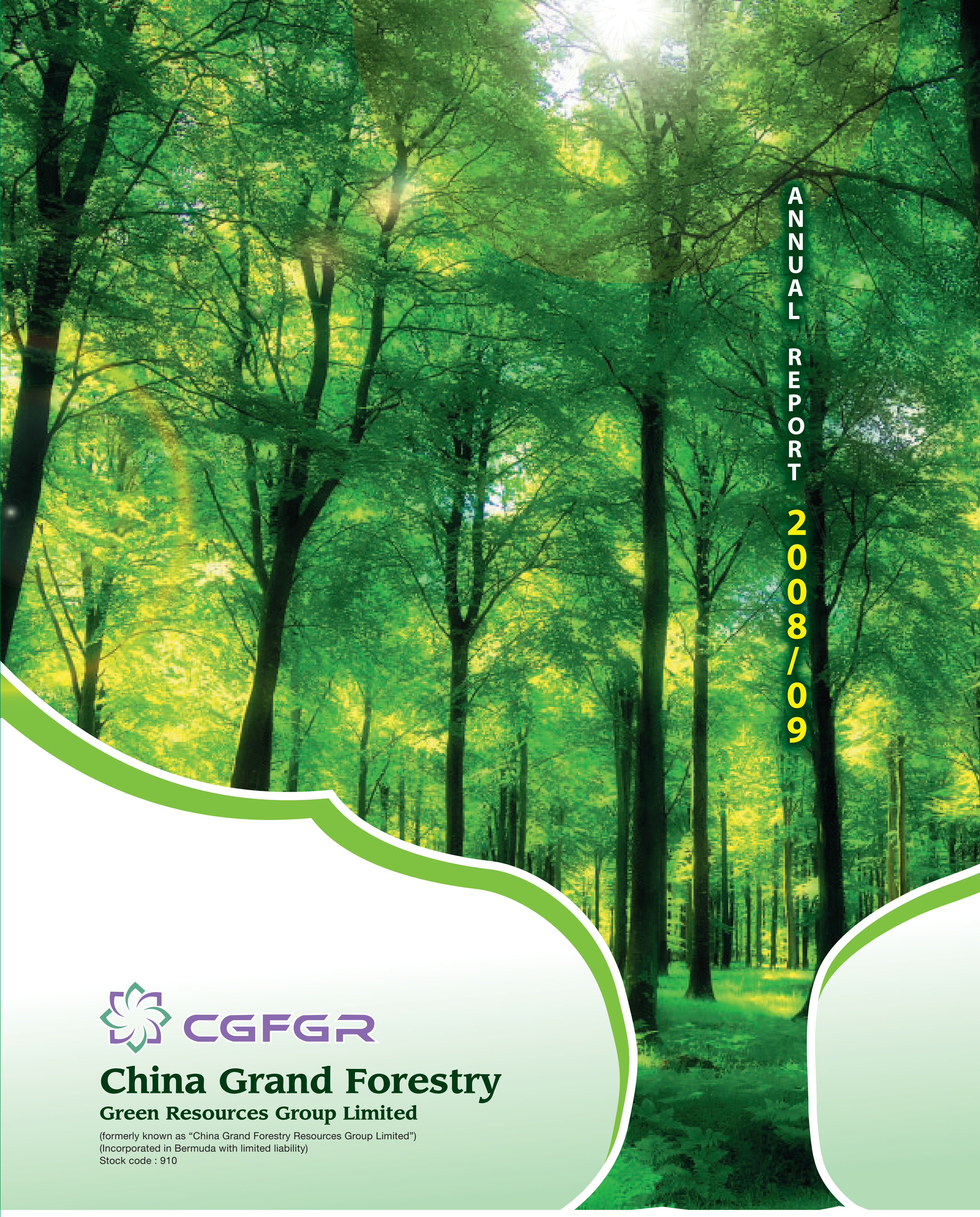

ANNUAL REPORT 2008/09

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
(resigned on 29 August 2008)
Mr. Cheung Wai Tak
Mr. Cheng Shouheng
(appointed on 1 September 2008)
Mr. Sun Yan
(appointed on 1 January 2009)
Mr. Pang Chun Kit
(appointed on 1 January 2009)

NON-EXECUTIVE DIRECTOR

Mr. John MacMillan Duncanson
(resigned on 1 September 2008)

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

Units 3307-11
33/F., West Tower
Shun Tak Centre
168-200 Connaught Road Central
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

AUDITORS

Shu Lun Pan 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 (the "Company"), I would like to express our heartfelt gratitude for your support and confidence in the Company. I hereby report to our shareholders the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2009 (the "Year") together with comparative figures for the year ended 31 March 2008.

For the Year, the Group recorded a loss attributable to shareholders of HK$453 million, representing a loss of HK8.23 cents per share.

STATUS OF INDUSTRY DEVELOPMENT AND MARKET REVIEW

For the Year, the economies of the People's Republic of China (the "PRC" or "China") and the world remained relatively stable during the first quarter. However, in the middle of the Year, a downturn in the real estate market led to depression, and in September 2008, the subprime mortgage crisis in the United States transformed into global financial turmoil. The financial crisis has taken its toll on the real economy within a short period of time. The price of timber experienced a continuous drop during the Year and industry development underwent a major adjustment. In view of the lackluster economic outlook, together with the dramatic credit market squeeze and a substantial increase in the number of Chinese enterprises entering into financial difficulties, in order to reduce operating loss and risk of bad debts, the Group reduced its sales significantly in the second half of the Year.

With China and governments worldwide unveiling economic stimulus packages, the prospects of the macro-economy in the PRC and worldwide are expected to stabilise gradually. The demand for timber products in the PRC will recover gradually. When the economy recovers, we will again witness a shortfall between supply and demand in the timber market. As a result, surging timber price is anticipated.

DEVELOPMENT STRATEGIES

Sustainable development and utilization of forest resources is our business philosophy. Through the plantation of saplings, scientific research, plantation planning and negotiation with middle stream and downstream enterprises for strategic cooperations, the Group will continue to strengthen its core competitiveness.

Resources available to the Group for utilization and development could be broadly divided into three regions in China:

Region	Major Provinces or Cities	Project in operation or cultivation
Northern China	Inner Mongolia	Raw materials for the production of biomass energy
Central China	Hunan and Chongqing	Raw materials for the production of traditional forestry products
Southern China	Yunnan and Guizhou	Raw materials for the production of traditional forestry products and raw materials for the production of bio-diesel

CHAIRMAN STATEMENT

The Group intends to maintain a stable cash income stream through its traditional timber logging activities. At the same time, it also carries out projects to develop raw materials for the production of biomass energy and bio-diesel, so as to capitalise opportunities arising from the undersupply of energy in the PRC, and to achieve the diversification of risks and build up the growth momentum of future income. Through appropriate plantation planning, better protection to ecology and environment can be attained and sustainable and healthy development of resources can be accomplished.

PROSPECTS

The Group is optimistic towards the long-term prospect of the ecological forestry sector. China has emerged as the world's largest wood-based panel producer and consumer. Thus, long-term growing demand for wood panel and related products is anticipated and product prices are expected to regain support gradually.

In addition, with the increasing awareness of alternative energy and ecology protection, the Chinese government is implementing various supportive measures to the ecological forestry industry, including land concession rights reform, subsidies to the plantation of environmental-friendly species and tax concessions and rebates to forestry corporations. These measures would further facilitate the healthy development of the ecological forestry industry. The Group is confident in capitalizing business opportunities created by favorable government policies.

In view of the buoyant demand of energy in the PRC and the support offered to the biomass energy development by the Chinese government, the newly acquired biomass energy business will become the Group's growth momentum in the future. In the long run, the Group will continue to optimise its forest resources in order to capture business opportunities arising from the surging demand of timber products as well as biomass energy sources, so as to maximise our shareholders' returns.

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, 24 July 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the Year, the Group recorded a turnover of approximately HK$685 million, representing a decrease of 33% compared with the year ended 31 March 2008 (the "Previous Year"). The Group's loss attributable to shareholders was approximately HK$453 million, representing a basic loss per share of HK8.23 cents (for the Previous Year: profit of HK$2,743,860,000, representing a basic earnings per share of HK51.03 cents).

The operating loss is mainly attributed to:

1. against the backdrop of global economic slump and the consequential drop in the demand for and prices of timber products, a significant drop in sales during the second half of the Year was recorded accordingly;

2. a net revaluation loss of biological assets of HK$339 million and write off of biological assets HK$66 million;

3. attributable non-cash imputed interest arising from the discounting of the consideration payable for to be amortised from the acquisition of Shenyu New Energy Group Limited and for acquisition of forest farms increased substantially by approximately HK$59 million;

4. HK$34 million incurred by the Group for debris removal and rebuilding of paths of forest farms within the affected area after snow-storm disaster in early 2008;

5. unrealised non-cash loss of HK$47 million on investments in listed equity securities at fair value; and

6. allowance for doubtful debts of approximately HK$59 million.

In calculating the Group's net profit, sharing in losses of its joint-venture investment in the amount of HK$1.5 million (for the Previous Year: loss of HK$4.4 million) was included.

DIVIDEND

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

REVIEW OF THE ECOLOGICAL FORESTRY BUSINESS

(i) **Forest land and forest resources**

As at 31 March 2009, the total area of forest land use rights owned by the Group amounted to approximately 7.5 million Chinese Mu and is mainly located in Hunan, Yunnan, Guizhou and Chongqing. Total timber resources owned by the Group increased to approximately 22 million cubic meters, of which 6.7 million cubic meters has reached the phase for commercial purposes. The tree species mainly include massonpine, broadleaf hardwood, broadleaf tree, pine, foreign pine, Yunnan pine, Chinese pine and coniferous-broad leaved mixed natural forests. These species are mainly used for the production of pulp, building materials, furniture, wood board and particle board. With the growing timber resources, it is anticipated that the potential production capacity of timber products would increase and create a stable cash flow for the Group accordingly.

MANAGEMENT

DISCUSSION AND ANALYSIS

During the Year, the Group disposed of standing timber and land use rights of three forest farms in Shanxi Province, and recorded a net gain of HK$65 million. The majority of newly acquired forest land during the Year is located in Guizhou, Hunan and Chongqing and a higher proportion of timber in these areas has reached the phase for commercial purposes. This could optimise the quality of the Group's forest resources.

Turnover from the sales of processed timber in various log grades, standing timber, paper mulberry products and others during the Year were approximately HK$550 million, HK$8 million, HK$69 million and HK$59 million respectively. Processed timber mainly comes from 21 forest farms in Hunan, Chongqing, Guangxi, Hubei and Sichuan. As mentioned above, a downturn in the real estate market and the financial crisis led to a sharp drop in sales for the Year.

(ii) **Biomass energy**

Biomass energy provides significant business opportunities for the forestry industry in China and would also optimise the Group's business development. The Group's biomass energy development can be classified into two aspects. First, Jatropha Curcas L. ("Jatropha") is being used as a raw material for bio-diesel production. The development and cultivation bases are mainly located in Yunnan and Guizhou. Second, the Group uses residues from timber or bush as raw material, for biomass electrical generation. The development and cultivation bases are mainly located in Inner Mongolia and certain areas in Central China where suitable conditions exist.

Bio-diesel, a type of biomass energy, is a clean burning alternative fuel produced from renewable resources. In September 2008, the Group completed the acquisition of Shenyu New Energy Group. The principal business of Shenyu New Energy Group is the research and development of biological energy resources by using Jatropha. The plantation of Jatropha is very undemanding to soil quality and the Group considers Jatropha as one of the most promising non-edible crops for bio-fuel production. As at 31 March 2009, the accumulated plantation area of Jatropha amounted to approximately 0.8 million Chinese Mu. Because of the severity of the financial tsunami, the bio-diesel project suffered a delay in the Year.

The Chinese government actively encourages the use of alternative energy as a raw material for electricity generation. In view of this, the Group also actively developed operations in Hubei and Inner Mongolia as raw material providers for biomass electricity generation during the Year.

FINANCIAL REVIEW

REVENUE

The table below sets out the breakdown of the Group's revenue for the Year:

	Year ended 31 March	
	2009	2008
PRODUCT	**Amount**	Amount
	HK$'000	HK$'000
Processed timber products in various log grades	**549,570**	885,850
Standing timber	**7,654**	59,182
Paper mulberry products	**69,281**	–
Others	**58,960**	78,800
Total	**685,465**	1,023,832

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in sales for the Year is mainly attributed to the financial turmoil that dealt a serious blow to the global economy; worldwide markets are hampered by uncertainty from a credit crunch; China's exports fell; and instability in its real estate market led to shrinking demand for timber products and the drop in product prices.

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

	Amount HK$'000
Gain arising from newly acquired biological assets during the Year	437,381
Fair value loss for the Year	(776,872)
Net loss	(339,491)

Gain arising from newly acquired biological assets during the Year represents the excess of the fair value of biological assets as at the date of acquisition over the cost of acquisition.

Other net loss

Other net loss mainly included net unrealised losses on investments in listed equity securities (classified as financial assets at fair value through profit or loss) amounted to approximately HK$47 million, allowance for doubtful debt of HK$59 million and expense incurred in snow-storm disaster of HK$34 million and impairment losses on interests in jointly-controlled entities and amounts due from jointly-controlled entities amounted to approximately HK$25 million. On the other hand, the Group recorded a net gain from disposal of three forest farms for the Year of approximately HK$65 million, the analysis of which is set out below:

	Amount HK$'000
Sales proceeds from disposal of standing timber in forest farms	119,020
Sales proceeds from disposal of land use rights of forest farms	47,529
Total gain	166,549
Cost of standing timber in forest farms disposed, at fair value	(67,857)
Cost of land use rights of forest farms disposed, net	(33,226)
Net gain	65,466

Sales proceeds from disposal of standing timber in forest farms of HK$119,020,000 and cost of standing timber in forest farms disposed of HK$67,857,000 which were previously included in the revenue and cost of inventories and forestry products sold in the interim report dated on 29 December 2008.

MANAGEMENT
DISCUSSION AND ANALYSIS

Cost of inventories and forestry products sold

It mainly included timber cost, logging cost, transportation cost, processing cost and others. During the Year, unit cost of timber consumption was increased as a result of the increase in the purchase price of timber and fair value adjustments.

Other operating expenses

The Group's other operating expenses being various administrative and selling expenses.

Finance costs

Approximately HK$54 million of which were non-cash financial costs to be amortised from the acquisition of Shenyu New Energy Group and approximately HK$5 million was imputed interest expenses on payables for acquisitions of certain forest farms.

Biological assets

The biological assets of the Group included other forest assets, Jatropha and paper mulberry trees which amounted to HK$5,870 million, HK$712 million and HK$237 million respectively.

During the Year, Poyry Forest Industry Limited valued the Group's other forest assets and Jatropha plantation. In addition, LCH (Asia-Pacific) Surveyors Limited, a firm of independent chartered surveyors, valued the Group's growing barks and round logs of paper mulberry trees.

The net increase in value was mainly arising from the acquisition of Shenyu New Energy Group amounted to approximately HK$2,055 million. The movements of biological assets were disclosed in Note 25 of the financial statements.

Prepaid lease payments

Prepaid lease payments are the prepayments of land use rights located in the PRC. The net significant increase in value for the Year was mainly attributable to the acquisition of Shenyu New Energy Group amounted to HK$442 million. The movements of prepaid lease payments were disclosed in Note 20 of the financial statements.

Intangible assets

Intangible assets included goodwill of HK$190 million and patent of HK$451 million. The significant increase for the Year, which was mainly arising from the goodwill arising from acquisition of Shenyu New Energy Group, amounted to HK$104 million. The movements of intangible assets were disclosed in Note 22 of the financial statements.

Purchase consideration payable

The balances represent the present value of purchase consideration payable arising from the acquisition of Shenyu New Energy Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Other payables, accruals and long term payables

The balances mainly included payables of forest farms and plantation expenditure. The net decrease mainly represents the repayment for forest farms, additional plantation expenditure payable and amounts arising from the acquisition of Shenyu New Energy Group.

During the year, the Group negotiated and agreed with creditors to reschedule the payment timetable of payables for the consideration of forest assets acquired. Therefore, certain portions of payables were agreed to be repaid over one year and such portions were recorded as long term payables under non-current liabilities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2009, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately HK$201 million. 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 2009, the Group had no borrowing (after excluding convertible notes liabilities).

The Group generally finances its operation using internally generated resources. As at 31 March 2009, the Group's net current assets amounted to approximately HK$306 million. The Group's current ratio, being its current assets as a percentage of its current liabilities, amounted to 161%.

As at 31 March 2009, the share capital of the Company consisted of 5,471,715,600 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the Company issued convertible notes as alternative financing instruments.

As at 31 March 2009, the Group's gearing ratio, measured on the basis of total borrowings (including convertible notes) as a percentage of total shareholders' funds, was approximately 1.4% (2008: 1.3%).

MATERIAL ACQUISITION

On 12 September 2008, the Company completed the acquisition of the entire shareholdings of Shenyu New Energy Group Limited, a company incorporated in the British Virgin Islands and held as its principal assets a 100 per cent equity interests in Beijing Shenhao New Energy Technology Company Limited. Beijing Shenhao New Energy Technology Company Limited owns the entire equity interest in Yunnan Shenyu New Energy Company Limited, which in turn owns 99% equity interest in Shuangbai Shenyu New Energy Base Company Limited (collectively referred to as "Shenyu New Energy Group").

The detailed financial effects of business combination were disclosed in Note 41 of the financial statements.

CHARGE ON THE GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2009 and 2008 to secure general banking facilities.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group did not have contingent liabilities of material amounts.

CAPITAL COMMITMENTS

As at 31 March 2009, capital commitments in respect of construction costs which had been contracted but not provided for by the Group amounted to approximately HK$45,941,000.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

EMPLOYEES

As at 31 March 2009, the Group employed a total of approximately 420 employees, of which 20 employees are employed in Hong Kong. In addition to competitive packages offered to the employees, other benefits provided to eligible candidates include contributions to mandatory provident fund as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to directors, executives and employees of the Company as incentives for their contribution to the growth of the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Directors") of the Company (the "Board") is committed to maintain and ensure high standards of corporate governance practice. The Company stresses the importance of maintaining the quality of the Board by ensuring that the directors possess a wide range of expertise and the effective implementation of an accountability system, so as to ensure that business activities and decision making processes are regulated in a proper manner.

In the opinion of the Directors, the Company complied with the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2009. 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 ten directors, whose biographical details are set out in the "Biographical Details of the Directors of the Company and Senior Management of the Group." on pages 21 to 24 of the Report of the Directors. Seven of the directors are executive Directors, namely, Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Cheung Wai Tak, Mr. Cheng Shouheng, Mr. Sun Yan and Mr. Pang Chun Kit, 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 2009.

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 2009 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. Cao Chuan as Chief Executive Officer of the Company. 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 Directors and 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 Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' securities transactions in 2004. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2009. The Model Code also applies to other specified senior management of the Group.

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, benefits 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 the 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 held two meetings during the year ended 31 March 2009 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 2009 and interim results for the six months ended 30 September 2008 have been reviewed by the Audit Committee.

During the year ended 31 March 2009, 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.

MEETING ATTENDANCE

During the year ended 31 March 2009, four 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 2009 is set out in the table below.

	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Mr. Ng Leung Ho	4/4	N/A	N/A
Ms. Cao Chuan	3/4	N/A	N/A
Ms. Lee Ming Hin	4/4	N/A	N/A
Mr. Hu Xiaoming	1/4*	N/A	N/A
Mr. Cheng Shouheng	1/4**	N/A	N/A
Mr. Sun Yan	0/4***	N/A	N/A
Mr. Pang Chun Kit	0/4***	N/A	N/A
Mr. Cheung Wai Tak	4/4	N/A	N/A
Mr. John MacMillan Duncanson	0/4****	N/A	N/A
Mr. Lo Cheung Kin	2/4	2/2	2/2
Mr. Zou Zi Ping	2/4	2/2	2/2
Mr. Zhu Jian Hong	2/4	2/2	2/2

* Mr. Hu Xiaoming resigned as a director on 29 August 2008.

** Mr. Cheng Shouheng was appointed as a director on 1 September 2008.

*** Mr. Sun Yan and Mr. Pang Chun Kit were appointed as directors on 1 January 2009.

**** Mr. John MacMillan Duncanson resigned as a director on 1 September 2008.

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 Auditors' Report on pages 34 and 35.

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 and non-audit services provided by the external auditors for the year ended 31 March 2009 are HK$950,000 and HK$1,150,000 respectively.

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 2009, 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 its shareholders at the meeting.

2) The Company has regularly met with financial analysts, fund managers and potential investors during year ended 31 March 2009, 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 established a corporate website which provides regularly updated Company financial information and other corporate information.

Separate resolutions are proposed at shareholders' meeting of the Company 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 2009.

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.

PRINCIPAL ACTIVITIES

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Friday, 11 September 2009 to Wednesday, 16 September 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company's annual general meeting to be held on Wednesday, 16 September 2009, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10 September 2009.

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 2009 is set out in Note 8 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 36.

The Board has resolved not to recommend any dividend for the year ended 31 March 2009.

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 2009 are those set out in the accompanying financial statements on pages 36 to 120. The amounts for the year ended 31 March 2008 and before are extracted from previously published audited financial statements of the Company as appropriate.

RESULTS

	Year Ended 31 March		Nine months Ended 31 March	Year ended 30 June	
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**685,465**	1,105,078	828,918	360,770	138,262
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**(453,203)**	2,743,860	1,319,310	83,208	(150,189)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March			As at 30 June	
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**9,107,891**	6,879,468	2,449,540	955,546	98,935
CURRENT ASSETS	**803,624**	1,314,328	876,864	562,395	360,612
TOTAL ASSETS	**9,911,515**	8,193,796	3,326,404	1,517,941	459,547
CURRENT LIABILITIES	**497,709**	1,182,516	524,882	323,000	16,264
NON-CURRENT LIABILITIES	**2,833,241**	89,788	210,934	260,004	691
TOTAL LIABILITIES	**3,330,950**	1,272,304	735,816	583,004	16,955
MINORITY INTERESTS	**67**	–	–	236,818	–
NET ASSETS	**6,580,565**	6,921,492	2,590,588	934,937	442,592

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group are set out in Notes 18 and 21 to the financial statements, respectively.

REPORT OF THE DIRECTORS

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year ended 31 March 2009 and subsequent thereto are set out in Note 33 to the financial statements, respectively.

Details of movements in the Company's share options during the year ended 31 March 2009 are set out in Note 35 to the financial statements.

CONVERTIBLE NOTES

Details of movements in the Company's convertible notes during the year ended 31 March 2009 are set out in Note 37 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.

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 86,098,000 of its ordinary shares of HK$0.1 each at a total consideration of approximately HK$39,510,000.

Apart from the foregoing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 36 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2009, 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$1,655,454,000 as at 31 March 2009, 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 82% of the total sales for the year and the sales to the largest customer included therein amounted to 29%.

Purchases from the Group's five largest suppliers accounted for approximately 24% of the total purchases for the year and the purchase from the largest supplier included therein amounted to 6%.

None of the directors of the Company, any of their associates or any substantial 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	(resigned on 29 August 2008)
Mr. Cheung Wai Tak	
Mr. Cheng Shouheng	(appointed on 1 September 2008)
Mr. Sun Yan	(appointed on 1 January 2009)
Mr. Pang Chun Kit	(appointed on 1 January 2009)

Non-executive director

Mr. John MacMillan Duncanson	(resigned on 1 September 2008)

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, Mr. Ng Leung Ho, Ms. Lee Ming Hin and Mr. Lo Cheung Kin shall retire from office by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Pursuant to Bye-law 115 of the Company, Mr. Cheng Shouheng, Mr. Sun Yan and Mr. Pang Chun Kit, 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 57, is the Chairman and the founder of the Group. 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 37 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.

Ms. Cao Chuan, aged 51, 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 species and purification. Ms. Cao held legal representative in various subsidiaries of the Company which are principally engaged in the business in tree plantation and management, manufacture and distribution of forestry products. Ms. Cao is the wife of Mr. Cheng Shouheng.

Ms. Lee Ming Hin, aged 53, is an executive director of the Company. Ms. Lee has served the Group for more than 17 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.

Mr. Cheung Wai Tak, aged 56, 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.

Mr. Cheng Shouheng, aged 51, was appointed as an executive Director of the Company on 1 September 2008. Mr. Cheng is also the legal representative of the various subsidiaries of the Company. 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 the forest industry. He is currently the Vice-Chairman of China National Forestry Industry Association. Mr. Cheng is the husband of Ms. Cao Chuan.

REPORT OF THE DIRECTORS

Mr. Sun Yan, aged 46, was appointed as an executive Director of the Company on 1 January 2009. Mr. Sun graduated from the Department of Industrial Economics and Business Administration of Shanghai University of Finance and Economics (上海財經大學). He has worked in the Ministry of Housing and Urban-Rural Development (國家建設與環境保護部) of the People's Republic of China and China's Rural Trust and Investment Corporation (中國農村信託投資公司), and has also held the posts of the Chairman of Shenzhen Junyu Development and Investment Company (深圳君與投資發展公司) and the Managing Director of Pomoda (Shenzhen), Inc. (百德光電技術(深圳)有限公司) Mr. Sun has about 20 years of experience in real estate investments and over 15 years of working experience in finance and managing investment enterprises.

Mr. Pang Chun Kit, aged 36, was appointed as an executive Director of the Company on 1 January 2009. Mr. Pang is the chief financial officer of the Company, responsible for financial management, merger and acquisition affairs of the Company. Mr. Pang is also director of Shenyu New Energy Group Limited since 12 September 2008 and Shenyu Timber Company Limited since 9 October 2008, both companies are wholly owned subsidiaries 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 years' experience in various kinds of auditing, financial, merger and acquisition, fund raising and investor relationship work. Mr. Pang was the former chief financial officer of Lingbao Gold Company Ltd., the shares of which are listed on The Stock Exchange of Hong Kong Limited, and the former audit manager of an international accounting firm.

Independent non-executive directors

Mr. Lo Cheung Kin, aged 62, graduated from the Fujian Teachers University in 1975. Mr. Lo is the Chairman of Buildmore International Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong and is principally engaged in the business of property investment, development and management in Mainland China. Mr. Lo also acts as directors of Faith Stand (China) Limited, Vast Glory Investment Limited and Victorfield (Fujian) Property Development Co., Ltd., all of which are wholly-owned subsidiaries of Buildmore International Limited. 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. Zou Zi Ping, aged 54, 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. Lau Che Yue, Stephen, aged 44, 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. Shen Shihua, aged 47, is the chief consultant scientist of Wan Fu Chun Forest Resources Group Company Limited (formerly known as Beijing Wan Fu Chun Forest Resources Development Company Limited) ("WFC"), a wholly-owned subsidiary of the Group, 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. Song Funing, aged 54, is the Head of Resources Division of WFC. Mr. Song graduated from Beijing Forestry College in 1979. He is well experienced in forestry survey, resource management and forest management.

Mr. Liang Bin, aged 53, is the Resource Director of 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. Zhang Jianping, aged 55, is the Director of the Southern Operation Center of 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. Sun Xiaohui, aged 39, is the Director of President Office of Wan Fu Chun Forest Resources Group Company Limited and its subsidiaries ("WFC Group"). Mr. Sun graduated from Guanghua School of Management, Peking University with a master's degree in business administration. Mr. Sun is well experienced in business operation and management.

Mr. Qu Yin, aged 55, is the Director of Resource Centre of WFC Group. Mr. Qu graduated from Northeast Forestry University with a bachelor's degree in forestry. Mr. Qu has over 30 years of extensive experience in forestry survey, resource management, forest operation, forestry design, aforestation, forest operation and production.

Mr. Yang Yubin, aged 38, is the Director of Research and Development of WFC Group. Mr. Yang graduated from Beijing Technology and Business University with a master's degree in business administration.

Mr. Zhang Youshan, aged 62, is the Financial Controller of Southern Region of WFC Group. Mr. Zhang graduated from the former Nanjing School of Food Ministry in 1967 with a major in accounting. Mr. Zhang holds the certificates of senior accountant and registered accountant.

REPORT OF THE DIRECTORS

Ms. Ding Liping, aged 64, is the Financial Controller of Northern Region of WFC Group. Ms. Ding graduated from the former Nanjing School of Food Ministry in 1966 with a major in accounting. Ms. Ding holds the certificates of senior accountant and registered accountant.

Mr. Deng Huaping, aged 40, is the chief engineer of WFC Group. Mr. Deng graduated from Chinese Academy of Forestry with a master's degree in Genetics and Breeding.

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.

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 2009.

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

Mr. Cheng Shouheng, being an executive director, has entered into service contract with the Company for a term of three years commencing on 1 September 2008.

Each of Mr. Sun Yan and Mr. Pang Chun Kit, being executive directors, have each entered into a service contract with the Company for a term of three years commencing on 1 January 2009.

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.

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) at 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 OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time 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.

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

As at 31 March 2009, 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	10,900,000	–	960,000,000	970,900,000	17.74%	6,000,000	17.85%	1, 2
Ms. Cao Chuan	–	–	–	–	0%	40,000,000	0.73%	3
Ms. Lee Ming Hin	4,000,000	–	–	4,000,000	0.07%	46,000,000	0.91%	4
Mr. Cheung Wai Tak	–	–	–	–	0%	22,000,000	0.40%	5
Mr. Cheng Shouheng	–	–	–	–	0%	26,000,000	0.48%	6
Mr. Sun Yan	–	–	–	–	0%	20,000,000	0.37%	7
Mr. Pang Chun Kit	500,000	3,450,000	–	3,950,000	0.07%	22,000,000	0.47%	8
Mr. Zou Zi Ping	1,500,000	–	–	1,500,000	0.03%	3,000,000	0.08%	9
Mr. Lo Cheung Kin	300,000	–	–	300,000	0.01%	3,900,000	0.08%	10
Mr. Zhu Jian Hong	1,500,000	–	–	1,500,000	0.03%	3,000,000	0.08%	9

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 Ms. Cao Chuan includes:

   (i) share options to subscribe for 10,000,000 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;

(ii) share options to subscribe for 10,000,000 new shares in the Company, exercisable at a price of HK$0.39 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; and

(iii) share options to subscribe for 20,000,000 new shares in the Company, exercisable at a price of HK$0.295 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 Ms. Lee Ming Hin includes:

(i) 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;

(ii) share options to subscribe for 15,000,000 new shares in the Company, exercisable at a price of HK$0.39 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; and

(iii) share options to subscribe for 25,000,000 new shares in the Company, exercisable at a price of HK$0.295 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.

5. The interests in underlying shares attributed to Mr. Cheung Wai Tak includes:

(i) share options to subscribe for 6,000,000 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;

(ii) share options to subscribe for 6,000,000 new shares in the Company, exercisable at a price of HK$0.39 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; and

(iii) share options to subscribe for 10,000,000 new shares in the Company, exercisable at a price of HK$0.295 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.

6. The interests in underlying shares attributed to Mr. Cheng Shouheng includes:

(i) share options to subscribe for 6,000,000 new shares in the Company, exercisable at a price of HK$0.39 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; and

(ii) share options to subscribe for 20,000,000 new shares in the Company, exercisable at a price of HK$0.295 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.

7. The interests in underlying shares attributed to Mr. Sun Yan represents share options to subscribe for 20,000,000 new shares in the Company, exercisable at a price of HK$0.286 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.

8. The interests in underlying shares attributed to Mr. Pang Chun Kit includes:

(i) 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;

(ii) share options to subscribe for 6,000,000 new shares in the Company, exercisable at a price of HK$0.39 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; and

(iii) share options to subscribe for 10,000,000 new shares in the Company, exercisable at a price of HK$0.295 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.

9. The interests in underlying shares attributed to Mr. Zou Zi Ping and Mr. Zhu Jian Hong represents share options to subscribe for 3,000,000 new shares in the Company, exercisable at a price of HK$0.295 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.

10. The interests in underlying shares attributed to Mr. Lo Cheung Kin includes:

(i) share options to subscribe for 900,000 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; and

(ii) share options to subscribe for 3,000,000 new shares in the Company, exercisable at a price of HK$0.295 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.

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.

REPORT
OF THE DIRECTORS

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 2009 and remained outstanding up to 31 March 2009 are as follows:

	Number of shares under options							
	Beginning of the year	Granted during the year	Exercised during the year	Cancelled during the year	End of the year	Subscription price per share	Date of grant of share options	Exercisable period
Directors								
Mr. Ng Leung Ho	6,000,000	–	–	–	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
	–	10,000,000	–	–	10,000,000	HK$0.39	30 September 2008	30 September 2008 to 29 September 2018
	–	20,000,000	–	–	20,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
Ms. Lee Ming Hin	6,000,000	–	–	–	6,000,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
	–	15,000,000	–	–	15,000,000	HK$0.39	30 September 2008	30 September 2008 to 29 September 2018
	–	25,000,000	–	–	25,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
*Mr. Hu Xiaoming	3,000,000	–	–	(3,000,000)	–	HK$0.98	27 March 2007	N/A
Mr. Cheung Wai Tak	6,000,000	–	–	–	6,000,000	HK$2.61	2 October 2007	3 October 2007 to 2 October 2017
	–	6,000,000	–	–	6,000,000	HK$0.39	30 September 2008	30 September 2008 to 29 September 2018
	–	10,000,000	–	–	10,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
Mr. Cheng Shouheng	–	6,000,000	–	–	6,000,000	HK$0.39	30 September 2008	30 September 2008 to 29 September 2018
	–	20,000,000	–	–	20,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
Mr. Sun Yan	–	20,000,000	–	–	20,000,000	HK$0.286	23 January 2009	23 January 2009 to 22 January 2019
Mr. Pang Chun Kit	6,000,000	–	–	–	6,000,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
	–	6,000,000	–	–	6,000,000	HK$0.39	30 September 2008	30 September 2008 to 29 September 2018
	–	10,000,000	–	–	10,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019

	Number of shares under options							
	Beginning of the year	Granted during the year	Exercised during the year	Cancelled during the year	End of the year	Subscription price per share	Date of grant of share options	Exercisable period
**Mr. John MacMillan Duncanson	3,000,000	–	–	(3,000,000)	–	HK$2.61	2 October 2007	N/A
Mr. Zou Zi Ping	–	3,000,000	–	–	3,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
Mr. Zhu Jian Hong	–	3,000,000	–	–	3,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
Mr. Lo Cheung Kin	900,000	–	–	–	900,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
	–	3,000,000	–	–	3,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
Sub-total	40,900,000	157,000,000	–	(6,000,000)	191,900,000			
Employees	73,200,000	–	–	–	73,200,000	HK$0.98	27 March 2007	1 April 2007 to 31 March 2017
	–	106,000,000	–	–	106,000,000	HK$0.39	30 September 2008	30 September 2008 to 29 September 2018
	–	12,000,000	–	–	12,000,000	HK$0.242	30 October 2008	30 October 2008 to 29 October 2018
	–	212,600,000	–	–	212,600,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
Sub-total	73,200,000	330,600,000	–	–	403,800,000			
Total	114,100,000	487,600,000	–	(6,000,000)	595,700,000			

* Mr. Hu Xiaoming resigned as an executive director of the Company on 29 August 2008.

** Mr. John MacMillan Duncanson resigned as an non-executive director of the Company on 1 September 2008.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit scheme in operation for the year ended 31 March 2009 are set out in Note 3(t)(ii) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, 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 shareholders' interests or short positions, being 5% or more of the Company's issued share capital:

Name	Class of shares	Capacity	Number of shares	Percentage of holding
Mr. Ng Leung Ho	Ordinary	Beneficial owner	970,900,000 *(Note 1)*	17.74%
Mr. Ng Leung Ho	Underlying shares	Beneficial owner	6,000,000 *(Note 3)*	0.11%
Golden Prince Group Limited	Ordinary	Beneficial owner	960,000,000 *(Note 2)*	17.54%
Atlantis Investment Management Ltd	Ordinary	Investment manager	562,000,000	10.27%
Atlantis Investment Management Ltd	Underlying shares	Investment manager	833,333,333	15.23%

Notes:

1. The beneficial interests of Mr. Ng Leung Ho in 970,900,000 shares comprise corporate interest in 960,000,000 shares, held through Golden Prince Group Limited, and personal interest in 10,900,000 shares.

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

3. The interests in underlying shares attributable 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.

Save as disclosed above, at 31 March 2009, 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.

REPORT OF THE DIRECTORS

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 Corporate Governance Report 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.

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.

AUDITORS

The financial statements have been audited by Shu Lun Pan Hong Kong CPA Limited. The Company's auditors changed their name from Shu Lun Pan Horwath Hong Kong CPA Limited to Shu Lun Pan Hong Kong CPA Limited and merged their business with BDO Limited on 1 May 2009. As a result of these changes, a resolution will be proposed at the 2009 AGM to appoint BDO Limited as the Company's auditors.

On behalf of the Board

Ng Leung Ho
Chairman

Hong Kong, 24 July 2009

INDEPENDENT
AUDITORS' REPORT

Shu Lun Pan Hong Kong CPA Limited
香港立信會計師事務所有限公司

20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Telephone : (852) 2598 4100
Facsimile : (852) 2810 0502
audit@slp.com.hk

TO THE SHAREHOLDERS OF
CHINA GRAND FORESTRY GREEN 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 36 to 120, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 the 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the 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
AUDITORS' 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 auditors' 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 auditors consider 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 2009 and of the loss 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 HONG KONG CPA LIMITED
Certified Public Accountants

Hong Kong, 24 July 2009

Chan Kam Wing, Clement
Practising Certificate number P02038

CONSOLIDATED

INCOME STATEMENT

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	7	685,465	1,023,832
(Loss)/gain arising from changes in fair value of biological assets less estimated point-of-sale costs	25	(339,491)	2,097,242
Other income	7	5,847	17,380
Other net (losses)/gains	9	(98,725)	7,393
Cost of inventories and forestry products sold		(336,842)	(276,854)
Write off of biological assets	25	(65,837)	–
Staff costs		(63,884)	(34,835)
Depreciation of property, plant and equipment	18	(8,802)	(3,777)
Amortisation of biological assets	25	(36,384)	(33,057)
Amortisation of patent	22	(26,689)	(25,153)
Release of prepaid lease payments	20	(27,373)	(16,665)
Other operating expenses		(73,815)	(96,263)
Finance costs	10	(65,826)	(7,790)
Share of losses of jointly-controlled entities	24	(1,528)	(2,839)
(Loss)/profit before taxation	12	(453,884)	2,648,614
Taxation	11	680	122,382
(Loss)/profit for the year from continuing operations		(453,204)	2,770,996
Discontinued operations			
Loss for the year from discontinued operations	13	–	(27,136)
(Loss)/profit for the year		(453,204)	2,743,860
Attributable to:			
Equity holders of the Company		(453,203)	2,743,860
Minority interest		(1)	–
		(453,204)	2,743,860
Dividend	14	–	–
(Loss)/earnings per share for result attributable to the equity holders of the Company	15		
From continuing and discontinued operations			
– basic		HK(8.23) cents	HK51.03 cents
– diluted		HK(8.23) cents	HK43.86 cents
From continuing operations			
– basic		HK(8.23) cents	HK51.53 cents
– diluted		HK(8.23) cents	HK44.29 cents

The accompanying notes form part of these financial statements.

CONSOLIDATED

BALANCE SHEET

at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Biological assets	25	**6,819,281**	5,128,712
Property, plant and equipment	18	**92,338**	31,970
Construction in progress	19	**64,888**	36,792
Prepaid lease payments	20	**1,363,390**	956,682
Investment properties	21	**–**	–
Long-term prepayments	26	**108,901**	112,918
Intangible assets	22	**640,221**	552,293
Interests in jointly-controlled entities	24	**–**	19,387
Available-for-sale investments	31	**18,872**	40,714
		9,107,891	6,879,468
Current assets			
Inventories	27	**294**	38,240
Trade receivables	28	**302,554**	125,696
Prepaid lease payments	20	**31,848**	20,960
Other receivables, deposits and prepayments	29	**154,117**	120,512
Financial assets at fair value through profit or loss	30	**40,632**	56,949
Amounts due from jointly-controlled entities	24	**–**	5,193
Amounts due from related companies	46(b)	**72,823**	92,976
Amounts due from directors	46(c)	**240**	116
Cash and cash equivalents	32	**201,116**	853,686
		803,624	1,314,328
Total assets		**9,911,515**	8,193,796

CONSOLIDATED

BALANCE SHEET

at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	33	547,172	555,781
Treasury shares	34	–	(4,420)
Reserves		6,033,326	6,370,131
		6,580,498	6,921,492
Minority interests		67	–
Total equity		6,580,565	6,921,492
Non-current liabilities			
Long term payables		469,091	–
Purchase consideration payable	41(c)	2,269,831	–
Convertible notes	37	93,196	87,622
Deferred taxation	38	1,123	2,166
		2,833,241	89,788
Current liabilities			
Trade payables	39	60,958	30,073
Other payables and accruals		247,750	1,013,077
Purchase consideration payable	41(c)	100,000	–
Amounts due to related companies	46(b)	89,001	139,366
		497,709	1,182,516
Total liabilities		3,330,950	1,272,304
Total equity and liabilities		9,911,515	8,193,796
Net current assets		305,915	131,812
Total assets less current liabilities		9,413,806	7,011,280
Net assets		6,580,565	6,921,492

The financial statements on pages 36 to 120 were approved and authorised for issue by the Board of Directors on 24 July 2009.

Mr Ng Leung Ho
Director

Ms Cao Chuan
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	23	4,589,836	1,956,149
Property, plant and equipment	18	3,486	–
Available-for-sale investments	31	18,872	40,714
		4,612,194	1,996,863
Current assets			
Other receivables, deposits and prepayments		1,162	93,520
Amounts due from related companies	46(b)	45,544	45,642
Cash and cash equivalents	32	30,039	318,475
		76,745	457,637
Total assets		4,688,939	2,454,500
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	33	547,172	555,781
Treasury shares	34	–	(4,420)
Reserves	36	1,590,655	1,727,556
Total equity		2,137,827	2,278,917
Non-current liabilities			
Purchase consideration payable	41(c)	2,269,831	–
Convertible notes	37	93,196	87,622
Deferred taxation	38	1,123	2,166
		2,364,150	89,788
Current liabilities			
Other payables and accruals		3,705	2,538
Purchase consideration payable	41(c)	100,000	–
Amount due to a related company	46(b)	83,257	83,257
		186,962	85,795
Total liabilities		2,551,112	175,583
Total equity and liabilities		4,688,939	2,454,500
Net current (liabilities)/assets		(110,217)	371,842
Total assets less current liabilities		4,501,977	2,368,705
Net assets		2,137,827	2,278,917

The financial statements on pages 36 to 120 were approved and authorised for issue by the Board of Directors on 24 July 2009.

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 2009

	Share capital HK$'000 (Note 33)	Treasury shares HK$'000 (Note 34)	Share premium account HK$'000	Share-based compensa-tion reserve HK$'000	Subscription right reserve HK$'000 (note i)	Asset revaluation reserve HK$'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
At 1 April 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	53,956	–	1,213,314	–	–	–	–	–	–	–	–	–	–	1,267,270
Equity settled share-based transactions (Note 35)	–	–	–	24,376	–	–	–	–	–	–	–	–	–	24,376
Repurchase of shares	(12,456)	–	(161,663)	–	–	–	–	–	–	–	–	–	–	(174,119)
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 of profit or loss on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(9,306)	–	–	–	(9,306)
Treasury shares	–	(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
Currency translation difference	–	–	–	–	–	–	–	–	–	137,097	–	–	–	137,097
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(453,203)	(1)	(453,204)
Change in fair value of investment of available-for-sale	–	–	–	–	–	–	(21,842)	–	–	–	–	–	–	(21,842)
Total recognised income and expenses for the year	–	–	–	–	–	–	(21,842)	–	–	137,097	–	(453,203)	(1)	(337,949)
Lapse of share option	–	–	–	(1,773)	–	–	–	–	–	–	–	1,773	–	–
Equity settled share-based transactions (Note 35)	–	–	–	38,860	–	–	–	–	–	–	–	–	–	38,860
Repurchase of shares	(8,609)	–	(30,901)	–	–	–	–	–	–	–	–	–	–	(39,510)
Share in reserve movement of jointly-controlled entities	–	–	–	–	–	(976)	–	–	(5,366)	(474)	–	–	–	(6,816)
Arising on business combination (Note 41(a))	–	–	–	–	–	–	–	–	–	–	–	–	68	68
Reserve appropriation	–	–	–	–	–	–	–	162	–	–	–	(162)	–	–
Treasury shares	–	4,420	–	–	–	–	–	–	–	–	–	–	–	4,420
At 31 March 2009	547,172	–	1,655,454	59,705	24,543	–	(20,115)	136,981	3,751	549,314	19,039	3,604,654	67	6,580,565

CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009

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, 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 accumulated loss 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 2009

	Notes	2009 HK$'000	2008 HK$'000
Operating activities			
(Loss)/profit before taxation			
From continuing operations		(453,884)	2,648,614
From discontinued operations		–	(21,036)
Interest income	7	(5,724)	(18,103)
Dividend income from listed investments	7	(123)	(6)
Equity-settled share option expenses	35	38,860	24,376
Finance costs	10	65,826	7,790
Amortisation of intangible assets	22	26,689	25,353
Amortisation of biological assets	25	36,384	33,057
Depreciation on property, plant and equipment	18	8,802	8,871
Net realised gain on disposal of financial assets at fair value through profit or loss	9	(575)	(7,599)
Fair value loss on financial assets at fair value through profit or loss	9	47,239	5,569
Surplus on revaluation of investment properties, net	9	–	(40)
Impairment losses on interest in jointly-controlled entities	9	11,043	–
Impairment losses on amount due from jointly-controlled entities	9	13,495	–
Release of prepaid lease payments	20	27,373	16,752
Gain on disposal of subsidiaries	9	–	(20,135)
Gain on disposal of forest farms	9	(65,466)	–
Share of losses of jointly-controlled entities	24	1,528	4,366
Allowance for doubtful debts		58,969	–
Write off of biological assets	25	65,837	–
Loss/(gain) on changes in fair value less estimated point-of-sale costs of biological assets	25	339,491	(2,097,242)
Loss on disposal of property, plant and equipment		205	227
Effect of foreign exchange differences		(8,458)	(20,792)
Operating profit before working capital changes		207,511	590,022
Decrease in inventories		38,140	15,808
(Increase)/decrease in trade receivables		(235,827)	24,386
Decrease/(increase) in other receivables, deposits and prepayments		19,221	(28,714)
Increase in trade payables		30,687	28,447
Decrease in other payables and accruals		(17,510)	(58,859)
Increase in amount due from a director		(124)	(116)
Decrease/(increase) in amounts due from related companies		20,153	(92,976)
(Decrease)/increase in amounts due to related companies		(50,365)	103,251
Cash generated from operations		11,886	581,249
PRC profits tax paid		(363)	–
Net cash generated from operating activities		11,523	581,249

CONSOLIDATED

CASH FLOW STATEMENT

for the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Investing activities			
Interest received		5,724	18,103
Dividend income received from listed investments		123	6
Increase of biological assets due to plantation	25	(20,552)	(146,939)
Decrease of biological assets due to harvest		113,401	72,073
Acquisition of available-for-sale investments		–	(38,988)
Net cash outflow on acquisition of a subsidiary	41(d)	(180,999)	–
Settlement of investment cost in WFC		–	(220,000)
Purchases of property, plant and equipment	18	(27,234)	(27,184)
Settlement of payable of acquisition biological assets (including prepaid land use rights)		(549,406)	(1,111,928)
Deposit for acquisition of business		–	(50,000)
Decrease/(increase) in receivable from securities dealers		41,545	(41,545)
Increase in construction in progress		(21,982)	(32,723)
Increase in long term prepayments		(44,226)	–
Net cash inflow on disposal of subsidiaries	42	–	170,330
Proceeds from disposal of financial assets at fair value through profit or loss		27,955	203,659
Purchases of financial assets at fair value through profit or loss		(58,301)	(224,080)
Proceeds from disposal of property, plant and equipment		45	210
Increase in amount due from jointly-controlled entity		(8,301)	–
Proceeds from disposal of forest farms		81,376	–
Decrease in pledged bank deposits		–	11,265
Net cash used in investing activities		(640,832)	(1,417,741)
Financing activities			
Interest paid		(220)	(2,535)
Proceed from issue of shares		–	1,294,944
Proceed from exercise of share option		–	78,400
Repurchase of shares		(35,090)	(178,540)
Expenses on issue of shares		–	(27,673)
Repayment of promissionary notes		–	(98,969)
Net cash (used in)/generated from financing activities		(35,310)	1,065,627
Net (decrease)/increase in cash and cash equivalents		(664,619)	229,135
Cash and cash equivalents at beginning of year		853,686	613,044
Effect of foreign exchange rate changes		12,049	11,507
Cash and cash equivalents at end of year		201,116	853,686
Analysis of balances of cash and cash equivalents at end of year			
Bank and cash balances		201,116	853,686

The accompanying notes form part of these financial statements.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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 principal 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 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 adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no material impact on the financial statements.

At the date of authorisation of the financial statements, 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosure about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 39 (80)	(i)
	– HKAS 38, HKFRS 2, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16	(ii)
	– HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(vii)

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Effective date:

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfers of assets from customers received on or after 1 July 2009

(vii) Annual periods beginning on or after 1 January 2010

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 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 judgements, 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 judgements 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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. Loss of a jointly-controlled entity in excess of the Group's interest in that jointly-controlled entity is 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) 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.

(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 allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the 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 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 2009

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 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 loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such leasehold properties is charged to profit or loss to the extent that it exceeds the balance, if any held in the 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 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
Building and construction	5 years
Plant and machinery	10 years
Furniture, office equipment and motor vehicles	5–10 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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) 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.

If an active market exists for a biological asset or agricultural produce with reference to comparable species, 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 or as determined by independent professional valuers. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Impairment of tangible assets excluding goodwill

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.

(o) 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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) **Financial instruments** *(continued)*

(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 investment 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 investment 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

(i) Financial assets (continued)

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.

– 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) **Financial instruments** *(continued)*

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

Impairment of financial assets (continued)

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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

(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 in 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.

Financial liabilities

Other financial liabilities, including other payables and borrowings, are initially measured at fair value, net of transaction costs, and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) **Inventories**

Inventories 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.

(q) **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.

(r) **Leases**

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) **Leases** *(continued)*

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 profit or loss 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 in profit or loss 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 profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs 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.

(s) **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 profit or loss in the period in which the foreign operation is disposed of.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) 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.

(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 benefits 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 Group has joined a mandatory central pension scheme organised by the PRC government for certain of its employees located in PRC, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

(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 reserve 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) **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.

(v) **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.

(w) **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 estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligation, 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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) **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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) **Taxation** *(continued)*

b. Deferred tax (continued)

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.

(y) **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.

(z) **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 bye laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(aa) **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 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(bb) 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.

(cc) 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.

(dd) Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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, other forest assets and Jatropha 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 2009

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 suitable 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**

Management estimates the expected useful lives for its property, plant and equipment and determines the related depreciation policy. The estimated useful life of the property, plant and equipment 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. It could change significantly as a result of technological innovations in response to industry cycles. The depreciation 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 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 2009

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

(h) Determination of contingent consideration and fair values of identifiable intangible assets arising from the business combination (Note 41)

As disclosed in Note 41, the Group acquired 100% equity interest in Shenyu New Energy Limited and its subsidiaries ("Shenyu New Energy Group") during the year. According to the provisions of the supplemental agreement to the sale and purchase agreement ("Supplemental Agreement"), the purchase consideration is payable by the Group by four installments (referred to hereinafter as "Contingent Considerations") and the magnitude of each installment is determined with reference to the audited net profit of Shenyu New Energy Group for the years ended 31 March 2009, 2010 and 2011 and the six months ended 30 September 2011.

In accordance with HKFRS 3 "Business Combination", the directors of the Company are required to make best estimate to determine the present value of contingent purchase consideration of the acquisition at the initial acquisition date. Based on the Group's assessment, the total purchase consideration for the acquisition of Shenyu New Energy Group would be approximately HK$3,483 million, of which approximately HK$3,183 million was the present value of the Contingent Considerations as at the acquisition date.

In addition, the acquired identifiable assets and liabilities and contingent liabilities assumed had to be measured at their respective fair values as at the date of acquisition. The difference between the cost of acquisition and the fair value of the Group's share of net assets so acquired should be recognised as goodwill on the balance sheet date or recognised in the income statement. In the absence of an active market for the business combination/acquisition transactions undertaken by the Group, in order to determine the fair values of assets acquired and liabilities assumed, the directors of the Company had made their estimates according to valuation results produced by external valuers.

In accordance with the above assessment, a goodwill of HK$1,071 million was determined to be arising from the acquisition at the acquisition date (Note 41)

HKFRS 3 requires that the contingent consideration shall be further assessed based on the results of future events. Based on the 2009 operating results and the profit forecasts for the years ended 31 March 2010 and 2011 and the six months ended 30 September 2011 of Shenyu New Energy Group, the Group re-assessed the present value of Contingent Considerations as at 31 March 2009 and reduced both the Contingent Considerations and the related goodwill by HK$967 million.

(i) Income taxes

Determining income tax provisions and deferred taxation involves judgement on the current and future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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.

The gearing ratio at the year end was as follows:

	2009 HK$'000	2008 HK$'000
Debts/Total borrowing	**93,196**	87,622
Total equity	**6,580,565**	6,921,492
Net debts to equity ratio	**1.4%**	1.3%

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, financial assets at fair value through profit or loss, bank deposits, bank and cash balances, trade payables 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 47% (2008: 49%) and 99% (2008: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the ecological forestry business segment.

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

(a) **Credit risk** *(continued)*

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 28.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty,

(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 requirement.

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
2009						
Trade payables	60,958	60,958	60,958	–	–	–
Other payables and accruals	247,750	247,750	247,750	–	–	–
Amounts due to related companies	89,001	89,001	89,001	–	–	–
Purchase consideration payable	2,369,831	3,097,975	100,000	369,102	2,628,873	–
Long term payable	469,091	571,627	–	300,567	83,734	187,326
Convertible notes	93,196	101,188	974	100,214	–	–
	3,329,827	4,168,499	498,683	769,883	2,712,607	187,326
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 companies	139,366	139,366	139,366	–	–	–
Convertible notes	87,622	102,688	974	1,500	100,214	–
	1,270,138	1,285,204	1,183,490	1,500	100,214	–

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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

(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.

(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 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.

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

(f) **Natural risk** *(continued)*

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

7. REVENUE AND OTHER INCOME

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

	Notes	2009 HK$'000	2008 HK$'000
From continuing operations			
Revenue/Turnover			
Sale of forestry products		**685,465**	1,023,832
Other income			
Interest income		**5,724**	17,380
Dividend income from listed investments		**123**	–
		5,847	17,380
		691,312	1,041,212
From discontinued operations			
Revenue/Turnover			
Sale of garment products	13	**–**	81,246
Other income			
Dividend income from listed investments		**–**	6
Interest income		**–**	723
Others		**–**	352
	13	**–**	1,081
		–	82,327

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

8. SEGMENTAL INFORMATION

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

The Group disposed of its garment business in 2008, the Group's only operation currently being conducted is the ecological forestry business. For the year ended 31 March 2008, the Group operated both the ecological forestry business and the manufacture and sale of garment. The following tables present revenue and (loss)/profit information on each of the above business segments for the years ended 31 March 2009 and 2008 and certain assets and liabilities information regarding business segments as at those dates:

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

Revenue and (loss)/profit information

	Continuing operations		Discontinued operations					
	Ecological Forestry Business		Garment Business		Unallocated		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Revenue:								
External sales	685,465	1,023,832	–	81,246	–	–	685,465	1,105,078
Segment results	(254,770)	2,678,837	–	(7,867)	–	–	(254,770)	2,670,970
Unallocated revenue and net (loss)/gain							(57,027)	15,788
Unallocated expenses							(74,733)	(47,024)
(Loss)/profit from operating activities							(386,530)	2,639,734
Finance costs							(65,826)	(7,790)
Share of losses of jointly-controlled entities							(1,528)	(4,366)
(Loss)/profit before taxation							(453,884)	2,627,578
Taxation							680	116,282
(Loss)/profit for the year							(453,204)	2,743,860

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	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Segment assets	9,144,212	7,383,469	–	–	767,303	810,327	9,911,515	8,193,796
Segment liabilities	927,467	1,039,629	–	–	2,403,483	232,675	3,330,950	1,272,304
Other information								
Capital expenditure	43,164	57,300	–	2,752	6,052	3,150	49,216	63,202
Depreciation and amortisation	70,823	61,659	–	5,094	1,052	328	71,875	67,081
Allowance for doubtful debts (Note 28)	58,969	–	–	7,800	–	–	58,969	7,800
Provision for obsolete inventories	–	–	–	4,155	–	–	–	4,155

(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 an analysis of the Group's turnover by geographic markets based on geographical location of customers:

	The PRC (excluding Hong Kong)		Hong Kong		Elimination		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Segment revenue:								
External sales	685,465	1,103,120	–	1,958	–	–	685,465	1,105,078
Inter-segment sales	–	6,800	–	330	–	(7,130)	–	–
	685,465	1,109,920	–	2,288	–	(7,130)	685,465	1,105,078

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Segment assets	9,127,258	7,442,469	144,036	106,058	–	–	–	92,976	9,271,294	7,641,503
Goodwill	189,607	85,511	–	–	–	–	–	–	189,607	85,511
Patent	450,614	466,782	–	–	–	–	–	–	450,614	466,782
	9,767,479	7,994,762	144,036	106,058	–	–	–	92,976	9,911,515	8,193,796

	The PRC (excluding Hong Kong and Macau)		Hong Kong		Macau		Unallocated		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Capital expenditure	45,775	60,051	3,441	3,151	–	–	–	–	49,216	63,202

9. OTHER NET (LOSSES)/GAINS

	Notes	2009 HK$'000	2008 HK$'000
From continuing operations			
Fair value loss on financial assets at fair value through profit or loss	30	(47,239)	(5,609)
Gain on disposal of forest farms*		65,466	–
Allowance for doubtful debts	28	(58,969)	–
Impairment losses on interests in jointly-controlled entities	24	(11,043)	–
Impairment losses on amount due from jointly-controlled entities	24	(13,495)	–
Expenses incurred in snow-storm disaster		(34,020)	–
Net realised gain on disposal of financial assets at fair value through profit or loss		575	12,999
Others		–	3
		(98,725)	7,393

* The gain comprised gain on disposal of biological assets and prepaid land use rights as follows:

	Biological assets HK$'000	Prepaid land use rights HK$'000	Total HK$'000
Sales proceeds	119,020	47,529	166,549
Carrying amounts	(67,857)	(33,226)	(101,083)
	51,163	14,303	65,466

	Notes	2009 HK$'000	2008 HK$'000
From discontinued operations			
Fair value gain on financial assets at fair value through profit or loss		–	40
Gain on disposal of subsidiaries	42	–	20,135
Surplus on revaluation of investment properties, net	21	–	40
Net realised loss on disposal of financial assets at fair value through profit or loss		–	(5,400)
Others		–	633
	13	–	15,448

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

10. FINANCE COSTS

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Imputed interest arising from the discounting of the consideration payable for the acquisition of Shenyu New Energy Group	41(c)	54,170	–
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms		4,576	–
Interest on convertible notes	37	7,074	6,759
Bank interest		6	–
Interest on promissory notes		–	1,031
		65,826	7,790

11. TAXATION

	Notes	2009 HK$'000	2008 HK$'000
Hong Kong profits tax			
– current		–	(3,600)
– deferred tax credit	38	920	–
– resulting from a change in tax rate	38	123	–
Overseas tax			
– current		(363)	–
– deferred tax credit	38	–	119,882
		680	116,282
From continuing operations		680	122,382
From discontinued operations	13	–	(6,100)
		680	116,282

Hong Kong profits tax has been provided at 16.5% (2008: 17.5%) based on the estimated assessable profit for the year. No Hong Kong profits tax was made as there was no assessable profits derived for the year.

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

One of the subsidiaries, Chongqing Wan Fu Chun Forestry Development Company Limited ("Chongqing WFC") was engaged as a forestry operation enterprise in the PRC. Pursuant to the approval obtained from the relevant PRC tax authority, Chongqing WFC is entitled to a tax concession period whereby this subsidiary is fully exempted from PRC enterprise income tax for the year ended 31 December 2009.

11. TAXATION *(continued)*

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from PRC enterprise income tax commencing from 1 January 2008. Chongqing WFC is currently under the full tax exemption period and the directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged in the subsequent years. No deferred tax has been provided for the year.

Wan Fu Chun Forest Resources Group Company Limited (formerly known as Beijing Wan Fu Chun Forest Resources Development Company Limited) ("WFC"), a wholly-owned subsidiary of the Group, is also operating in forestry business during the Year. WFC was subject to corporate income tax rate of 25% as it did not apply for the exemption under the Implementation Rules during the Year. In the opinion of the directors, full exemption will be granted from the PRC tax authority under the Implementation Rules when application is lodged. No deferred tax has been provided during the Year.

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

	2009 **HK$'000**	2008 HK$'000
(Loss)/profit before taxation		
– from continuing operations	**(453,884)**	2,648,614
– from discontinued operations	**–**	(21,036)
	(453,884)	2,627,578
Tax at Hong Kong profits tax rate of 16.5% (2008:17.5%)	**(74,891)**	459,826
Tax effect of income that is not taxable in determining taxable profit	**(2,007)**	(20,090)
Tax effect of expense that are not deductible in determining taxable profit	**31,783**	21,672
Unrecognised temporary differences and tax losses	**135,026**	10,904
Under-provision of tax in previous year	**–**	3,600
Effect of tax concessionary treatment	**(68,866)**	(472,716)
Effect of change in tax rate	**(124)**	–
Deferred taxation recognised in previous years reversed	**–**	(118,963)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(21,601)**	(515)
Taxation credit	**(680)**	(116,282)

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

12. (LOSS)/PROFIT BEFORE TAXATION

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

		The Group	
	Notes	2009 HK$'000	2008 HK$'000
Amortisation of patent	22	**26,689**	25,153
Amortisation of biological assets	25	**36,384**	33,057
Auditors' remuneration		**950**	1,007
Depreciation on property, plant and equipment	18	**8,802**	8,871
Minimum lease payments under operating leases on leasehold properties		**12,319**	7,893
Release of prepaid lease payments	20	**27,373**	16,752
Research and development cost		**11,401**	20,223
Allowance for doubtful debts	28	**58,969**	7,800
Provision for obsolete inventories (included in "cost of inventories and forestry products sold")		**–**	4,155
Directors' remuneration	16	**19,904**	9,931
Staff costs (excluding directors' remuneration):			
Wages and salaries		**17,446**	13,910
Share-based payment		**26,432**	19,264
Retirement benefits scheme contribution		**102**	598
Net exchange losses/(gains)		**9,246**	(349)

13. DISCONTINUED OPERATIONS

On 25 March 2008, the Group disposed of its 100% equity interest in a subsidiary group 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 subsidiary group.

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

	Notes	2008 HK$'000
Revenue	7	81,246
Other income	7	1,081
Other net gains	9	15,448
Cost of inventories and products sold		(84,657)
Staff costs		(3,725)
Depreciation of property, plant and equipment		(5,094)
Release of prepaid lease payments		(87)
Allowance for doubtful debts	28	(7,800)
Provision for obsolete inventories		(4,155)
Other operating expenses		(11,766)
Share of losses of jointly-controlled entities	24	(1,527)
Loss before taxation		(21,036)
Taxation	11	(6,100)
Loss for the year from discontinued operations		(27,136)

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

	2008 HK$'000
Cash (outflow)/inflow from:	
Operating activities	(102,840)
Investing activities	20,648
Financing activities	–
Net cash outflow	(82,192)

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

14. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY AND DIVIDEND

The loss for the year attributable to equity holders of the Company for the year ended 31 March 2009 dealt with in the financial statements of the Company was approximately HK$123,018,000 (2008: profit of HK$21,262,000) (Note 36).

No dividend was paid or proposed during the year (2008: nil), nor has any dividend been proposed since 31 March 2009.

15. (LOSS)/EARNINGS PER SHARE

(a) **From continuing and discontinued operations**

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

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

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year attributable to equity holders of the Company	(453,203)	2,743,860
Interest on convertible notes (Note 10)	–	6,759
(Loss)/profit for the year attributable to equity holders of the Company used in the dilutive (loss)/earnings per share calculation	(453,203)	2,750,619

(ii) Weighted average number of ordinary shares

	Number of shares	
	2009 '000	2008 '000
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic (loss)/earnings per share	5,506,786	5,376,954
Effect of dilutive potential ordinary shares:		
Share options	–	61,093
Convertible notes	–	833,333
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted (loss)/earnings per share	5,506,786	6,271,380

Because the basic loss per share amount attributable to continuing and discontinued operations for the year ended 31 March 2009 was 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 for the Year. Accordingly, there was no diluted loss per share for year ended 31 March 2009.

15. (LOSS)/EARNINGS PER SHARE *(continued)*

(b) From continuing operations

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

	2009 **HK$'000**	2008 HK$'000
(Loss)/profit for the year attributable to equity holders of the Company	**(453,203)**	2,743,860
Loss for the year from discontinued operations	**–**	27,136
(Loss)/profit for the year for the purpose of basic (loss)/earnings per share from continuing operations	**(453,203)**	2,770,996
Interest on convertible notes (Note 10)	**–**	6,759
(Loss)/profit for the year for the purpose of calculation of diluted (loss)/earnings per share from continuing operations	**(453,203)**	2,777,755

(ii) Weighted average number of ordinary shares

	Number of shares	
	2009 **'000**	2008 '000
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic (loss)/earnings per share	**5,506,786**	5,376,954
Effect of dilutive potential ordinary shares:		
Share options	**–**	61,093
Convertible notes	**–**	833,333
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted (loss)/earnings per share	**5,506,786**	6,271,380

Because the basic loss per share amount attributable to continuing operations for the year ended 31 March 2009 was 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 for the Year. Accordingly, there was no diluted loss per share for the year ended 31 March 2009.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

15. (LOSS)/EARNINGS PER SHARE *(continued)*

(c) **From discontinued operations**

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

	2009 HK$'000	2008 HK$'000
Loss for the year from discontinued operations for the purpose of basic and diluted loss per share	–	(27,136)

(ii) *Weighted average number of ordinary shares*

	Number of shares 2009 '000	2008 '000
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic loss per share	5,506,786	5,376,954
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted loss per share	5,506,786	6,271,380

16. DIRECTORS' REMUNERATION

Remuneration paid and payable to the Company's directors for year ended 31 March 2009 and 2008 were as follows:

	Year ended 31 March 2009				
	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	–	3,900	12	885	4,797
Cao Chuan	–	600	–	2,665	3,265
Lee Ming Hin	–	1,083	12	3,402	4,497
Hu Xiaoming (i)	–	25	–	111	136
Cheung Wai Tak	–	867	12	3,211	4,090
Cheng Shouheng (iii)	–	350	–	1,112	1,462
Sun Yan (iv)	–	195	–	235	430
Pang Chun Kit (iv)	–	195	3	87	285
Non-executive director:–					
John MacMillan Duncanson (ii)	42	–	–	509	551
Independent non-executive directors:–					
Lo Cheung Kin	60	–	–	159	219
Zou Zi Ping	60	–	–	26	86
Zhu Jian Hong	60	–	–	26	86
	222	7,215	39	12,428	19,904

(i) Resigned on 29 August 2008
(ii) Resigned on 1 September 2008
(iii) Appointed on 1 September 2008
(iv) Appointed on 1 January 2009

NOTES
TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

16. DIRECTORS' REMUNERATION *(continued)*

	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
Cao Chuan	–	563	1	885	1,449
Lee Ming Hin	–	870	12	885	1,767
Hu Xiaoming	–	60	–	266	326
Ge Wen Hong (i)	–	–	–	–	–
Cheung Wai Tak	–	410	6	1,017	1,433
Non-executive director:–					
John MacMillan Duncanson	50	–	–	509	559
Independent non-executive directors:–					
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

(i) Resigned on 2 October 2007

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.

17. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of the five individuals with highest emoluments in the Group for the year included four (2008: three) directors, details of whose emoluments have been disclosed above.

Details of the emoluments of the remaining one (2008: two) non-director, highest paid individuals for the year are as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries, allowances and benefits in kinds	**3,208**	9,296
Retirement benefits scheme contributions	**–**	–
	3,208	9,296

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
HK$		
1,500,001 – 2,000,000	**–**	–
2,000,001 – 2,500,000	**–**	–
3,000,001 – 3,500,000	**1**	–
3,500,001 – 4,000,000	**–**	1
Over 4,000,000	**–**	1

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Building and construction HK$'000	Turnpike HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 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 construction-in-progress (Note 19)	9,028	–	–	–	–	9,028
Reclassifications	1,435	–	–	(131)	96	1,400
Disposals of subsidiaries (Note 42)	(57,318)	–	–	(53,634)	(13,687)	(124,639)
Disposal/write off	–	–	–	–	(1,100)	(1,100)
At 31 March 2008	–	–	17,798	7,457	13,218	38,473
Acquisition of subsidiaries (Note 41(a))	1,092	639	–	–	3,012	4,743
Exchange difference	(10)	–	401	168	190	749
Additions	9,378	6	–	9,178	8,672	27,234
Transfer from construction in progress (Note 19)	–	–	36,829	–	–	36,829
Disposals/write off	–	–	–	–	(415)	(415)
At 31 March 2009	10,460	645	55,028	16,803	24,677	107,613
Accumulated depreciation						
At 1 April 2007	1,081	–	–	43,422	9,079	53,582
Exchange difference	262	–	45	3,638	560	4,505
Provided during the year	1,427	–	796	3,581	3,067	8,871
Reclassification	1,435	–	–	(15)	(20)	1,400
Write back on disposal	–	–	–	–	(662)	(662)
Disposal of subsidiaries (Note 42)	(4,205)	–	–	(49,282)	(7,706)	(61,193)
At 31 March 2008	–	–	841	1,344	4,318	6,503
Exchange difference	(2)	–	19	31	87	135
Provided during the year	579	151	2,692	2,477	2,903	8,802
Write back on disposal/ write off	–	–	–	–	(165)	(165)
At 31 March 2009	577	151	3,552	3,852	7,143	15,275
Net book value						
31 March 2009	9,883	494	51,476	12,951	17,534	92,338
31 March 2008	–	–	16,957	6,113	8,900	31,970

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.

	The Company		
	Leasehold properties HK$'000	**Furniture, office equipment and motor vehicles** HK$'000	**Total** HK$'000
Cost			
Additions and at 31 March 2009	1,999	1,735	3,734
Accumulated depreciation			
Charge for the year and at 31 March 2009	117	131	248
Net book value			
At 31 March 2009	1,882	1,604	3,486
At 31 March 2008	–	–	–

19. CONSTRUCTION IN PROGRESS

	The Group	
	2009 **HK$'000**	2008 HK$'000
At beginning of year	**36,792**	12,081
Additions	**21,982**	36,792
Transferred to property, plant and equipment (Note 18)	**(36,829)**	(9,028)
Acquisition of subsidiaries (Note 41(a))	**42,299**	–
Exchange difference	**644**	1,016
Adjustment (note i)	**–**	(4,069)
At end of year	**64,888**	36,792

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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent land use rights in the PRC under a medium term lease. Movements during the year are as follows:

		The Group	
	Notes	2009 HK$'000	2008 HK$'000
At beginning of year		**977,642**	18,160
Acquisition of subsidiaries	41(a)	**441,550**	–
Exchange differences		**20,587**	1,523
Additions		**16,058**	980,105
Disposal of subsidiaries	42	–	(5,394)
Disposals		**(33,226)**	–
Amount released to profit or loss	12	**(27,373)**	(16,752)
At end of year		**1,395,238**	977,642
Classified as current assets		**(31,848)**	(20,960)
Classified as non-current assets		**1,363,390**	956,682

21. INVESTMENT PROPERTIES

	Notes	2009 HK$'000	2008 HK$'000
At beginning of the year		–	3,160
Surplus on revaluation	9	–	40
Disposal of subsidiaries	42	–	(3,200)
At end of year		–	–

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

The Group's investment properties were disposed of in the prior year.

22. INTANGIBLE ASSETS

	The Group			
	Goodwill HK$'000	Patent HK$'000	Technical know-how HK$'000	Total HK$'000
Cost:				
At 1 April 2007	85,511	512,122	2,020	599,653
Exchange difference	–	9,900	170	10,070
Disposal of subsidiaries (Note 42)	–	–	(2,190)	(2,190)
At 31 March 2008	85,511	522,022	–	607,533
Acquisition of subsidiaries (Note 41(a))	1,071,184	–	–	1,071,184
Decrease arising from the revision of the Contingent Considerations (Note 41(c))	(967,088)	–	–	(967,088)
Exchange differences	–	11,768	–	11,768
At 31 March 2009	189,607	533,790	–	723,397
Accumulated amortisation:				
At 1 April 2007	–	27,929	67	27,996
Charge for the year	–	25,153	200	25,353
Disposal of subsidiaries (Note 42)	–	–	(274)	(274)
Exchange difference	–	2,158	7	2,165
At 31 March 2008	–	55,240	–	55,240
Charge for the year	–	26,689	–	26,689
Exchange difference	–	1,247	–	1,247
At 31 March 2009	–	83,176	–	83,176
Net carrying amount:				
At 31 March 2009	189,607	450,614	–	640,221
At 31 March 2008	85,511	466,782	–	552,293

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

22. INTANGIBLE ASSETS *(continued)*

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the following cash generating units at their carrying amounts, in ecological forestry business segment:

	The Company	
	2009 **HK$'000**	2008 HK$'000
Paper mulberry trees and other forest assets (note a)	**85,511**	85,511
Jatropha plantation and bio-diesel production (note b)	**104,096**	–
	189,607	85,511

Notes:

(a) **Paper mulberry trees and other forest assets**

The recoverable amount from Paper mulberry trees and other forest assets is determined from value in use calculations. The Group prepares cash flow forecasts derived from the most recent available financial budgets and extrapolates over the following 5 years. In preparing the forecasts, management made reference to the projected wood flows and log prices adopted for the valuation of the Group's other forest assets in Note 25(d), the land reserve presently available for plantation of paper mulberry trees, the anticipated increase in available land reserve as contracted for, and the 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, projected wood flows and anticipated changes to future selling prices, as follows:

– For the estimation of projected wood flows, management has made reference to the existing timber resources, the historical growth rate of forestry industry and the economy in the PRC, and adopted a growth rate of approximately 25% for the first two years.

– Management uses discount rate which is adopted for the valuation of the Group's other forest assets in Note 25(d), 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 assumes the existing price level will prevail in the future and does not concede with an anticipated price drop with the calculation.

22. INTANGIBLE ASSETS *(continued)*

Goodwill *(continued)*

Notes: (continued)

(b) **Jatropha plantation and bio-diesel production**

The recoverable amount from Jatropha plantation and bio-diesel production is determined from value in use calculations. The Group prepares cash flow forecasts derived from the most recent available financial budgets and extrapolates over the following 5 years. In preparing the forecasts, management made reference to the land reserve presently available for plantation, the anticipated increase in available land reserve as contracted for, and the production capacity for bio-diesel. The key assumptions for the value in use calculations are those regarding discount rates, production capacity and anticipated changes to future selling prices, as follows:

– For the estimation of production capacity of bio-diesel, management has made reference to production plant building in progress with a planned production capacity of 100,000 tonnes per annum.

– Management uses discount rate which is adopted for the valuation of the Group's other forest assets (Note 25(d)), and assigned a discount rate of 11.5%.

– Future selling prices are estimated with reference to existing and past quoted commodity prices with the biomass energy industry. In view of the general soar of biodiesel demand over the past few years, management assumes the existing price level will prevail in the future and does 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 is provided on a straight-line basis over the estimated useful live of 20 years.

In testing for any impairment on the Group's patent, management has adopted the value in use calculation using cash flow projection based on cash flow forecasts derived from the most recent available financial budgets and extrapolates over the following 15 years, which is the remaining useful life of the patent. The discount rate applied to the cash flow projections is 11.5%. Management made reference to the land reserve presently available for plantation, the anticipated increase in available land reserve and used a growth rate for new plantation of 100,000 Chinese Mu per annum beyond the 5 year period.

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	3,088,227	572,124
Due from subsidiaries	1,501,609	1,384,025
	4,589,836	1,956,149

At 31 March 2009 and 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.

Particulars of the Company's principal subsidiaries as at 31 March 2009 were 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				
Wan Fu Chun Forest Resource Croup Company Limited (formerly known as Beijing Wan Fu Chun Forest Resources Development Company Limited)	The PRC	Registered RMB487,181,000	100%	Tree plantation and management, manufacture and distribution of forestry products
Yunnan Shenyu New Energy Company Limited	The PRC	Registered RMB16,000,000	100%	Tree plantation and management, manufacture and distribution of forestry products
Chongqing Wan Fu Chun Forestry Development Company Limited	The PRC	Registered RMB20,000,000	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
Qing Hai Hua Zhan Eco-Development Company Limited	The PRC	Registered HK$100,000,000	100%	Ecological activity

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	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**11,043**	19,387
Less: impairment loss	**(11,043)**	–
	–	19,387
Amounts due from jointly-controlled entities	**13,495**	5,193
Less: impairment loss	**(13,495)**	–
	–	5,193

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

	2009	2008
	HK$'000	HK$'000
Total assets	**92,210**	110,540
Total liabilities	**(73,550)**	(57,483)
Net assets	**18,660**	53,057
Group's share of net assets of jointly-controlled entities	**11,043**	19,387
Revenue	**879**	7,359
Loss for the year	**(2,778)**	(5,128)
Group's share of loss of the jointly-controlled entities for the year	**(1,528)**	(4,366)
Attributable to:		
Continuing operations	**(1,528)**	(2,839)
Discontinued operations (Note 13)	**–**	(1,527)
	(1,528)	(4,366)

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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 2009 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
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

The financial statements of the above companies are not audited by Shu Lun Pan Hong Kong CPA Limited or any its member firms.

The amounts due from jointly-controlled entities of HK$13,154,000 are unsecured, interest bearing at 5.4% and is repayable within 3 years from the date of lending. The remaining balance are unsecured, interest-free and have no fixed terms of repayment.

25. BIOLOGICAL ASSETS

	Paper mulberry saplings HK$'000 (note (a))	Paper mulberry trees HK$'000 (note (b))	Jatropha HK$'000 (note (c))	Other forest assets HK$'000 (note (d))	Total HK$'000
At 1 April 2007	21,781	279,860	–	1,296,492	1,598,133
Purchase (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	–	(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/(loss) arising from changes in fair value less estimated point-of-sale-costs	–	(28,322)	–	431,664	403,342
As at 31 March 2008	–	329,970	–	4,798,742	5,128,712
Purchase (at cost of HK$140,714,000 plus fair value gain at recognition of HK$437,381,000)	–	–	–	578,095	578,095
Amortisation of stumps	–	(36,384)	–	–	(36,384)
Acquisition of subsidiaries (Note 41(a))	–	–	787,614	1,267,032	2,054,646
Plantation expenditure incurred	–	5,489	10,431	4,632	20,552
Harvest as agricultural produce	–	(14,334)	–	(99,067)	(113,401)
Exchange differences	–	7,904	(3,458)	93,181	97,627
Gain/(loss) arising from changes in fair value less estimated point-of-sale-costs	–	10,689	(82,425)	(705,136)	(776,872)
Write off	–	(65,837)	–	–	(65,837)
Disposal	–	–	–	(67,857)	(67,857)
As at 31 March 2009	–	237,497	712,162	5,869,622	6,819,281

25. BIOLOGICAL ASSETS *(continued)*

Notes:

(a) **Paper mulberry saplings**

Most of the 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 species Broussonetia Papyriferalvent which is a Moraceae plant under the category of Deciduous Trees.

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 stumps upon commencement of plantation at cost which is added to the carrying value of the stumps.

As at 31 March 2007, the Group maintained consumable paper mulberry saplings of various stages of propagation. All saplings were planted and transferred to the stumps of paper mulberry trees during the year ended 31 March 2008. The Group did not purchase any saplings thereafter.

(b) **Paper mulberry trees**

The Group's paper mulberry trees represent the modified tree species 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 purchase cost 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.

An analysis of the net carrying amount of the stumps as at 31 March 2009 and 2008 is as follows:

	As at 31 March 2009 HK$'000	As at 31 March 2008 HK$'000
At cost less accumulated amortisation:		
Historical cost of procurement	**291,075**	279,314
Less: Accumulated amortisation	**(91,587)**	(55,203)
Net carrying amount	**199,488**	224,111

25. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

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

The Group's paper mulberry trees were valued by LCH (Asia-Pacific) Surveyors Limited ("LCH") as at 31 March 2009, an independent professional valuer.

In view of the non-availability of market value for the trees which are classified as young stands, the Group's paper mulberry trees were valued based on the combination of the cost and income approach and adopted major assumptions as follows:

– market prices (dry ton prices) per ton of bark and trunks of the Group's paper mulberry trees. Recent market transaction prices of dry bark and trunk and the estimated dry tonnage provided in the forestry report issued by an independent forestry consultant in China;
– estimated point-of-sale cost, include the cost of harvesting, transportation, de-barking, drying and handling costs, was estimated at about 25% of the total value;
– an adjustment to allow for the time interval and annual plantation maintenance and silviculture costs between the Forestry Report at 31 March 2010 estimate and 31 March 2009; and
– a discount rate of 11.5%.

During the year ended 31 March 2009, the Group recognised a write off of paper mulberry trees of HK$65,837,000 in relation to plantations on various leasehold land in the PRC whose the lease terms expired during the year. Whilst the Group is negotiating with the landlords for the extension of leases, the directors are of the view that the chance of successful renewal is remote and decided it would be prudent to write off the relevant plantation costs.

(c) **Jatropha**

The Group's Jatropha, acquired through the business combination of Shenyu New Energy Group, are located in the PRC. They were independently valued by Poyry Forest Industry Limited ("Poyry") as at 31 March 2009. In valuing the Group's Jatropha, Poyry has adopted the replacement cost approach by using the compound cost methodology. Compounding is the reverse process to discounting and the valuation used a 20% compounding rate on costs incurred to date. Costs have not been accumulated beyond five years of age, regardless of the actual age of the resource, recognising that Jatropha crops yield fruit five years after planting and can accordingly be regarded as economically mature by this age.

Poyry employed replacement cost approach after consideration of the following essential factors:

– the Jatropha crop has not yet reached large scale commercial production, and the final market conditions are, at best immature; and

– there is a lack of sufficient price and yield information with which to reliably forecast future cashflows using the income method.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

25. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

(d) **Other forest assets**

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

The Group's other forest assets in the PRC were independently valued by Poyry as at 31 March 2009. In valuing the Group's other forest assets, Poyry applied the income expectation approach based on projected wood flows of the Group's forest assets, the projected future pre-tax cash flows, based on their assessment of current timber log price, 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.

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 cost. No allowances has been made for cost improvements in future operations.

26. LONG-TERM PREPAYMENTS

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	
	2009	2008
	HK$'000	HK$'000
Agricultural produce harvested	**–**	38,240
Jatropha's seed	**294**	–
	294	38,240

At 31 March 2009 and 2008, no inventories that were carried at net realisable value (2008: HK$Nil).

28. TRADE RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Trade receivables	**361,523**	125,696
Less: Allowance for doubtful debts	**(58,969)**	–
	302,554	125,696

The Group normally allows credit terms to established customers ranging from 90 to 120 days (2008: 90 to 120 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk, with overdue balances regularly reviewed by senior management. Trade receivables are generally non-interest bearing and their carrying amounts approximate their fair values.

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

	2009	2008
	HK$'000	HK$'000
0-30 days	**11,839**	54,734
31-60 days	**–**	18,902
61-90 days	**–**	8,538
Over 90 days	**349,684**	43,522
	361,523	125,696
Less: Allowance for doubtful debts	**(58,969)**	–
	302,554	125,696

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

28. TRADE RECEIVABLES *(continued)*

(ii) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2009 HK$'000	2008 HK$'000
At beginning of year	–	–
Additional allowance for the year (Note 8)	58,969	7,800
Disposal of subsidiaries (Note 13)	–	(7,800)
At end of year	58,969	–

At 31 March 2009, the Group's trade receivables of HK$270,077,000 (2008: HK$43,522,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, an allowance for doubtful debts of HK$58,969,000 (2008: HK$7,800,000) is made. The Group does not hold any collateral over these balances.

(iii) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows.

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Net yet past due	11,839	82,174	–	–
Less than 1 month past due	–	–	–	–
1 to 3 months past due	4,486	–	–	–
Over 3 months	75,121	–	–	–
	79,607	–	–	–
	91,446	82,174	–	–

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 2009 and 2008 approximate their carrying amounts.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2009	2008
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value	**40,632**	56,949

The above equity securities were designated as financial assets at fair value through profit and 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 profit or loss as other net gain (Note 9).

31. AVAILABLE-FOR-SALE INVESTMENTS

	The Group and the Company	
	2009	2008
	HK$'000	HK$'000
Equity securities listed in London, at fair value	**18,872**	40,714

The above investments represent investments in listed equity securities which 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 2009

32. CASH AND CASH EQUIVALENTS

At 31 March 2009, the cash and cash equivalents of the denominated in Renminbi ("RMB") amounted to approximately HK$104 million (2008: HK$151 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. The remaining balance of the cash and cash equivalents of the Company was denominated in Hong Kong dollars.

33. SHARE CAPITAL

	Number of shares		Ordinary share capital	
	2009	2008	**2009**	2008
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning of year	**5,557,813**	5,062,807	**555,781**	506,281
Placement of new shares (note i)	**–**	539,560	**–**	53,956
Shares issued on exercise of share options (note ii)	**–**	80,000	**–**	8,000
Repurchase of shares (note iii)	**(86,098)**	(124,554)	**(8,609)**	(12,456)
At end of year	**5,471,715**	5,557,813	**547,172**	555,781

Notes:

(i) During the year ended 31 March 2008, the Company raised share issue proceeds, net of related expenses, of approximately HK$1,268,000,000 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 price of HK$2.4 per share to Golden Prince Group Limited, a company incorporated in the British Virgin Islands. Mr. Ng Leung Ho, chairman and executive director of the Company, owned the entire issued share capital of Golden Prince Group Limited. Both 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.

(iii) During the year ended 31 March 2009, by virtue of exercise of the rights granted by the Company's shareholders to the directors under general mandate, the Company repurchased and cancelled on the Stock Exchange of Hong Kong Limited in aggregate of 86,098,000 (2008: 124,554,000) of its ordinary shares of HK$0.1 each at a total consideration before expenses of approximately HK$39,510,000 (2008: HK$174,119,000).

34. TREASURY SHARES

During the year ended 31 March 2008, the Group repurchased 129,742,000 ordinary shares 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.

During the year ended 31 March 2009, the Group repurchased 86,098,000 ordinary shares for a total consideration before expenses of approximately HK$39,511,000 from its shareholders. 86,098,000 ordinary shares have been cancelled and resulted in the reduction of share capital of HK$8,609,000 and share premium of approximately HK$30,901,000 and thus no treasury shares existed as at 31 March 2009.

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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.

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.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

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

On 30 September 2008, a total of 149,000,000 shares 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$0.39 per share. The option shall be exercisable in the following manner:

Starting from	30 September 2008	100%

On 30 October 2008, a total of 12,000,000 shares options were granted to the 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$0.242 per share. The option shall be exercisable in the following manner:

Starting from	1 November 2008 to 31 October 2009	Not more than 40%
	1 November 2009 to 31 October 2010	Not more than 70%
	1 November 2010 to 31 October 2011	The outstanding balance

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

On 23 January 2009, a total of 20,000,000 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$0.286 per share. The option shall be exercisable in the following manner:

Starting from	23 January 2009 to 22 January 2010	Not more than 40%
	23 January 2010 to 22 January 2011	Not more than 70%
	23 January 2011 to 22 January 2012	The outstanding balance

On 9 February 2009, a total of 306,600,000 shares 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$0.295 per share. The option shall be exercisable in the following manner:

Starting from	10 February 2009 to 9 February 2010	Not more than 40%
	10 February 2010 to 9 February 2011	Not more than 70%
	10 February 2011 to 9 February 2012	The outstanding balance

(a) The terms and conditions of the share options that existed at 31 March 2009 and 2008 is as follows:

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of options	Number of options 2009	Number of options 2008
Options granted to directors:						
27 March 2007	3 years from the date of grant	27 March 2008 to 26 March 2017	HK$0.980	10 years	16,900,000	19,900,000
2 October 2007	3 years from the date of grant	3 October 2007 to 2 October 2017	HK$2.610	10 years	6,000,000	9,000,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$0.390	10 years	37,000,000	–
23 January 2009	3 years from the date of grant	23 January 2009 to 22 January 2019	HK$0.286	10 years	20,000,000	–
9 February 2009	3 years from the date of grant	9 February 2009 to 8 February 2019	HK$0.295	10 years	94,000,000	–
Options granted to employees:						
27 March 2007	3 years from the date of grant	27 March 2008 to 26 March 2017	HK$0.980	10 years	85,200,000	85,200,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$0.390	10 years	112,000,000	–
30 October 2008	3 years from the date of grant	1 November 2008 to 31 October 2018	HK$0.242	10 years	12,000,000	–
9 February 2009	3 years from the date of grant	9 February 2009 to 8 February 2019	HK$0.295	10 years	212,600,000	–
					595,700,000	114,100,000

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

At the balance sheet date, the Company had 595,700,000 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 595,700,000 additional ordinary shares of the Company and additional share capital of HK$59,570,000 and share premium of HK$213,329,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 595,700,000 share options outstanding under the Scheme, which represented approximately 10.9% of the Company's shares in issue as at that date.

(b) The number and weighted average exercise prices of share options are as follows:

	2009 Weighted average exercise price HK$	**Number of options**	2008 Weighted average exercise price HK$	Number of options
Outstanding at beginning of year	**1.109**	**114,100,000**	0.980	185,100,000
Granted during the year	**0.322**	**487,600,000**	2.610	9,000,000
Exercised during the year	**–**	**–**	0.980	(80,000,000)
Forfeited during the year	**1.795**	**(6,000,000)**	–	–
Outstanding at end of year	**0.458**	**595,700,000**	1.109	114,100,000
Exercisable at end of year	**0.479**	**347,610,000**	1.267	20,440,000

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.

The weighted average share price at the date of exercise for share options exercised during the year was HK$Nil (2008: HK$0.98). The options outstanding at the end of the year have a weighted average remaining contractual life of 9.4 years (2008: 9 years). In 2008, options were granted on 30 September 2008, 30 October 2008, 23 January 2009 and 9 February 2009. The total estimated fair values of the options granted during the year was HK$67,318,000 (2008: HK$9,154,000) and the Group recognised share-based compensation expense of HK$38,860,000 (2008: HK$24,376,000) during the year ended 31 March 2009.

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) **Fair value of share options and assumptions**

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:

	9 Feb 09	23 Jan 09	30 Oct 08	30 Sept 08
Dividend yield	0%	0%	0%	0%
Annualised volatility (%)	60.21-87.38	60.3-88.42	60.1-83.1	63
Risk-free interest rate (%)	0.14-1.456	0.19-1.291	0.35-2.115	0.11-2.568
Expected life of options (year)	0.5-5	0.5-6	0.5-6	0.5-5
Weighted average share price (HK$)	0.295	0.27	0.245	0.39

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 accrual outcome.

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

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

36. 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 1 April 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 (Note 35)	–	–	–	24,376	–	–	24,376
Repurchase of shares	(161,663)	–	–	–	–	–	(161,663)
Issue of shares	1,213,314	–	–	–	–	–	1,213,314
Change in fair value of available-for-sale investment	–	–	–	–	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
Equity settled share-based transaction (Note 35)	–	–	–	38,860	–	–	38,860
Repurchase of shares	(30,901)	–	–	–	–	–	(30,901)
Change in fair value of available-for-sale investment	–	–	–	–	(21,842)	–	(21,842)
Lapse of share option	–	–	–	(1,773)	–	1,773	–
Loss for the year (Note 14)	–	–	–	–	–	(123,018)	(123,018)
At 31 March 2009	1,655,454	24,543	19,039	59,705	(20,115)	(147,971)	1,590,655

Notes:

(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/(accumulated losses) 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.

37. CONVERTIBLE NOTES

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

	The Group and Company	
	2009 HK$'000	2008 HK$'000
Liability at beginning of year	87,622	82,367
Interest expenses (Note 10)	7,074	6,759
Interest paid	(214)	(966)
Liability at end of year	94,482	88,160
Amount due within one year (interest payable included in other payables and accruals	(1,286)	(538)
Amount classified as non-current liabilities at end of year	93,196	87,622

During the year ended 30 June 2006, pursuant to the business combination of Strong Lead and its subsidiary, 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 Notes**

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).

37. CONVERTIBLE NOTES *(continued)*

(c) **Profit Guarantee**

The vendors of the Strong Lead shares had undertaken to the Company that the total audited consolidated net profit after tax of WFC prepared in accordance with HKFRSs for the two financial years ended 31 December 2006 and 31 December 2007 would not be less than HK$200 million (the "Profit Guarantee"), and would compensate the Company in cash for any shortfall between the Profit Guarantee and the audited consolidated net profit after tax of WFC prepared in accordance with HKFRSs. As the actual net profit after tax of WFC exceeded HK$200 million for the two financial years ended 31 December 2006 and 2007, no compensation to the Company was required.

No conversion rights had been exercised during the years ended 31 March 2008 and 2009. At 31 March 2009, the aggregate outstanding principal amount of the Convertible Notes was HK$100 million. The amortised cost of the Convertible Notes as at 31 March 2009 of approximately HK$93.2 million (2008: HK$87.6 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.

38. 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 1 April 2007	740	70,173	54,568	3,086	128,567
Disposal of subsidiaries (Note 42)	(3,266)	–	–	–	(3,266)
Deferred tax charged/ (credited) to profit or loss (Note 11)	2,500	(66,894)	(54,568)	(920)	(119,882)
Exchange differences	26	(3,279)	–	–	(3,253)
At 31 March 2008	–	–	–	2,166	2,166
Deferred tax credit to profit or loss (Note 11)	–	–	–	(920)	(920)
Effect of change in tax rate (Note 11)	–	–	–	(123)	(123)
At 31 March 2009	–	–	–	1,123	1,123

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

38. 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 1 April 2007	–	–	–	3,086	3,086
Deferred tax credited to profit or loss	–	–	–	(920)	(920)
At 31 March 2008	–	–	–	2,166	2,166
Deferred tax credited to profit or loss (Note 11)	–	–	–	(920)	(920)
Effect of change in tax rate (Note 11)	–	–	–	(123)	(123)
At 31 March 2009	–	–	–	1,123	1,123

(b) At the balance sheet date, the Group has unused tax losses of approximately HK$216,211,000 (2008: HK$42,094,000) 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.

39. 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, was as follows:

	The Group	
	2009 HK$'000	2008 HK$'000
0-30 days	**5,616**	182
31-60 days	**–**	–
61-90 days	**4,340**	–
Over 90 days	**51,002**	29,891
	60,958	30,073

The directors consider that the carrying amount of the Group's trade payables at 31 March 2009 and 2008 approximates their fair values.

40. LONG TERM PAYABLES

Long term payables represent the present value of the consideration payables for the acquisition of certain forest farms of the Group, including biological assets and land use rights, and their related imputed interest arisen from the discounting of such consideration payables.

41. BUSINESS COMBINATION

(a) Financial effect of business combination

On 12 September 2008, the Company completed the acquisition of the entire shareholdings of Shenyu New Energy Group Limited, a company incorporated in the British Virgin Island and held as its principal assets a 100 per cent equity interests in Beijing Shenhao New Energy Technology Company Limited. Beijing Shenhao New Energy Technology Limited owns the entire equity interest in Yunnan Shenyu New Energy Company Limited, which in turn owns 99% equity interest in Shuangbai Shenyu New Energy Base Company Limited (collectively referred to as "Shenyu New Energy Group"). The financial effect of the acquisition is analysed as follows:

	Notes	Acquiree's Carrying amount HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	18	4,743	4,743
Construction in progress	19	42,299	42,299
Biological assets	25	2,054,646	2,054,646
Prepaid lease payments	20	45,977	441,550
Inventories		194	194
Bank and cash balances		19,001	19,001
Other receivables, deposits and prepayment		9,198	9,198
Trade payables		(198)	(198)
Other payables and accruals		(90,512)	(90,512)
Long term payables		(68,845)	(68,845)
Minority interest in net assets acquired		–	(68)
		2,016,503	2,412,008
Goodwill	22		1,071,184
Satisfied by purchase consideration (note (b))			3,483,192

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

41. BUSINESS COMBINATION *(continued)*

(a) **Financial effect of business combination** *(continued)*

Post-acquisition contribution to turnover of Shenyu New Energy Group as included in the Group's consolidated income statement for the year ended 31 March 2009 amounts to HK$ Nil. Post-acquisition loss of Shenyu New Energy Group as included in the Group's consolidated income statement for the year amounted to approximately HK$232 million.

(b) **Analysis of the components of purchase consideration as at the date of acquisition**

The initial assessment of the total consideration paid/payable comprised the following components:

	HK$'000
Initial cash consideration paid during the year	200,000
Initial cash consideration payable (classified as current liabilities)	100,000
Present value of the contingent consideration:	
– Cash consideration payable (note i)	726,620
– Convertible notes to be issued (note ii)	2,079,953
– Conversion option reserve to be issued (note ii)	376,619
Purchase consideration payable	3,183,192
Total purchase consideration (note (a))	3,483,192

According to the terms of the Supplemental Agreement, the total consideration of the acquisition of Shenyu New Energy Group shall be up to a maximum aggregate amount of HK$4,000 million, comprising an initial cash consideration of HK$300 million and a contingent consideration of HK$3,700 million. The contingent consideration is payable by four consecutive installments in August 2009, 2010, 2011 and January 2012 ("Contingent Considerations) and each installment is made up of:

– 30% of the consideration in cash; and
– 70% of the consideration by issue of convertible notes.

The amount payable for each of the four consecutive instalments shall be calculated by the Audited Net Profit, as defined in the Supplemental Agreement, of that relevant instalment multiplied by a price-earning ratio of 5 times and then divided by 3. The price-earning ratio of 5 times has been determined after arm's length negotiation between the Company and the vendor with reference to the business prospect and potential profitability of Shenyu New Energy Group.

41. BUSINESS COMBINATION *(continued)*

(b) Analysis of the components of purchase consideration as at the date of acquisition *(continued)*

Based on management best estimate, it is presumed that:

(i) the total fair value of approximately HK$727 million was recorded as consideration payable which represents the present value of the cash settlement of the Contingent Considerations. It was calculated based on the discount rate as estimated by management; and

(ii) convertible notes with a total principal amount of approximately HK$2,800 million will be issued on 31 August 2009, 2010, 2011, and 31 January 2012. The corresponding fair value was made up of convertible notes of approximately HK$2.080 million and conversion option reserves of approximately HK$377 million as determined by the independent valuer, LCH (Asia Pacific) Surveyors Limited.

The principal terms of the Convertible notes to be issued are as follows:

Aggregated principal amount	HK$2,800 million
Denomination	In multiple of HK$100,000
Interest rate per annum	1.5%, payable semi-annually in arrears
Conversion price applicable	HK$ 2.5, subject to the usual adjustments
Maturity date	4 years from the date of issue
Redemption	Redeemable

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

41. BUSINESS COMBINATION *(continued)*

(c) **Revision of estimated contingent consideration and purchase consideration payable as at 31 March 2009**

After the above initial recognition, the Group re-assessed the estimation of Contingent Considerations as at 31 March 2009 based on the 2009 operating results and the profit forecasts for the years ending 31 March 2010 and 2011 and the six months ending 30 September 2011 of Shenyu New Energy Group and reduced the total purchase consideration and goodwill by HK$967 million (Note 22) as follows:

	Consideration HK$'000	Goodwill HK$'000
Amount based on the initial assessment	3,483,192	1,071,184
Reduction arising from the revision of the Contingent Considerations (Note 22)	(967,088)	(967,088)
Amount as revised	2,516,104	104,096
Less: Initial cash consideration paid during the year	(200,000)	
Add: Imputed interest arising from the discounting of the consideration payable for the acquisition of Shenyu New Energy Group (Note 10)	54,170	
	2,370,274	
Less: Imputed interest included in other payables and accruals	(443)	
Purchase consideration payable	2,369,831	
Less: Initial cash consideration payable (included in current liabilities)	(100,000)	
Revised contingent consideration payable	2,269,831	

(d) **Analysis of the net outflow of cash and cash equivalent as at year ended 31 March 2009 as a result of the acquisition is as follows:**

	HK$'000
Cash portion of purchase consideration paid	200,000
Bank and cash balance acquired	(19,001)
	180,999

42. DISPOSAL OF SUBSIDIARIES

On 28 March 2008, the Group completed the disposal of its holding of 100% in 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 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	2008 HK$'000
Net assets disposed of:		
Property, plant and equipment	18	63,446
Inventories		16,078
Trade receivables		6,246
Intangible assets	22	1,916
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
Investment 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 taxation	38	(3,266)
		123,395
Add: Release of exchange reserve		(9,306)
Write off of amounts due to subsidiaries		69,000
		183,089
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		(32,894)
		170,330

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

43. CONTINGENT LIABILITIES

At 31 March 2009 and 2008, the Company and the Group did not have contingent liabilities.

44. OPERATING LEASE ARRANGEMENTS

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.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**13,618**	9,867	**5,242**	96
In the second to fifth years, inclusive	**21,635**	27,908	**3,931**	–
More than five years	**1,743**	10,010	**–**	–
	36,996	47,785	**9,173**	96

The Group as lessor

On 30 June 2007, the Group's subsidiary, WFC, entered into a lease co-operative rental arrangement with Yunnan Shenyu New Energy Company Limited ("Yunnan Shenyu") in which WFC agreed 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.

Following the acquisition of Yunnan Shenyu as further detailed in Note 41, Yunnan Shenyu is a subsidiary of the Group.

45. CAPITAL COMMITMENTS

At 31 March 2009, the Group had the following commitments:

	2009 HK$'000	2008 HK$'000
Capital commitments contracted but not provided for:		
Construction cost	**45,941**	9,089

46. RELATED PARTY TRANSACTIONS

(a) **Key management compensation**

The remuneration of directors as disclosed in Note 16 and other members of key management during the year was as follows:

	Year ended 31 March 2009 HK$'000	Year ended 31 March 2008 HK$'000
Salaries and other short-term employee benefits	**7,215**	5,930
Post-employment benefits	**39**	54
Share options	**18,037**	5,289
	25,291	11,273

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

The amounts due are unsecured, non-interest bearing and have no fixed repayment terms. A director, Mr Ng Leung Ho is beneficially interested in the companies. No guarantees have given or received. No expenses has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties. During the year ended 31 March 2009, the maximum balance outstanding was HK$93,862,000 (2008: HK$92,976,000).

(c) **Amounts due from directors**

The amounts are due from Ms. Cao Chuan and Cheng Shouheng. The balances are unsecured, interest free and with no fixed repayment terms. The maximum amount outstanding during the year was HK$240,000 (2008: HK$116,000). There was no amount due but unpaid, nor was any provision made against the balance at 31 March 2009 and 2008.

NOTES

TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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 2009 and 2008 are categorised as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Financial Assets		
At fair value through profit or loss – investments held for trading	**40,632**	56,949
Loan and receivable (including cash and bank balances)	**730,850**	1,164,403
Financial Liabilities		
Financial liabilities measured at amortised cost	**3,329,827**	1,177,162

48. COMPARATIVE FIGURES

Amounts due from related companies of HK$92,976,000 as at 31 March 2008 which was previously included in the balance of amounts due to related companies of HK$46,390,000 has been shown separately under current assets in the current year. Accordingly, amounts due to related companies have been restated at HK$139,366,000.