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CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED

中國林大綠色資源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 00910)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2009**

The board of directors (the “Board” or “Directors”) of China Grand Forestry Green Resources Group Limited (formerly known as China Grand Forestry Resources Group Limited) (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2009 together with comparative figures for the year ended 31 March 2008 as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2009

	<i>Notes</i>	2009 HK\$’000	2008 <i>HK\$’000</i>
Continuing operations			
Revenue	2	685,465	1,023,832
(Loss)/gain arising from changes in fair value of biological assets less estimated point-of-sale costs	9	(339,491)	2,097,242
Other income	2	5,847	17,380
Other net (losses)/gains	4	(98,725)	7,393
Cost of inventories and forestry products sold		(336,842)	(276,854)
Write off of biological assets	9	(65,837)	–
Staff costs		(63,884)	(34,835)
Depreciation of property, plant and equipment		(8,802)	(3,777)
Amortisation of biological assets	9	(36,384)	(33,057)
Amortisation of patent		(26,689)	(25,153)
Release of prepaid lease payments		(27,373)	(16,665)
Other operating expenses		(73,815)	(96,263)
Finance costs	5	(65,826)	(7,790)
Share of losses of jointly-controlled entities		(1,528)	(2,839)
(Loss)/profit before taxation	7	(453,884)	2,648,614
Taxation	6	680	122,382

CONSOLIDATED INCOME STATEMENT (CONTINUED)

	<i>Note</i>	2009 HK\$'000	2008 HK\$'000
(Loss)/profit for the year from continuing operations		(453,204)	2,770,996
Discontinued operations			
Loss for the year from discontinued operations		—	(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		—	—
(Loss)/earnings per share for result attributable to the equity holders of the Company	8		
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

CONSOLIDATED BALANCE SHEET

at 31 March 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Biological assets	9	6,819,281	5,128,712
Property, plant and equipment		92,338	31,970
Construction in progress		64,888	36,792
Prepaid lease payments	10	1,363,390	956,682
Long-term prepayments		108,901	112,918
Intangible assets		640,221	552,293
Interests in jointly-controlled entities		–	19,387
Available-for-sale investments		18,872	40,714
		9,107,891	6,879,468
Current assets			
Inventories		294	38,240
Trade receivables	11	302,554	125,696
Prepaid lease payments	10	31,848	20,960
Other receivables, deposits and prepayments		154,117	120,512
Financial assets at fair value through profit or loss		40,632	56,949
Amounts due from jointly-controlled entities		–	5,193
Amounts due from related companies		72,823	92,976
Amounts due from directors		240	116
Cash and cash equivalents		201,116	853,686
		803,624	1,314,328
Total assets		9,911,515	8,193,796

CONSOLIDATED BALANCE SHEET (CONTINUED)

		2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	547,172	555,781
Treasury shares		–	(4,420)
Reserves		<u>6,033,326</u>	<u>6,370,131</u>
		6,580,498	6,921,492
Minority interests		<u>67</u>	<u>–</u>
Total equity		<u>6,580,565</u>	<u>6,921,492</u>
Non-current liabilities			
Long term payables		469,091	–
Purchase consideration payable		2,269,831	–
Convertible notes		93,196	87,622
Deferred taxation		1,123	2,166
		<u>2,833,241</u>	<u>89,788</u>
Current liabilities			
Trade payables	12	60,958	30,073
Other payables and accruals		247,750	1,013,077
Purchase consideration payable		100,000	–
Amounts due to related companies		89,001	139,366
		<u>497,709</u>	<u>1,182,516</u>
Total liabilities		<u>3,330,950</u>	<u>1,272,304</u>
Total equity and liabilities		<u>9,911,515</u>	<u>8,193,796</u>
Net current assets		<u>305,915</u>	<u>131,812</u>
Total assets less current liabilities		<u>9,413,806</u>	<u>7,011,280</u>
Net assets		<u>6,580,565</u>	<u>6,921,492</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations 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.

		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)

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

		Effective date
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 – HKFRS 5	(i) (ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 39 (80) – HKAS 38, HKFRS 2, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16 – HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(i) (ii) (vii)

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

2. 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:

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

3. 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 profit/(loss) information

	Continuing operations		Discontinued operations		Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 loss 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

3. SEGMENTAL INFORMATION (CONTINUED)

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

Assets and liabilities information

	Continuing operations		Discontinued operations		Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	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	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

3. 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	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
	<u>9,767,479</u>	<u>7,994,762</u>	<u>144,036</u>	<u>106,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,976</u>	<u>9,911,515</u>	<u>8,193,796</u>

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

4. OTHER NET (LOSSES)/GAINS

	2009 HK\$'000	2008 HK\$'000
From continuing operations		
Fair value loss on financial assets		
at fair value through profit or loss	(47,239)	(5,609)
Gain on disposal of forest farms*	65,466	-
Allowance for doubtful debts	(58,969)	-
Impairment losses on interests in jointly-controlled entities	(11,043)	-
Impairment losses on amount due from jointly-controlled entities	(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
	<u>(98,725)</u>	<u>7,393</u>

4. OTHER NET (LOSSES)/GAINS (CONTINUED)

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

	Biological assets	Prepaid land use rights	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales proceeds	119,020	47,529	166,549
Carrying amount	(67,857)	(33,226)	(101,083)
	<u>51,163</u>	<u>14,303</u>	<u>65,466</u>
		2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
From discontinued operations			
Fair value gain on financial assets			
at fair value through profit or loss		–	40
Gain on disposal of subsidiaries		–	20,135
Surplus on revaluation of investment properties, net		–	40
Net realised loss on disposal of financial assets			
at fair value through profit or loss		–	(5,400)
Others		–	633
		<u>–</u>	<u>15,448</u>

5. FINANCE COSTS

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Imputed interest arising from the discounting of the consideration payable for the acquisition of Shenyu New Energy Group	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	7,074	6,759
Bank interest	6	–
Interest on promissory notes	–	1,031
	<u>65,826</u>	<u>7,790</u>

6. TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong profits tax		
– current	–	(3,600)
– deferred tax credit	920	–
– resulting from a change in tax rate	123	–
Overseas tax		
– current	(363)	–
– deferred tax credit	–	119,882
	680	116,282
From continuing operations	680	122,382
From discontinued operations	–	(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.

7. (LOSS)/PROFIT BEFORE TAXATION

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Amortisation of intangible assets	26,689	25,153
Amortisation of biological assets	36,384	33,057
Auditors' remuneration	2,100	1,007
Depreciation on property, plant and equipment	8,802	8,871
Minimum lease payments under operating leases on leasehold properties	12,319	7,893
Release of prepaid lease payments	27,373	16,752
Research and development cost	11,401	20,223
Allowance for doubtful debts	58,969	7,800
Provision for obsolete inventories (included in "cost of inventories and forestry products sold")	–	4,155
Directors' remuneration	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)

8. (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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss)/profit for the year attributable to equity holders of the Company	(453,203)	2,743,860
Interest on convertible notes (<i>note 5</i>)	—	6,759
(Loss)/profit for the year attributable to equity holders of the Company used in the dilutive (loss)/earnings per share calculation	<u>(453,203)</u>	<u>2,750,619</u>

(ii) Weighted average number of ordinary shares

	Number of shares	
	2009 <i>'000</i>	2008 <i>'000</i>
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	<u>5,506,786</u>	<u>6,271,380</u>

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, no diluted loss per share was presented for year ended 31 March 2009.

8. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) From continuing operations

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year attributable to equity holders of the Company	(453,203)	2,743,860
(Loss)/profit 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 (<i>note 5</i>)	—	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	2008
	<i>'000</i>	<i>'000</i>
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, no diluted loss per share was presented for the year ended 31 March 2009.

8. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(c) From discontinued operations

(i) Loss attributable to equity holders of the Company

2009	2008
HK\$'000	HK\$'000

Loss for the year from discontinued operations for the purpose of basic and diluted loss per share

<u>–</u>	<u>(27,136)</u>
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(ii) Weighted average number of ordinary shares

Number of shares	
2009	2008
'000	'000

Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic loss per share

<u>5,506,786</u>	<u>5,376,954</u>
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Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted loss per share

<u>5,506,786</u>	<u>6,271,380</u>
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9. BIOLOGICAL ASSETS

	Paper mulberry saplings <i>HK\$'000</i>	Paper mulberry trees <i>HK\$'000</i>	Jatropha <i>HK\$'000</i>	Other forest assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 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-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)
Arising on acquisition of subsidiaries	–	–	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-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

10. 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At beginning of year	977,642	18,160
Acquisition of subsidiaries	441,550	–
Exchange difference	20,587	1,523
Additions	16,058	980,105
Disposal of subsidiaries	–	(5,394)
Disposal	(33,226)	–
Amount released to profit or loss	(27,373)	(16,752)
	<hr/>	<hr/>
At end of year	1,395,238	977,642
	<hr/>	<hr/>
Classified as current assets	(31,848)	(20,960)
	<hr/>	<hr/>
Classified as non-current assets	1,363,390	956,682
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11. TRADE RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	361,523	125,696
Less: Allowance for doubtful debts	(58,969)	–
	<hr/>	<hr/>
	302,554	125,696
	<hr/> <hr/>	<hr/> <hr/>

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.

11. TRADE RECEIVABLES (CONTINUED)

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

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At beginning of year	–	–
Additional allowance for the year	58,969	7,800
Disposal of subsidiaries	–	(7,800)
	<hr/>	<hr/>
At end of year	58,969	–
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2009, the Group's trade receivables of HK\$349,684,000 (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.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Neither past due nor impaired	11,839	82,174
	<hr/> <hr/>	<hr/> <hr/>

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.

12. 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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-30 days	5,616	182
31-60 days	–	–
61-90 days	4,340	–
Over 90 days	51,002	29,891
	<u>60,958</u>	<u>30,073</u>

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

13. SHARE CAPITAL

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

14. CONTINGENT LIABILITIES

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

15. CAPITAL COMMITMENTS

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments contracted but not provided for:		
Construction cost	45,941	9,089

16. 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.

DIVIDEND

The Board does not recommend any final dividend for the Year (2008: HK\$Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 September 2009 to 16 September 2009, both days inclusive, during which period no transfer of shares can be registered. In order to determine the entitlement and vote at the annual general meeting to be held on 16 September 2009, all transfers of shares in the Company accomplished by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 10 September 2009.

CHAIRMAN STATEMENT

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") 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 stabilize 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:

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

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 capitalize 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.

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 amortized 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. unrealized 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.

During the Year, the Group disposed of 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 optimize 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\$430 million, HK\$127 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 optimize 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:

PRODUCT	2009 Amount <i>(HK\$'000)</i>	2008 Amount <i>(HK\$'000)</i>
Processed timber products in various log grades	430,209	885,850
Standing timber	126,855	59,182
Paper mulberry products	69,281	–
Others	59,120	78,800
Total	<u>685,465</u>	<u>1,023,832</u>

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

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\$65,466,000, the analysis of which is set out below:

	Amount <i>(HK\$'000)</i>
Sales proceeds from disposal of standing timber in forest farms	119,020
Sales proceeds from disposal of land use rights of forest farms	<u>47,529</u>
Total sales proceeds	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	<u>(33,226)</u>
Net gain	<u><u>65,466</u></u>

Cost of inventories and forestry products sold

It mainly included timber cost, logging cost, transportation cost, processing cost and others.

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 amortized 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 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 movement of biological assets was disclosed in note 9.

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\$440 million.

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.

Purchase consideration payable

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

Other payables and accruals

Other payables and accruals mainly included payables of forest farms and plantation expenditures. 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.

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").

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, the capital commitment in respect of construction cost which had been made but not provided for by the Group was approximately HK\$45,941,000.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Group mainly uses its Renminbi income receipt for operating 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.

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.

CORPORATE GOVERNANCE

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

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

The Chairman provides leadership to and oversees the effective functioning of the Board. With support of the Chief Executive Officer and the Company Secretary, the Chairman approves Board meeting agenda, and ensures Directors have proper briefing, and timely receive adequate and reliable information, on all Board matters.

The role of the Chairman is separated from that of the Chief Executive Officer, and different persons hold the separate offices. Chief Executive heads the management and focuses on the day-to-day operations of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors, the Group's consolidated financial statements for the year ended 31 March 2009, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

DIRECTORS' SECURITIES TRANSACTIONS

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

PUBLICATION OF RESULTS OF THE STOCK EXCHANGE

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

By order of the Board
China Grand Forestry Green Resources Group Limited
Ng Leung Ho
Chairman

Hong Kong, 24 July 2009

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Cheung Wai Tak, Mr. Cheng Shouheng, Mr. Sun Yan and Mr. Pang Chun Kit being the Executive Directors and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong being the Independent Non-Executive Directors.