over the period of the leases so as to produce a constant periodic rate of charge on the finance balance outstanding.

Payments made under operating leases are charged to profit or loss in equal instalments over the period of the leases. Lease incentives received are recognised to the profit and loss account as an integral part of the aggregate lease payments made. Contingent rentals are charged to profit or loss when incurred.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the Group entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Group entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are recognised in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange fluctuation reserve). Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Employee benefits *(continued)*

(ii) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Scheme. The contributions are recognised as employee benefit expense when they are due and not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme. The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the Scheme does not hold sufficient assets to discharge all employee benefits relating to employee service in the current and prior periods.

(iii) Share-based compensation

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in a reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the share-based compensation until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Black-Scholes Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(v) Research and development costs

Research costs are charged to profit or loss in the period in which they are incurred. Development costs are expensed as incurred, except where a specific project is undertaken, the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are expected to be recoverable from related future economic benefit. Such development costs are recognised as deferred development costs in the balance sheet and amortised on a straight-line basis over period over which the deferred development costs is expected to confer economic benefits, commencing from the date the product is available for sale. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

(x) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Taxation *(continued)*

b. Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly-controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment revenue, expenses, results, assets and liabilities are determined before intragroup balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

(aa) **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's by-laws grants the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(bb) **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand, demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(cc) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(dd) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within other payables and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised to the profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 3(w) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in other payables and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

(a) **Goodwill**

Management tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Management has not identified any indications that the goodwill has or would have suffered any impairment in term of its value to the Group.

(b) **Patent**

Management assesses periodically whether the patent has suffered any impairment due to change of technologies. As at the financial statements date, management has not identified any indications that the patent has or would has suffered any impairment in term of its value to the Group.

(c) **Fair values of biological assets**

Management estimates the balance sheet date current market prices less estimated point-of-sale costs of biological assets of paper mulberry trees and other forest assets with reference to market prices and professional valuations. Management considers that there are presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry laws in the PRC will assist in minimizing exposure. Nevertheless, to the extent that un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(d) **Accounting policy and estimated useful lives of paper mulberry stumps**

Management estimates the expected live-hood for the stumps of paper mulberry trees and determines the related amortisation policy. Management concluded that the estimate would not be significantly affected in the foreseeable future under conditions of maintenance with appropriate rearing faculties.

In ascertaining the accounting policy suited for the stumps of paper mulberry trees, management have taken into consideration the currently absence of an active open market in which these biological assets are traded and decided that the adoption of an amortisation policy will be appropriate.

(e) **Useful lives of property, plant and equipment and prepaid lease payments**

Management estimates the expected useful lives for its property, plant and equipment and prepaid lease payments and determines the related depreciation and amortisation policy, where appropriate. The estimated useful life of the property, plant and equipment and prepaid lease payments and the residual value reflects management's estimates of the number of years that the Group intends to derive future economic benefits from the use of property, plant and equipment and prepaid lease payments. It could change significantly as a result of technological innovations in response to industry cycles and extended land use right for property, plant and equipment and prepaid lease payments, respectively. The depreciation and amortisation expenses in future accounting periods may be adjusted if there are significant changes in those estimates.

(f) **Recoverability of trade receivables**

Recoverability of the trade receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgement is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

(g) **Net realisable value of inventories**

Management reviews the conditions of garment and agricultural produce inventories at each balance sheet date, and make allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production and/or sales in the market. These estimates are based on current market conditions and the historical experience of selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at each balance sheet date.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

5. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group generally finances its operation using internally generated resources. The Group's management closely monitor the capital structure with an aim to maintain the Group's gearing at a low level.

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 equity, was approximately 1.3% (2007: 7%).

The gearing ratio at the year end was as follows:

	2008 **HK$'000**	2007 HK$'000
Debts/Total Borrowing	**87,622**	181,336
Cash and cash equivalents	**(853,686)**	(613,044)
Net debts	**(766,064)**	(530,677)
Total equity	**6,921,492**	2,590,588
Net debts to equity ratio	**1.3%**	7%

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investment trade receivables, financial assets at fair value through profit or loss, bank deposits, bank and cash balances, trade payables, promissory notes and convertible notes. Details of these financial instruments are disclosed in the respective notes. The Group's activities expose certain of these financial instruments to a variety of financial risks which are discussed below.

(a) **Credit risk**

The carrying amounts of cash and cash equivalents, trade and other receivables except for prepayments, present the Group with credit risk regarding its financial assets. The maximum exposure is the carrying amounts of the respective financial assets at the balance sheet date. The Group has a concentration of credit risk in relation to certain of its major customers.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. In addition, the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for balances with recoverability problem.

(b) **Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and maintains sufficient reserves of cash to meet its liquidity requirements.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) **Liquidity risk** *(continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

The Group and Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but Less than 5 years HK$'000	More than 5 years HK$'000
2008						
Trade payables	**30,073**	**30,073**	**30,073**	**–**	**–**	**–**
Other payables and accruals	**1,013,077**	**1,013,077**	**1,013,077**	**–**	**–**	**–**
Amounts due to related parties	**46,390**	**46,390**	**46,390**	**–**	**–**	**–**
Convertible notes payable	**87,622**	**87,622**	**87,622**	**–**	**–**	**–**
	1,177,162	**1,177,162**	**1,177,162**	**–**	**–**	**–**
2007						
Trade payables	4,414	4,414	4,414	–	–	–
Other payables and accruals	415,890	415,890	415,890	–	–	–
Promissory notes payable	98,969	98,969	98,969	–	–	–
Convertible notes payable	82,367	82,367	82,367	–	–	–
	601,640	601,640	601,640	–	–	–

(c) **Interest rate risk**

The Group's financial instruments issued at fixed interest rate terms include principally convertible notes and promissory notes. These financial instruments expose the Group to fair value interest rate risk. The Group currently does not have a policy to hedge against the interest rate risk, as management considers that the changes in interest rate will not have a significant impact on the carrying amounts of these financial instruments having regard to their maturity profile and share conversion option.

The financial instruments which expose the Group to cash flow interest rate risk principally include variable-rate bank borrowings, mainly utilised for short term trade financing. The cash flow interest rate risk exposure of the Group is minimal as the Group principally finances its operations by internally generated funds with only limited use of external financing.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) **Foreign exchange risk**

The Group mainly operates in the People's Republic of China (the "PRC") with most of the transactions denominated and settled in Renminbi (the "RMB") which is not freely convertible into other foreign currencies. Conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The PRC subsidiaries of the Company transact in their functional currency and therefore no currency risk is expected to arise in respect of these subsidiaries. The Company's financial statements are presented in Hong Kong dollar ("HKD") and fluctuations of RMB against HKD will result in adjustment to financial amounts. The Group currently does not utilise any forward contracts, currency borrowings or other means to hedge against its foreign currency exposure.

(e) **Market price risk**

The Group invested its surplus fund in listed securities in Hong Kong which are classified in the balance sheet as financial assets at fair value through profit or loss and subject to the usual equity security price risk. The Group is not exposed to any commodity price risk.

(f) **Natural risk**

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilizing different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

7. REVENUE AND OTHER INCOME

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

	Notes	2008 HK$'000	2007 HK$'000 (Note 49)
From continuing operations			
Revenue/Turnover			
Sale of forestry products		**1,023,832**	733,126
Other income			
Interest income		**17,380**	2,460
		1,041,212	735,586
From discontinued operations			
Revenue/Turnover			
Sale of garment products	13	**81,246**	95,792
Other income			
Dividend income from financial assets at fair value through profit or loss		**6**	–
Interest income		**723**	1,253
Others		**352**	1,446
	13	**1,081**	2,699
		82,327	98,491

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

8. 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 are currently 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 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Revenue:								
External sales	**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**	4,786
Unallocated expenses							**(47,024)**	(36,247)
Profit from operating activities							**2,639,734**	1,475,115
Finance costs							**(7,790)**	(14,155)
Share of loss of jointly-controlled entities							**(4,366)**	(3,684)
Profit before taxation							**2,627,578**	1,457,276
Taxation credit/(charge)							**116,282**	(68,874)
Profit for the year							**2,743,860**	1,388,402

8. SEGMENTAL INFORMATION *(continued)*

(a) Primary Reporting Format – Business segments *(continued)*

Assets and liabilities information

	Continuing operations		Discontinued operations					
	Ecological Forestry Business		Garment Business		Unallocated		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'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	61,659	42,526	5,094	5,206	328	–	67,081	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 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'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

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

8. SEGMENTAL INFORMATION *(continued)*

(b) Secondary Reporting Format – geographical segments *(continued)*

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

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

9. OTHER NET GAIN

	2008 HK$'000	2007 HK$'000
From continuing operations		
Net unrealised loss on financial assets at fair value through profit or loss	(5,609)	–
Gain on disposal of interest in a jointly-controlled entity	–	2,326
Net realised gain on disposal of financial assets at fair value through profit or loss	12,999	–
Others	3	–
	7,393	2,326
From discontinued operations (Note 13)		
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 sale	–	4,223
Gain on disposal of investment in subsidiaries	9,642	–
Gain on revaluation of investment properties, net	40	660
Gain on disposal 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

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

10. FINANCE COSTS

	Notes	2008 HK$'000	2007 HK$'000 (Note 49)
Continuing operations			
Interest on convertible notes	39	6,759	5,767
Interest on promissory notes		1,031	8,371
		7,790	14,138
Discontinued operations			
Interest on bank loans and overdrafts wholly repayable within five years	13	–	17
		–	17

11. TAXATION

	Notes	2008 HK$'000	2007 HK$'000 (Note 49)
Hong Kong profits tax			
– current		(3,600)	(2)
– deferred tax credit		–	774
Deferred taxation			
– deferred tax credit/(charge)	40	119,882	(69,646)
		116,282	(68,874)
From continuing operations		122,382	(69,560)
From discontinued operations	13	(6,100)	686
		116,282	(68,874)

Hong Kong profits tax has 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 has been calculated at the rates of tax prevailing in the jurisdictions in which the Group entities operate, 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 from Beijing WFC during the year.

11. TAXATION *(continued)*

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 has been fully reversed.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March 2008 HK$'000	Year ended 31 March 2007 HK$'000 (Note 49)
Profit/(loss) before taxation		
– from continuing operations	**2,648,614**	1,441,550
– from discontinued operations	**(21,036)**	15,726
	2,627,578	1,457,276
Tax at Hong Kong profits tax rate of 17.5%	**459,826**	255,023
Tax effect of income that is not taxable in determining taxable profit	**(20,090)**	(414)
Tax effect of expense that are not deductible in determining taxable profit	**21,672**	4,075
Tax effect of temporary difference not recognised	**–**	(849)
Tax effect of utilisation of tax losses not previously recognised	**–**	(2,056)
Tax effect of unused tax loss not recognised	**10,904**	6,938
Tax effect of equity portion of convertible notes	**–**	(774)
Under-provision of tax in previous year	**3,600**	–
Effect of tax concessionary treatment	**(472,716)**	(178,482)
Deferred taxation recognised in previous years reversed	**(118,963)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(515)**	(14,587)
Taxation (credit)/charge	**(116,282)**	68,874

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

12. PROFIT FOR THE YEAR

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

	Notes	2008 HK$'000	2007 HK$'000 (Note 49)
Amortisation of patent	22	**25,153**	18,865
Amortisation of biological assets	25	**33,057**	22,146
Auditor's remuneration		**1,007**	820
Cost of inventories and forestry products sold		**361,511**	267,905
Cost of saplings sold	25	**–**	30,678
Depreciation on property, plant and equipment	18	**8,871**	6,721
Minimum lease payments under operating leases on leasehold properties		**7,893**	11,778
Release of prepaid lease payments	20	**16,752**	179
Research and development costs		**20,223**	20,739
Provision for doubtful debts	28	**7,800**	–
Provision for obsolete inventories	27	**4,155**	1,431
Directors' emoluments		**9,931**	6,589
Staff costs (excluding directors' emoluments)			
Wages and salaries		**33,174**	26,148
Retirement benefits scheme contribution		**598**	277
Exchange gain, net		**(349)**	(748)

13. DISCONTINUED OPERATIONS

As disclosed in note 32 to the financial statements, in March 2008, the Group disposed of its 100% equity interest in Holt Hire Holdings Limited and its subsidiaries (the "Holt Hire Group") and Able Business Developments Limited for consideration of HK$189,000,000 (of which with HK$120,000,000 received in cash and HK$69,000,000 set off against the Group's amount due to the Holt Hire Group as at the disposed date) and HK$14,224,000 respectively.

The results of the discontinued operations during the year are set out below.

	Notes	2008 HK$'000	2007 HK$'000 (Note 49)
Revenue	7	**81,246**	95,792
Other income	7	**1,081**	2,699
Other net gain	9	**15,448**	24,215
Cost of inventories and products sold		**(84,657)**	(90,022)
Staff costs		**(3,725)**	(3,952)
Depreciation of property, plant and equipment		**(5,094)**	(5,059)
Release of prepaid lease payments		**(87)**	(114)
Allowance for doubtful debts		**(7,800)**	–
Provision for obsolete inventories		**(4,155)**	(1,431)
Other operating expenses		**(11,766)**	(6,419)
Finance costs	10	**–**	17
Share of losses of jointly-controlled entities	24	**(1,527)**	–
(Loss)/profit before taxation		**(21,036)**	15,726
Taxation (charge)/credit	11	**(6,100)**	686
(Loss)/profit for the year from discontinued operations		**(27,136)**	16,412

The cash flows attributable to the discontinued operations are as follows:

	2008 HK$'000	2007 HK$'000
Cash (outflow)/inflow from:		
Operating activities	**(102,840)**	(106,570)
Investing activities	**20,648**	1,231
Financing activities	**–**	–
Net cash outflow	**(82,192)**	(105,339)

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

14. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY AND DIVIDEND

The profit of the year attributable to equity holders of the Company for the year ended 31 March 2008 dealt with in the financial statements of the Company was approximately HK$21,262,000 (2007: net loss of HK$43,400,000) (Note 37).

No dividend was paid or proposed during the year (2007: nil), nor has any dividend been proposed since 31 March 2008.

15. EARNINGS PER SHARE

(a) **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 **HK$'000**	2007 HK$'000 (Note 49)
Profit for the year attributable to equity holders of the Company	**2,743,860**	1,319,310
Interest expense on convertible notes (Note 10)	**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 **'000**	2007 '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

15. EARNINGS PER SHARE *(continued)*

(b) From continuing operations

(i) Profit attributable to equity holders of the Company

	2008 HK$'000	2007 HK$'000
Profit for the year attributable to equity holders of the Company	**2,743,860**	1,319,310
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 (note 10)	**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 '000	2007 '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

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

15. EARNINGS PER SHARE *(continued)*

From discontinued operations

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

	2008 HK$'000	2007 HK$'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 '000	2007 '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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

16. DIRECTORS' REMUNERATION

Remuneration paid and payable to the Company's directors for year ended 31 March 2008 and 2007 were as follows:

	Year ended 31 March 2008				
	Fees HK$'000	Basic allowances and bonuses HK$'000	Retirement benefit schemes contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors:					
Ng Leung Ho	–	2,700	12	885	3,597
Lee Ming Hin	–	870	12	885	1,767
Hu Xiaoming	–	60	–	266	326
Ge Wen Hong*	–	–	–	–	–
Cao Chuan	–	563	1	885	1,449
Cheung Wai Tak	–	410	6	1,017	1,433
Independent non-executive directors:					
John MacMillian Duncanson	50	–	–	509	559
Lo Cheung Kin	42	–	–	266	308
Zou Zi Ping	42	–	–	133	175
Zhu Jian Hong	51	–	–	266	317
	185	4,603	31	5,112	9,931

* Resigned on 2 October 2007.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

16. DIRECTORS' REMUNERATION *(continued)*

	Year ended 31 March 2007				
	Fees HK$'000	Basic salaries allowances and bonuses HK$'000	Retirement benefit schemes contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive Directors:–					
Ng Leung Ho	–	1,000	9	1,181	2,190
Lee Ming Hin	–	500	9	1,180	1,689
Hu Xiaoming	–	108	–	354	462
Wang Weining*	–	–	–	–	–
Ge Wen Hong	–	465	–	1,180	1,645
Non-Executive Directors:–					
Ng Leung Tung*	–	–	–	–	–
Independent Non-Executive Directors:–					
Lo Cheung Kin	27	–	–	177	204
Zou Zi Ping	27	–	–	177	204
Zhu Jian Hong	18	–	–	177	195
	72	2,073	18	4,426	6,589

* Resigned on 28 November 2006.

There was no arrangement under which a director of the Company waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

17. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of the five individuals with highest emoluments in the Group for the year included three (2007: one) directors, details of whose emoluments have been disclosed above.

Details of the emoluments of the remaining two (2007: four) non-director, highest paid individuals for the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries, allowances and benefits in kinds	**9,296**	7,943
Retirement benefits scheme contributions	**–**	9
	9,296	7,952

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
HK$		
1,500,001–2000,000	**–**	3
2,000,001–2,500,000	**–**	1
3,000,001–3,500,000	**–**	–
3,500,001–4000,000	**1**	–
Over 4,000,000	**1**	–

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

18. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Leasehold properties HK$'000	Turnpike HK$'000	Plant and machinery HK$'000	Furniture office equipment and motor vehicle HK$'000	Total HK$'000
Cost or valuation					
At 30 June 2006	43,580	–	50,242	15,481	109,303
Exchange difference	–	–	2,417	551	2,968
Additions	–	–	2,459	2,831	5,290
Disposal	–	–	–	(189)	(189)
At 31 March 2007	43,580	–	55,118	18,674	117,372
Exchange difference	3,275	–	4,741	1,212	9,228
Additions	–	17,798	1,363	8,023	27,184
Transferred from CIP (Note 19)	9,028	–	–	–	9,028
Reclassifications	1,435	–	(131)	96	1,400
Disposals of subsidiaries (note 32)	(57,318)	–	(53,634)	(13,687)	(124,639)
Disposals	–	–	–	(1,100)	(1,100)
At 31 March 2008	–	17,798	7,457	13,218	38,473
Accumulated depreciation					
At 30 June 2006	–	–	38,150	6,921	45,071
Exchange difference	–	–	1,742	207	1,949
Provided during the year (note 12)	1,081	–	3,530	2,110	6,721
Written back on disposal	–	–	–	(159)	(159)
At 31 March 2007	1,081	–	43,422	9,079	53,582
Exchange difference	262	45	3,638	560	4,505
Provided during the year (note 12)	1,427	796	3,581	3,067	8,871
Reclassification	1,435	–	(15)	(20)	1,400
Written back on disposal	–	–	–	(662)	(662)
Disposal of subsidiaries (note 32)	(4,205)	–	(49,282)	(7,706)	(61,193)
At 31 March 2008	–	841	1,344	4,318	6,503
Net book value					
31 March 2008	–	16,957	6,113	8,900	31,970
31 March 2007	42,499	–	11,696	9,595	63,790

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Analysis of cost or valuation of the above assets is as follows:

	Leasehold properties HK$'000	**Turnpike** HK$'000	**Plant and machinery** HK$'000	**Furniture office equipment and motor vehicle** HK$'000	**Total** HK$'000
At end of period	–	17,798	7,457	13,218	38,473
At cost	–	–	–	–	–
At valuation	–	17,798	7,457	13,218	38,473
At beginning of period	43,580	–	55,118	18,674	117,372
At cost	–	–	–	–	–
At valuation	43,580	–	55,118	18,674	117,372

The Group's properties included above at net book value are held under the following lease terms:

	The Group **2008** **HK$'000**	2007 HK$'000
Leasehold properties at valuation:		
Medium term lease in Hong Kong	–	3,385
Medium term lease outside Hong Kong	–	39,114
	–	42,499

The Group's leasehold properties were revalued at 30 June 2006. Valuations were made on the basis of depreciated replacement cost carried out by LCH (Asia-Pacific) Surveyors Limited ("LCH"), a firm of independent chartered surveyors which have appropriate qualifications and experience in the valuation of properties in the relevant locations. The valuation, which conformed to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The properties were disposal of during the year.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the definition of residual value in the accounting standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. These residual values will be reviewed and updated annually in the future.

19. CONSTRUCTION IN PROGRESS

	The Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**12,081**	11,240
Exchange difference	**1,016**	567
Additions	**36,792**	274
Transferred to fixed assets (Note 18)	**(9,028)**	–
Adjustments (Note i)	**(4,069)**	–
At end of year	**36,792**	12,081

Note:

(i) It represents the adjustments to the final consideration paid in respect of construction in progress incurred in the prior year, according to the related agreement.

The Group's construction in progress is in respect of the Group's garment business and includes the headquarter building, product development center and showroom under construction.

In presenting the segmental information (note 8), the Group's construction in progress has been included within the primary reporting format of business segment under the category of "Garment Business"; and in the secondary reporting format of geographical segment under the location of "The PRC (excluding Hong Kong)".

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

20. PREPAID LEASE PAYMENTS

	The Group	
	2008	2007
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Medium leasehold term land in Hong Kong	**–**	1,655
Medium leasehold term land outside Hong Kong	**977,642**	16,505
	977,642	18,160
Analysed for reporting purpose as:		
Non-current assets	**956,682**	17,730
Current assets	**20,960**	430
	977,642	18,160

Movements in prepaid lease payments are as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**18,160**	13,423
Exchange difference	**1,523**	582
Additions	**980,105**	13,849
Disposal of subsidiaries	**(5,394)**	(9,515)
Amount released to the profit or loss (Note 12)	**(16,752)**	(179)
At end of year	**977,642**	18,160

21. INVESTMENT PROPERTIES

	Notes	**Year ended 31 March 2008 HK$'000**	Year ended 31 March 2007 HK$'000
At beginning of the year		**3,160**	2,500
Gain arising on revaluation	9	**40**	660
Disposal of subsidiaries	32	**(3,200)**	–
At end of year		**–**	3,160

The Group's investment properties were held on a medium term lease and located in Hong Kong.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

21. INVESTMENT PROPERTIES *(continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group did not earn any property rental income from its investment property during the year (2007: HK$Nil).

22. INTANGIBLE ASSETS

	The Group			
			Technical	
	Goodwill	Patent	Know-how	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 30 June 2006	91,421	512,122	–	603,543
Additions	–	–	2,020	2,020
Arising on business combination (Note)	(5,910)	–	–	(5,910)
At 31 March 2007	85,511	512,122	2,020	599,653
Exchange difference	–	9,900	170	10,070
Disposal of subsidiaries (Note 32)	–	–	(2,190)	(2,190)
At 31 March 2008	85,511	522,022	–	607,533
Accumulated amortisation:				
At 30 June 2006	–	9,064	–	9,064
Charge for the year (Note 12)	–	18,865	67	18,932
At 31 March 2007	–	27,929	67	27,996
Charge for the year (Note 12)	–	25,153	200	25,353
Disposal of subsidiaries	–	–	(274)	(274)
Exchange difference (Note 32)	–	2,158	7	2,165
At 31 March 2008	–	55,240	–	55,240
Net carrying amount:				
At 31 March 2008	85,511	466,782	–	552,293
At 31 March 2007	85,511	484,193	1,953	571,657

Note: The Group acquired the remaining 30% equity interest in Beijing WFC in January 2007. The above amount represents the excess of the 30% share in the fair value of Beijing WFC's identifiable assets, liabilities and contingent liabilities over cost of acquisition. The excess was not recognised immediately as income as the directors consider the acquisition a business combination achieved in stages. Accordingly, the amount was used to offset the goodwill arose in the acquisition of the 70% equity interest in Bejing WFC in prior year.

22. INTANGIBLE ASSETS *(continued)*

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The Group's carrying goodwill as at 31 March 2008 are in relation to the operation in the plantation of the modified tree specie Broussonetia Papyriferalvent within the reportable segment of forestry business and represents the fair value of considerations paid over the net assets acquired of the underlying business. The directors consider it impractical to estimate the useful live of business goodwill, which is regarded as having an indefinite useful live but subject to test for impairment on the basis as set out in Note 3(h) to the financial statements.

The recoverable amount of the cash generating unit is determined from value in use calculations. The Group prepares cash flow forecast derived from the most recent available financial budget and extrapolates over the following five years. In preparing the forcasts, management made reference to the land reserve presently available for plantation, the anticipated increase in available land reserve as contracted for, and the modified tree species's growth data per unit of plantation area complied by research institutes. The key assumptions for the value in use calculations are those regarding discount rates, long term growth rates and anticipated changes to future selling prices, as follows:

– For the estimation of long term growth rate, besides growth through the increase in cultivatable land reserve, management has made reference to factors including the historical growth rate of forestry industry and the economy in the PRC, and adopted a long term growth rate of 1 per cent.

– Management use discount rate which is derived as the Company's cost of capital, representing the expected return on all of a company's capital, and assigned a discount rate of 11.5%.

– Future selling prices are estimated with reference to existing and past quoted commodity prices with the forestry industry. In view of the general soar of timber prices over the past few years, management assume the existing price level will prevail in the future and did not concede with an anticipated price drop with the calculation.

Patent

The Group's patent is in relation to the technology in the coding protein and application of a Broussonetia Papyrifera Dehydration-Responsive Element Binding transcription factor gene to regulate and enhance the tolerance of Broussonetia Papyrifera to stress conditions such as drought, low temperature and high salt, and was assessed as having a finite useful live of 10 years in prior year. Upon the receipt of the patent certificate issued by the State Intellectual Property Office of the PRC, the patent was amortised over a finite useful live of 20 years according to the patent certificate.

Patent amortisation are provided on a straight-line basis over the estimated useful live of 20 years.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

22. INTANGIBLE ASSETS *(continued)*

Patent (continued)

In testing for any impairment on the Group's patent, management has adopted the income approach – royalty income stream analysis to identify the indication value of the pending patent by discounting the future economic benefits of the pending patent throughout its economic life to its present value.

By using this method, the patent is assessed by reference to the estimated amount of royalty income it can generate if it was licensed as at the date of assessment, in an arm's length transaction, to a third party. The benchmark royalty rate determined with reference to industry standards is multiplied by the revenues expected by the management to be generated from the underlying business. The product is an estimate of the royalty income that could be generated hypothetically by licensing the pending patent in the expected life of the pending patent. The estimated royalty income so derived is thereby discounted as an annuity over the expected life of the pending patent, at an appropriate discount rate. The projection period covers 17 years up to September 2024, which is the remaining useful lives of the patent. The key assumptions for the calculations are those regarding royalty rates, long term growth rates and discount rates, as follows:

– no royalty rate
– no long term growth rate
– discount rate of 15%.

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**572,124**	614,646
Due from subsidiaries	**1,384,025**	514,698
	1,956,149	1,129,344

At 31 March 2008, the amounts due from subsidiaries principally represent advances which are unsecured and interest-free. These advances are considered as quasi-equity loans to the subsidiaries of which the repayment/settlement is neither planned nor likely to happen in the foreseeable future.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

23. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries as at 31 March 2008 are as follows:

Name	Place of incorporation/ establishment and operation	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Beijing Wan Fu Chun Forest Resources Development Company Limited	The PRC	Registered RMB478,181,000	100%	Tree plantation and management, manufacture and distribution of forestry products
Putian Keneng High Technology Co., Ltd	The PRC	Registered RMB55,600,000	100%	Investment holding
青海華展生態發展有限公司	The PRC	Registered HK$100,000,000	100%	Research and development of biological energy sources and forestry resources

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES AND AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**19,387**	28,755

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES AND AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES *(continued)*

Summarised financial information in respect of the Group's jointly controlled entity is set out below:

	2008 HK$'000	2007 HK$'000
Total assets	110,540	79,659
Total liabilities	(57,483)	(36,795)
Net assets	53,057	42,864
Group's share of net assets of jointly-controlled entities	19,387	28,755
Revenue	7,359	8,090
Loss for the year	(5,128)	(10,040)
Group's share of loss of the jointly-contolled entities for the year	(4,366)	(3,684)
Attributable to :		
Continuing operations	(2,839)	(3,684)
Discontinued operations (Note 13)	(1,527)	–
	(4,366)	(3,684)

The amount due from joint-controlled entities are unsecured, interest bearing at 6.57% and is repayable within six months from the date of lending.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES AND AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES *(continued)*

Particulars of the principal jointly-controlled entities as at 31 March 2008 are as follows:

Name	Form of business structure	Place of establishment and operation	Percentage of ownership interest attributable to the Group	Principal activities
中科納米技術工程中心有限公司 (Zhongke Nanotech Engineering Center Co. Ltd)	Corporate	The PRC	55%	Development and sales of nano materials and transfer of related technology
中科納米技術工程(蘇州)有限公司 (Zhongke Nanotech Engineering Center Co. Ltd)	Corporate	The PRC	38.5%	Development and sales of nano materials and transfer of related Technology
北京中科納米高彈材料有限公司 (Beijing Zhongke Nanotech High-elastic Material Co. Ltd)	Corporate	The PRC	38.5%	Manufacture and sales of nano high-elastic plastic and materials
蘇州中科納米高彈材料有限公司 (Suzhou Zhongke Nanotech High-elastic Material Co. Ltd)	Corporate	The PRC	19.6%	Development and sales of nano high elastic plastic

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

25. BIOLOGICAL ASSETS

	The Group			
	Paper mulberry saplings HK$'000 (note (a))	Paper mulberry trees HK$'000 (note (b))	Other forest assets HK$'000 (note (c))	Total HK$'000
At 30 June 2006	35,729	100,962	105,000	241,691
Purchases during the year	37,174	–	259,676	296,850
Amortisation of stumps during the year (Note 12)	–	(22,146)	–	(22,146)
Transfer upon plantation	(88,130)	88,130	–	–
Plantation expenditure incurred	67,686	–	30,354	98,040
Harvest as agricultural produce	–	–	(24,688)	(24,688)
Direct sales	(30,678)	–	(78,451)	(109,129)
Gain arising from changes in fair value less estimated point-of-sale costs	–	112,914	1,004,601	1,117,515
At 31 March 2007	21,781	279,860	1,296,492	1,598,133
Purchases during the year (Note) (at cost of HK$1,093,622,000 plus fair value gain at recognition of HK$1,693,900,000)	–	–	2,787,522	2,787,522
Amortisation of stumps during the year (Note 12)	–	(33,057)	–	(33,057)
Transfer upon plantation	(21,781)	21,781	–	–
Plantation expenditure incurred	–	98,447	48,492	146,939
Harvest as agricultural produce	–	(38,240)	(72,073)	(110,313)
Exchange differences	–	29,501	306,645	336,146
Gain arising from changes in fair value less estimated point-of-sale costs	–	(28,322)	431,664	403,342
At 31 March 2008	–	329,970	4,798,742	5,128,712

25. BIOLOGICAL ASSETS *(continued)*

Notes:

(a) **Paper mulberry saplings**

As at 31 March 2007, the Group maintained consumable paper mulberry saplings of various stages of propagation. The majority of these paper mulberry saplings are maintained in the Group's various saplings rearing facilities held under leases in the PRC and are being fostered for further growth and diversification. The Group's paper mulberry saplings are available for future field plantation for rearing the genetically modified tree specie Broussonetia Papyriferalvent which is a Moraceae plant under the category of Deciduous Trees. As at 31 March 2008, the Group had not planted any such saplings of the saplings of modified tree specie Broussonetia Papyriferalvent. Paper mulberry saplings, in the absence of an active open market in which they are traded, are stated at their initial cost of acquisition and transferred to the carrying value of stumps upon commencement of plantation.

Because an active open market does not exist, paper mulberry saplings are stated at cost less impairment.

(b) **Paper mulberry trees**

The Group's paper mulberry trees represent the modified tree specie Broussonetia Papyriferalvent which is a Moraceae plant under the category of Deciduous Trees. The plantation is carried out in various leasehold lands in the PRC. A one-time plantation of Broussonetia Papyriferalvent can offer consecutive annual loggings for 8 to 10 years.

Plantation expenditure on paper mulberry trees and the carrying amount of paper mulberry saplings transferred for plantation are capitalised as costs for cultivation of stumps. Stumps, in the absence of an active open market in which they are traded, are stated at cost less accumulated amortisation and impairment. Stumps are amortised on the straight line basis over their estimated useful lives of 8 years.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

25. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

(b) **Paper mulberry trees** *(continued)*

An analysis of the net carrying amount of the stumps as at 31 March 2008 and 2007 is as follows:

	As at 31 March 2008 HK$'000	As at 31 March 2007 HK$'000
Biological assets carried at cost less accumulated amortisation:		
Historical cost	**279,314**	177,172
Less: accumulated amortisation	**(55,203)**	(22,146)
Net carrying amount	**224,111**	155,026

The weight and quality of the growing barks and round logs of the Group's paper mulberry trees were valued based on the market value approach in accordance with the directors' best estimation. The method uses the present market value in terms of price per unit of tonne of barks and round logs and the total estimated mechantable weight of parts of paper mulberry trees at 31 March 2008 as basis for coming up with their fair value less estimated point-of-sale costs. The principal assumptions adopted are as follows:

– The Group is to produce barks and round logs from the paper mulberry trees.

– The growth rate of paper mulberry trees throughout the year does not materially vary and is not materially affected by seasonal changes.

Ms. Cao Chuan, BEng, PH.D supervisor in Biology, is an executive director of the Company. She has accumulated more than 20 years of working experience in the field of scientific research and promotion. Various patents have been granted for her invention including paper mulberry trees. She has comprehensive knowledge in plant fostering and the coordination and management of scientific experimental project, and also has an agile sense on the induction of new specie and purification. In valuing the Group's paper mulberry trees, she has also considered the quantities given in a survey report dated on 31 March 2008 prepared by 重慶市林業科學研究院 (Chongqing Forestry Survey and Science Institute).

(c) **Other forest assets**

Other forest assets are standing trees in the natural, man-made and mixed forest farms located in various locations in the PRC.

The Group's other forest assets in the PRC were independently valued by Poyry Forest Industry Limited (the "Valuer"). In valuing the Group's forest assets, the Valuer applied an income expectation approach based on projected wood flows of the Group's forest assets, the projected future pre-tax cash flows, based on their assessments of current timber log prices, and a discounted rate of 11.5%.

The discount rate used in the valuation of the forest assets in the PRC was determined by reference to published discount rates, weighted average cost of capital analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions in the Asia Pacific region over a period of time, with more weight given to the weighted average cost of capital.

25. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

(c) **Other forest assets** *(continued)*

The principal valuation methodology and assumptions adopted are as follows:

– A forest estate approach is employed whereby all stands are modelled collectively to achieve some desired result from the total forest resources.

– The cash flows are those arising from the current rotation of trees only. No account is taken of revenues or costs from re-establishment following harvest, or of land not yet planted.

– The cash flows do not take into account income tax and finance costs.

– The cash flows have been prepared in real terms and have not therefore included inflationary effects.

– The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.

– Costs are current average costs. No allowances has been made for cost improvements in future operations.

26. LONG-TERM PREPAYMENTS – THE GROUP

Long-term prepayments represented deposits paid to relevant PRC local authorities for the construction of forest farms in the PRC for the Group.

27. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**–**	13,329
Work in progress	**–**	946
Finished goods	**–**	17,611
Agricultural produce harvested	**38,240**	–
	38,240	31,886

At 31 March 2008, no inventories were carried at net realisable value (2007: HK$20,689,000).

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

28. 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 their fair values.

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

	The Group	
	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 their fair values

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**82,174**	152,442	**–**	–
Less than 1 month past due	**43,522**	1,046	**–**	–
1 to 3 months past due	**–**	564	**–**	–
	43,522	1,610	**–**	–
	125,696	154,052	**–**	–

At 31 March 2008 and 2007, no allowance for doubtful debts was made in respect of the Group's trade receivables. During the year, an allowance for doubtful debts of HK$7,600,000 was made in respect of the Group's garment business which was disposed of in March 2008 (Note 13).

28. TRADE RECEIVABLES *(continued)*

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

29. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The directors consider that the fair values of the Group's other receivables, deposits and prepayments at 31 March 2008 approximate their carrying amounts.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2008	2007
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at market value	**56,949**	23,578

The above equity securities were designated as financial assets at fair value through profit or loss on initial recognition by the directors of the Company. Changes in fair values of financial assets at fair value through profit or loss are recorded in the consolidated income statement as part of other net gain (Note 8).

At 31 March 2008, no securities have been pledged to a bank for the Group's banking facilities (2007: HK$Nil).

31. AVAILABLE-FOR-SALE INVESTMENTS

	The Group and the Company	
	2008	2007
	HK$'000	HK$'000
Equity securities listed in London, at market value	**40,714**	–

The above investments represent investments in listed equity securities are designated as available-for-sale by the directors. They offer the Group and Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities is based on quoted market prices as at the balance sheet date.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

32. DISPOSAL OF SUBSIDIARIES

On 29 February 2008, the Group obtained the approval to dispose of its holding of 100% in the equity interest of Holt Hire Holdings Limited and Able Business Developments Limited for consideration of HK$189,000,000 and HK$14,224,000 (cash) respectively. The disposal transaction was completed on 25 March 2008.

The net assets of the subsidiaries disposed of at the date of disposal and the gain of disposal based on the audited financial information of the subsidiaries at the date of disposal were as follows:

	Notes	HK$'000
Net assets disposed of:		
Property, plant and equipment	18	10,333
Inventories		16,078
Trade receivables		6,246
Intangible assets	22	1,916
Leasehold properties		53,113
Investment properties	21	3,200
Prepaid lease payments	20	5,394
Other receivables, deposits and prepayments		39,856
Bill receivables		224
Financial assets at fair value through profit or loss		218
Amount due from a related company		11,989
Investments in jointly-controlled entity		11,124
Bank balances and cash		32,894
Trade payables		(2,788)
Other payables and accruals		(12,494)
Amount due to a related company		(44,874)
Tax payable		(5,768)
Deferred tax liabilities		(3,266)
		123,395
Add: Release of exchange reserve		(9,306)
Written off of amounts due to subsidiaries		69,000
Gain on disposal of subsidiaries		20,135
Total consideration		203,224
Net cash inflow arising on disposal:		
Cash consideration received		203,224
Bank balances and cash disposed of		(32,894)
		170,330

33. BANK AND CASH BALANCES

At 31 March 2008, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$151million (2007: HK$477 million). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

34. SHARE CAPITAL

	Number of shares		Ordinary share capital	
	2008	2007	**2008**	2007
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:	**20,000,000**	6,500,000	**20,000,000**	650,000
Issued and fully paid:				
At beginning of year	**5,062,807**	3,879,807	**506,281**	387,981
Arising upon conversion of convertible notes into new shares	**–**	765,000	**–**	76,500
Placement of new shares (note i)	**539,560**	400,000	**53,956**	40,000
Shares issued on exercise of share options (note ii)	**80,000**	18,000	**8,000**	1,800
Repurchase of shares (note iii)	**(124,554)**	–	**(12,456)**	–
At end of year	**5,557,813**	5,062,807	**555,781**	506,281

(i) During the year ended 31 March 2008, the Company raised share issue proceeds, net of related expenses, of approximately HK1,268,000,000 from a top-up placing and subscription arrangement whereby an aggregate of 539,560,000 new ordinary shares in the Company were issued and allotted at the price of HK$2.4 per share to Golden Prince Group Limited, which was incorporated in the British Virgin Islands, as the subscription shares pursuant to the placing and subscription agreement. Mr. Ng Leung Ho, chairman and executive director of the Company, owned the entire issued share capital of Golden Prince Group Limited. Both of Mr. Ng Leung Ho and Golden Prince Group Limited are substantial shareholders of the Company.

(ii) During the year ended 31 March 2008, options were exercised to subscribe for 80,000,000 shares in the Company. The option exercise price was HK$0.98 per share. The total consideration received by the Company of HK$78,400,000 was credited as to HK$8,000,000 to the share capital and as to HK$70,400,000 to the share premium account.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

34. SHARE CAPITAL *(continued)*

(iii) During the year ended 31 March 2008, by virture of exercise of the rights granted by the Company's shareholders to the directors under general mandate, the Company repurchased on the Stock Exchange of Hong Kong Limited on aggregate of 124,554,000 of its ordinary shares of HK$0.1 each at a total consideration before expenses of approximately HK$174,119,000.

35. TREASURY SHARES

During the year ended 31 March 2008, the Group repurchased 129,742,000 ordinary shares (2007: Nil) for a total consideration before expenses of approximately HK$178,539,000 from its shareholders. 124,554,000 ordinary shares have been cancelled and resulted in the reduction of share capital of HK$12,455,400 and share premium of approximately HK$161,663,000. The repurchase of the remaining 5,188,000 ordinary shares for a total consideration of approximately HK$4,420,000 have not been completed until 15 April 2008 and so these shares were accounted for as treasury shares as at 31 March 2008.

36. SHARE BASED COMPENSATIONS

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations. Pursuant to this objective, on 25 October 1998, the Company adopted a share option scheme (the "Old SO Scheme") whose eligible participants include directors and employees of the Company and its subsidiaries as determined by the directors of the Company.

In compliance with the amendments to the Listing Rules, the directors of the Company consider that it is in the interest of the Company to terminate the Old SO Scheme and to adopt a new share option scheme (the "New SO Scheme"). An ordinary resolution was passed at the annual general meeting of the Company held on 23 November 2001 for the approval of the said adoption of the New SO Scheme and termination of the Old SO Scheme. Pursuant to the amendments to the Listing Rules, no further options may be granted under the Old SO Scheme thereunder but in other respects, the provisions of the Old SO Scheme remain in force and all outstanding options granted continue to be valid and exercisable in accordance therewith.

Eligible participants of the New SO Scheme include directors and employees of the Company and its subsidiaries. The New SO Scheme will, unless otherwise cancelled or amended, remain in force for 10 years from 23 November 2001.

The maximum number of unexercised share options currently permitted to be granted under the New SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New SO Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

36. SHARE BASED COMPENSATIONS *(continued)*

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the New SO Scheme, if earlier.

On 27 March 2007, a total of 185,100,000 share options were granted to the directors and employees of the Group at a cash consideration of HK$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$0.98 per share. The option shall be exercisable in the following manner:

Starting from	1 April 2007 to 31 March 2008	Not more than 40%
	1 April 2008 to 31 March 2009	Not more than 70%
	1 April 2009 to 31 March 2010	the outstanding balance

On 2 October 2007, a total of 9,000,000 shares options were granted to the directors of the Group at a cash consideration of HK$1.00 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$2.61 per share. The option shall be exercisable in the following manner:

Starting from	3 October 2007 to 2 October 2008	Not more than 40%
	3 October 2008 to 2 October 2009	Not more than 70%
	3 October 2009 to 2 October 2010	the outstanding balance

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

36. SHARE BASED COMPENSATIONS *(continued)*

	2008 Number	2007 Number
At beginning of year	**185,100,000**	18,000,000
Granted	**9,000,000**	185,100,000
Exercised (note i)	**(80,000,000)**	(18,000,000)
At end of year	**114,100,000**	185,100,000
Options vested and unexercised at 31 March (note ii)	**114,100,000**	185,100,000

The fair value of the share options granted during the year was HK$9,154,000 (2007: HK$54,625,000) of which the Group recognised a share option expense of HK$24,376,000 (2007: HK$21,850,000) during the year ended 31 March 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes OPM model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008	2007
Dividend yield	**0%**	0%
Annualised volatility (%)	**57.7%-70.5%**	58.69%
Risk-free interest rate	**3.76%-4.079%**	3.813%
Expected life of options (year)	**1.6**	1.5
Weighted average share price (HK$)	**2.58**	0.98

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 114,100,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 114,100,000 additional ordinary shares of the Company and additional share capital of HK$11,410,000 and share premium of HK$155,247,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 114,100,000 share options outstanding under the Scheme, which represented approximately 2% of the Company's shares in issue as at that date.

36. SHARE BASED COMPENSATIONS *(continued)*

Notes:

(i) Details of share options exercised during the year:

Name of category of participant	Exercise date	Exercise price per share HK$	Number
Employees	12 Jul 2007	0.98	21,000,000.00
Directors	14 Jul 2007	0.98	10,000,000.00
Employees	14 Jul 2007	0.98	8,400,000.00
Employee	19 Jul 2007	0.98	20,000,000.00
Director	20 Aug 2007	0.98	1,500,000.00
Employee	20 Aug 2007	0.98	9,000,000.00
Directors	17 Sep 2007	0.98	5,500,000.00
Employee	17 Sep 2007	0.98	4,000,000.00
Director	18 Sep 2007	0.98	600,000.00

(ii) Terms of unexpired and unexercised share options under New SO Scheme at balance sheet date are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK$	2008 Number	2007 Number
Director	27 Mar 2007	27 Mar 2007 to 26 Mar 2017	0.98	**19,900,000**	37,500,000
Director	2 Oct 2007	3 Oct 2007 to 2 Oct 2017	2.61	**9,000,000**	–
Employees	27 Mar 2007	27 Mar 2007 to 26 Mar 2017	0.98	**85,200,000**	147,600,000
Total				**114,100,000**	185,100,000

The fair value of the share options granted during the year was approximately HK$9,154,000 (2007: HK$54,625,000) of which the Group recognised a share option expense of HK$24,376,000 (2007: HK$21,850,000) during the year ended 31 March 2008.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

37. RESERVES

The Company

	Share premium account HK$'000	Subscription right reserve HK$'000 (note i)	Conversion option reserve HK$'000 (note ii)	Share-based compensation reserve HK$'000 (note iii)	Revaluation reserve for available-for-sale investments HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 30 June 2006	116,077	24,543	34,621	–	–	(4,588)	170,653
Arising on exercise of share option	2,520	–	–	–	–	–	2,520
Equity settled share-based transaction	–	–	–	21,850	–	–	21,850
Arising upon conversion of convertible notes into new shares, net of deferred taxation	15,300	–	(15,582)	–	–	–	(282)
Issue of shares	406,799	–	–	–	–	–	406,799
Loss for the period	–	–	–	–	–	(43,400)	(43,400)
At 31 March 2007	540,696	24,543	19,039	21,850	–	(47,988)	558,140
Arising on exercise of share option	94,008	–	–	(23,608)	–	–	70,400
Equity settled share-based transaction	–	–	–	24,376	–	–	24,376
Repurchase of shares	(161,663)	–	–	–	–	–	(161,663)
Issue of shares	1,213,314	–	–	–	–	–	1,213,314
Unrealised gain	–	–	–	–	1,727	–	1,727
Profit for the year	–	–	–	–	–	21,262	21,262
At 31 March 2008	1,686,355	24,543	19,039	22,618	1,727	(26,726)	1,727,556

Note:

(i) Subscription right reserve represents net proceeds received from issue of warrants.

(ii) Conversion option reserve represents equity portion of convertible notes issued by the Company and are transferred to the share premium account upon exercise of the conversion rights vested with the convertible note instruments, or directly released to retained profits when the notes are redeemed.

(iii) Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments.

38. PROMISSORY NOTES PAYABLE

	The Group and Company	
	2008	2007
	HK$'000	HK$'000
Financial liabilities of promissory notes, at amortised cost	**–**	98,969
Less: Portion repayable in 12 months' time included in current liabilities	**–**	(98,969)
Long term portion	**–**	–

The Company's promissory notes were non-interest bearing and had an aggregate principal amount of HK$100 million, which was repayable in the following manner:

(a) as to HK$50 million, repayable on demand by any time starting from 1 April 2007; and

(b) as to HK$50 million, repayable on demand by any time starting from 1 July 2007.

The promissory notes were fully repaid during the year. During the year ended 31 March 2007, the Company repaid promissory notes in the principal amount of HK$100 million. The amortised cost of the financial liabilities of promissory notes as at 31 March 2007 of approximately HK$99 million was ascertained with reference to professional appraisal and upon discounting the face value of the promissory notes by a discount rate of 8%, which was considered by the directors to be the incremental borrowing rate applicable to the Company's borrowings.

39. CONVERTIBLE NOTES PAYABLE

The movements of the liability component of the convertible notes were as follows:

	The Group and Company	
	2008	2007
	HK$'000	HK$'000
Liability at beginning of year	**82,367**	150,858
Redemption	**–**	(72,913)
Interest expenses (Note 10)	**6,759**	5,767
Interest paid	**(1,504)**	(1,345)
Liability at end of year	**87,622**	82,367

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

39. CONVERTIBLE NOTES PAYABLE *(continued)*

During the year ended 30 June 2006, pursuant to the business combination of Strong Lead and its subsidiary, Beijing WFC, the Company issued convertible notes (the "Convertible Notes") as partial settlement of the acquisition consideration. The principal terms of the Convertible Notes are as follows:

Date of issue	8 May 2006
Aggregate principal amount	HK$210.4 million
Denomination	In multiple of HK$100,000
Interest rate per annum	1.5%, payable semi-annually in arrears
Conversion price applicable	HK$0.12, subject to adjustments
Maturity date	4 years from the date of issue

(a) *Conversion period*

Apart from the portion of Restricted Convertible Notes (as described below), the holders of the Convertible Notes shall have the rights at any time and from time to time, following the date of issue of the Convertible Notes, to convert the whole or any part of the outstanding principal amount into new ordinary shares in the Company. The shares to be issued and allotted upon conversion shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue.

(b) *Restricted Convertible Note*

Part of the Convertible Notes in principal amount of HK$100 million (the "Restricted Convertible Notes") has been put under security to the Company for performance by the vendors of the Strong Lead shares of the Profit Guarantee (as described below). The vendors of the Strong Lead shares have undertaken not to exercise the rights attaching to the portion of denomination in the balance of HK$100 million on the Convertible Notes up to end of the period of the Profit Guarantee (as described below).

(c) *Profit Guarantee*

The vendors of the Strong Lead shares have undertaken to the Company that the total audited consolidated net profit after tax of Beijing WFC prepared in accordance with Hong Kong GAAP for the two financial years ending 31 December 2006 and 31 December 2007 shall not be less than HK$200 million (the "Profit Guarantee"), and shall compensate the Company in cash for any shortfall between the Profit Guarantee and the audited consolidated net profit after tax of Beijing WFC prepared in accordance with Hong Kong GAAP. The compensation amount will be calculated on the basis of the shortfall percentage of the total consideration of HK$560 million payable for the Strong Lead acquisition. In the event that the Restricted Convertible Notes are not sufficient to cover the compensation amount due to the shortfall from the Profit Guarantee, the vendors of the Strong Lead shares will be liable to pay the Company in cash for any outstanding compensation amount after deduction of the Restricted Convertible Notes.

39. CONVERTIBLE NOTES PAYABLE *(continued)*

(c) Profit Guarantee (continued)

During the year, the conversion rights vested with Convertible Notes in the denominated value of HK$91.8 million have been exercised and resulted in the issue and allotment of 765,000,000 ordinary shares of the Company, credited as fully paid. The fair value of the portion of the Convertible Notes as converted, in the amount of HK$72,913,000, was credited to the share capital account of the Company. In addition, the portion of the conversion option reserve realised, after reversal of deferred taxation of HK$3,305,000, in the total amount of HK$18,887,000, was credited to as to HK$3,587,000 to the share capital account and as to HK$15,300,000 to the share premium account of the Company.

At 31 March 2007, the aggregate outstanding principal amount of the Convertible Notes is HK$100 million. The amortised cost of the Convertible Notes as at 31 March 2007 of approximately HK$82.4 million was ascertained with reference to professional appraisal and upon discounting the face value of the outstanding Convertible Notes by a discount rate of 8%, which is considered by the directors to be the incremental borrowing rate applicable to the Company's borrowings.

40. DEFERRED TAXATION

(a) The following are the deferred tax liabilities recognised by the Group and movement thereon during the current and prior years:

The Group	Revaluation of properties HK$'000	Fair value of biological assets over historical procurement cost HK$'000	Amortised fair value of patent in application over transfer consideration HK$'000	Principal denomination over fair value of convertible notes HK$'000	Total HK$'000
At 30 June 2006					
As originally stated	1,426	5,357	49,052	7,165	63,000
Amount realised on conversion of convertible notes into shares	–	–	–	(3,305)	(3,305)
Deferred tax charged/(credited) to profit or loss (note 11)	(686)	64,816	5,516	(774)	68,872
At 31 March 2007	740	70,173	54,568	3,086	128,567
Disposal of subsidiaries	(3,266)	–	–	–	(3,266)
Deferred tax charged/(credited) to profit or loss	2,500	(66,895)	(54,568)	(920)	(119,883)
Exchange difference	26	(3,278)	–	–	(3,252)
At 31 March 2008	–	–	–	2,166	2,166

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

40 DEFERRED TAXATION *(continued)*

(a) *(continued)*

The Company

	Revaluation of properties HK$'000	Fair value of biological assets over historical procurement cost HK$'000	Amortised fair value of patent in application over transfer consideration HK$'000	Principal denomination over fair value of convertible notes HK$'000	Total HK$'000
At 30 June 2005					
Arising on issuance of convertible notes	–	–	–	8,050	8,050
Amount realised on conversation of convertible notes into shares	–	–	–	(706)	(706)
Deferred tax (credited) to profit or loss	–	–	–	(179)	(179)
At 30 June 2006	–	–	–	7,165	7,165
Amount realised on conversation of convertible notes into shares	–	–	–	(3,305)	(3,305)
Deferred tax credited to profit or loss	–	–	–	(774)	(774)
At 31 March 2007	–	–	–	3,086	3,086
Deferred tax credited to profit or loss	–	–	–	(920)	(920)
At 31 March 2007	–	–	–	2,166	2,166

(b) At the balance sheet date, the Group has unused tax losses of approximately HK$42,094,000 (2007: HK$47,424,000) available for offset against future profits. No deferred tax asset in relation to tax losses has been recognised due to the unpredictability of future taxable profit streams. These tax losses may be carried forward indefinitely.

(c) As the balance sheet date, the Group has no unrecognised deferred tax asset (2007: approximately HK$Nil) in respect of the excess of the carrying value of biological assets of paper mulberry saplings over historical procurement cost. These deferred tax assets have not been recognised due to the unpredictability of attributable future taxable profit streams.

41. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers. An ageing analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

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

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

42. BANKING FACILITIES

As at 31 March 2007, the Group's banking facilities were pledged by bank deposits of approximately HK$11,265,000 and corporate guarantees given by the Company to the extent of HK$13,500,000, which were all released following the expiry of the banking facilities during the year.

43. CONTINGENT LIABILITIES

At 31 March 2008, the Group did not have any contingent liabilities.

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Rental payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

44. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessee *(continued)*

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group		The Company	
	Year ended 31 March 2008 HK$'000	Year ended 31 March 2007 HK$'000	**Year ended 31 March 2008 HK$'000**	Year ended 31 March 2007 HK$'000
Within one year	**9,867**	6,048	**96**	1,363
In the second or fifty years, inclusive	**27,908**	12,363	**–**	114
More than five years	**10,010**	92,159	**–**	–
	47,785	110,570	**96**	1,477

On 30 June 2007, the Group's subsidiary, Beijing WFC, entered into a lease co-operative rental arrangement with Yunnan Shenyu New Energy Company Limited ("Yunnan Shenyu") in which Beijing WFC agrees to lease the land use right for an area of approximately 116,000 Chinese Mu with an annual payment of RMB10 per Chinese Mu to Yunnan Shenyu. The co-operative rental arrangement expires on 30 June 2056. The commencement date of annual lease payment will be started when the planted Jatropha has generated stable production which is estimated to be three years. Yunnan Shenyu does not have to pay the annual leased amount if the planted Jatropha does not generate any income and Beijing WFC would not bear any loss for any unavoidable accident. Ownership rights of current forest stocks of the leased land belong to Beijing WFC while ownership rights of Jatropha plantation belong to Yunnan Shenyu. The geographical environment, soil quality and other conditions of such land may not be adequate for Beijing WFC's large scale of plantation. Jatropha is a special species tree that can grow well under such conditions and Beijing WFC realized that Yunnan Shenyu has already had successful record for large scale of plantation. In view of this, the risk of recoverability of the rental to be received can be minimized. The expected first stable production period is around three years but the life of Jatropha tree can reach thirty to fifty years. It is considered that it is in the long run benefit to the Group and the Shareholders for, Beijing WFC to enter into this cooperative rental arrangement with Yunnan Shenyu.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

45. COMMITMENTS

At 31 March 2008, the Group had the following commitments:

	The Group	
	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

46. RELATED PARTY TRANSACTIONS

(a) **Key management compensation**

The remuneration of directors as disclosed in note 10 and other members of key management during the year was as follows:

	Year ended 31 March 2008 HK$'000	Year ended 31 March 2007 HK$'000
Salaries and other short-term employee benefits	**5,930**	2,676
Post-employment benefits	**54**	29
Share options	**5,288**	13,516
	11,272	16,221

(b) **Amount due to minority interests**

The amount due was unsecured, non-interest bearing and had no fixed repayment terms. The amount was transferred to other payables and accruals when the Group acquired the remaining equity interest of Beijing WFC in January 2007.

(c) **Amounts due from/(to) related companies**

The amounts due were unsecured, non-interest bearing and have no fixed repayment terms.

(d) **Amount due from a director**

The amount is due from Ms. Cao Chuan. The balance is unsecured, interest free and with no fixed repayment terms. The maximum amount outstanding during the year was HK$246,733. There was no amount due but unpaid, nor was any provision made against the balance at 31 March 2007 and 2008.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

47. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2008 and 2007 are categorised as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Financial assets		
At fair value through profit or loss – investments held for trading	**56,949**	23,578
Loans and receivables (including cash and bank balances)	**1,164,403**	853,286
Financial liabilities		
Financial liabilities measured at amortised cost	**1,177,162**	607,249

48. SIGNIFICANT NON-CASH TRANSACTION

During the year ended 31 March 2008, the Group acquired certain biological assets and related land use rights at an aggregate consideration of HK$2,021,580,000 of which HK$1,111,928,000 and HK$47,288,000 were paid in cash by the Group during the current and prior years respectively. The remaining balance of HK$888,540,000 (comprising unpaid balance of HK$862,364,000 and exchange difference of HK$26,176,000) was included in other payables and accruals of the Group as at 31 March 2008.

49. COMPARATIVE FIGURES

As stated in Note 3(b), the consolidated income statement is presented by nature of expenses. Certain comparative figures have been reclassified to conform with this presentation.

In addition, as a result of the discontinued operations and the adoption of HKFRS 7, Financial instruments: Disclosure, and the amendment to HKAS 1, Presentation of financial statements: Capital Disclosures, certain comparative figures have been also adjusted or re-classified to conform with change in disclosure in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008.

50. POST BALANCE SHEET EVENT

On 14 June 2008, the Group entered into a supplemental acquisition agreement which superseded certain terms and conditions of the acquisition agreement in relation to a very substantial acquisition of the entire equity interest in Beijing Shenhao New Energy Group Limited made by the Company on 5 November 2007 and subsequent supplemental agreements dated 23 November 2007, 17 December 2007 and 14 June 2008. The acquisition constituted a disclosable and connected transaction under the Listing Rules. For details of the acquisition, please refer to the Company's announcements dated 16 November 2007, 26 November 2007, 18 December 2007 and 20 June 2008 and circular dated 24 July 2008.