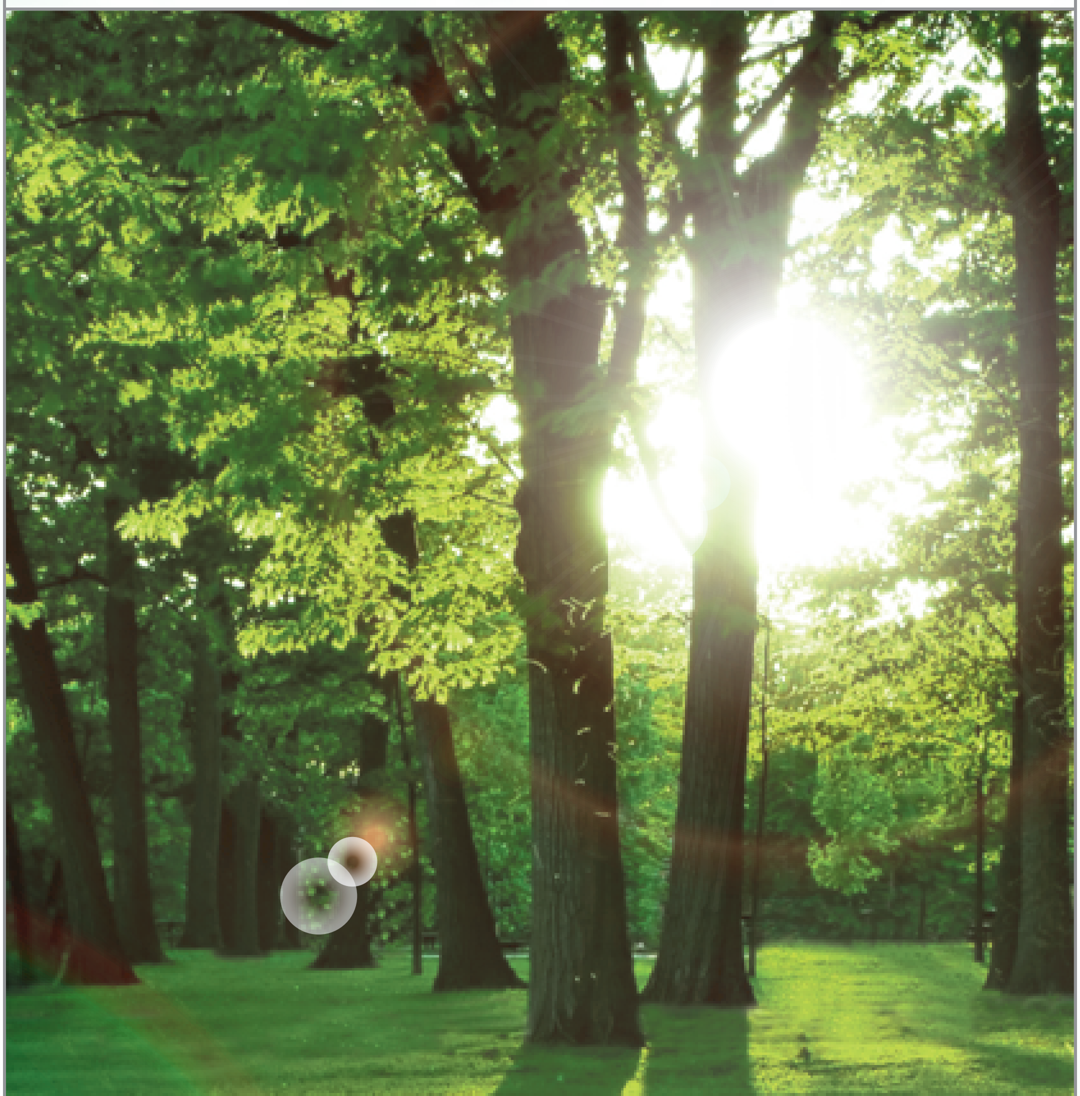
China Grand Forestry Green Resources Group Limited

(Incorporated in Bermuda with limited liability)
Stock code : 910



Annual Report 2009/10

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tse On Kin *(Chairman)*
(appointed on 18 September 2009)
Mr. Pang Chun Kit
Mr. Lau Man Tak
(appointed on 7 April 2010)
Mr. Chi Chi Hung Kenneth
(appointed on 19 May 2010)
Mr. Ng Leung Ho *(Chairman)*
(resigned on 30 September 2009)
Ms. Cao Chuan *(Deputy Chairman)*
(resigned on 30 September 2009)
Ms. Lee Ming Hin
(resigned on 30 September 2009)
Mr. Cheung Wai Tak
(resigned on 30 September 2009)
Mr. Cheung Shouheng
(resigned on 30 September 2009)
Mr. Sun Yan
(resigned on 30 September 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen
(appointed on 18 September 2009)
Mr. Chan Chi Yuen
(appointed on 18 September 2009)
Ms. Xu Lei
(appointed on 1 January 2010)
Mr. Lo Cheung Kin
(resigned on 30 September 2009)
Mr. Zou Zi Ping
(resigned on 30 September 2009)
Mr. Zhu Jian Hong
(resigned on 5 February 2010)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3309-11
33/F., West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Ms. Lai Yeung Fun

AUDITOR

BDO Limited
25th Floor Wing On Centre
111 Connaught Road Central
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

Standard Chartered Bank (Hong Kong) Limited
13/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

PRINCIPAL REGISTRARS AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
(formerly 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

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 2010 together with comparative figures for the year ended 31 March 2009.

For the year, the Group recorded a loss attributable to shareholders of HK$2,481 million, representing a loss of HK39 cents per share. During the year, the Group completed a Very Substantial Disposal Transaction and through which recorded a reduction of a liability of HK$2,370 million.

STATUS OF INDUSTRY DEVELOPMENT AND MARKET REVIEW

China is prone to extreme weather in recent years. Severe droughts and snow storms are a regular occurrence throughout the country.

In the winter 2007 and spring 2008, China suffered from the most massive snow disaster in five decades. During November 2008 to February 2009, northern and central China (12 provinces in 1,370 million hectares) had not had rainfall for more than 100 days. Rainfall on average had been 50 to 80 percent less than that in the past. Since from September 2009, severe drought occurred again and gripped huge areas of Guizhou, Yunnan, and Sichuan provinces, the Guangxi region, and the mega-city of Chongqing for months, with rainfall 60 percent below normal. Worst, in January 2010, China suffered the worst snowstorms in nearly 50 years.

The extreme climate conditions had dealt a serious blow to the country's crops, trees and woody plants and caused a terrible low survival rate to the Group's newly planted biological assets. The deterioration of the forest resources led the Group to an inevitable huge provision for the year.

During the year, there was uncertainty of worldwide economy which led to China's export and manufacturing industry cannot be fully recovered, the local price of timber of the Group experienced a drop during the year. On the other hand, operation costs in China rose due to inflation. The Group therefore scaled down its logging business operation significantly to reduce operating loss and credit risk.

DEVELOPMENT STRATEGIES

The Group had restructured its management team in September 2009. Currently the Group consists of seven directors. The new management has implemented several strategies to add value to the Group.

Bolster financial position

In March 2010, the Group completed a Very Substantial Disposal and through the completion of which the Group removed uncertainty of potential litigation, abandoned a substantial liabilities of HK$2,370 million in the consideration of giving up non-cash assets of HK$1,421 million. A non-cash gain of disposal of approximately HK$949 million was recorded. The Group continues to bolster the financial position by reducing debt level and retaining cash in hand for future business developments.

Explore Jatropha based bio-diesel business

Seed of Jatropha is one of the raw materials of bio-diesel production. Development of bio-diesel is one of the Group's key strategic business developments to enhance the revenue and provide profit for the Group. A trial processing plant of Jatropha based bio-diesel is to commence a trial production in early August 2010.

Scale down traditional logging business

Timber prices have experienced a downward trend since from the financial tsunami in 2008. However, logging costs kept rising which was contributable to the increase of costs in labour, overhead, trucking, road construction, plantation and etc. Traditional logging business of the Group suffered a loss in current year. The Group had to minimize its logging operation to reduce operation losses. On the other hand, management actively seeks for any new resources opportunity to maximize the return to shareholders.

Optimizing forest portfolios

China Forestry Exchange ("CFEX") was established with the approval of the State Council, the State Forestry Administration and Beijing Municipal Government on 23 November 2009. CFEX is a state-level forestry equity and resources exchange platform in China with business functions in forestry equity trading, logs and timber trading and forestry products trading. The Group is actively seeking for chances to optimize its forest portfolios, maximize the value of forestland, timber and other forestry products and so that to increase the return on forestry investment.

PROSPECTS

At the National People's Congress (NPC) 2010 and Chinese People's Political Consultative Conference (CPPCC) 2010, PRC Government highlighted, to proactively address climate change. The target for additional afforestation, for boosting 'greening' efforts and improving forest carbon sequestration, is no less than 5.92 million ha. The Group expects that domestic harvesting in the plantations and domestic timber supply would be tightened, thereby maintaining the forest cover. Thus, the Group has to seek appropriate business opportunities.

The PRC Government encourages to develop new and renewable energy sources. The PRC government sets a target of 15% of the country's energy consumption to come from renewable energy by 2020. Its Renewable Energy Law, enacted in 2006 and strengthened in 2009, requires utilities to buy all available renewable power and pay full price for it. A 2007 Development Plan requires large utilities to source 8% of their power capacity from renewable energy by 2020. Great support for ethanol and biodiesel is expected. The Group is developing the biomass energy business and confident in which will become the Group's growth momentum in the future.

Looking forward, the Group is optimistic about the resources business growth in the coming years to capture business opportunities arising from the surging demand on resources. The Group is aimed to strengthen its competitive edge by optimizing its forest portfolios and will actively sourcing any high-quality resources investment opportunities 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.

Tse On Kin
Chairman

Hong Kong, 27 July 2010

FINANCIAL HIGHLIGHTS

For the year, the Group recorded a turnover of approximately HK$8 million (2009: HK$685 million), representing a decrease of 98% compared with the year ended 31 March 2009. The Group's loss attributable to shareholders was approximately HK$2,481 million, representing a basic loss per share of HK39.07 cents (2009: loss of HK$453 million, representing a basic loss per share of HK8.23 cents).

The loss is mainly attributed to:

1. a non-cash revaluation loss of biological assets of HK$1,842 million and write off of biological assets HK$263 million;

2. write-off of patent and goodwill amounted to HK$411 million and HK$190 million respectively;

3. a significant drop in sales during the year because of the decrease in the demand for and prices of timber products;

In calculating the Group's net loss, there was no share of the result of its joint-venture investment (2009: loss of HK$1.5 million).

During the year, the Group completed a Very Substantial Disposal Transaction and through which a liability of HK$2,370 million was reduced accordingly. As at year ended 31 March 2010, cash in bank and net current assets amounted to HK$606 million and HK$440 million respectively.

DIVIDEND

The Board does not recommend any final dividend for the year (2009: HK$Nil).

REVIEW OF THE ECOLOGICAL FORESTRY BUSINESS

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

As at 31 March 2010, the total area of traditional forest land use rights owned by the Group amounted to approximately 5 million Chinese Mu and is mainly located in Hunan, Yunnan, Guizhou and Chongqing. The tree species mainly include massonpine, broadleaf hardwood, broadleaf tree, pine, foreign pine, Yunnan pine, Chinese pine and coniferous-broad leaved mixed natural forests.

During the year, the Group disposed of substantial standing timber located in certain counties of Yunnan Province amounted to HK$1,018 million. The paragraph "Gain on Disposal of assets" in the Financial Review section would describe the respective financial effect.

(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 mainly focus on Jatropha Curcas L. ("Jatropha"), being used as a raw material for bio-diesel production. The development and cultivation bases are mainly located in Yunnan. During the year, the Group disposed of substantial Jatropha estate amounted to HK$339 million in order to improve the management efficiency, reduce liabilities and allocate appropriate resources to strategic Jatropha estate. The paragraph "Gain on Disposal of assets" in the Financial Review section would describe the respective financial effect. As at 31 March 2010, the Group owned Jatropha estate of approximately 300,000 Chinese Mu in Yunnan Province.

Because of the severity of the financial tsunami and uncertainty on economic development, the previous planned biomass electrical generation related projects suffered a delay in the year.

FINANCIAL REVIEW

Revenue

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

However, logging costs kept rising which was contributable to the increase of costs in labour, overhead, road construction, transportation, etc. Traditional logging business of the Group is not a profitable business any more in this year. The Group had to minimize its logging operation to reduce the operating loss.

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

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

	Loss arising from changes in fair value HK$'000	**Write-off** HK$'000
Other trees	1,772,428	115,407
Paper mulberry trees	50,820	147,201
Liquorices	12,067	–
Jatropha	6,350	–
	1,841,665	262,608

The significant revaluation loss of other trees mainly arising from lower log price, increase of local harvest tax and increase of direct cost expectation.

In addition, the past two years, extreme instable climate led to serious harm to newly planted biological assets which cause the survival rate dropped significantly. A fair value loss and write-off incurred accordingly.

Write off of goodwill and patent

The goodwill is arising from the previous acquisitions of cash-generating units of Paper Mulberry trees business and Jatropha based bio-diesel business. The patent is related to Paper Mulberry trees. During the year, the Group employed an Independent Valuer to evaluate the value of the relevant cash-generating units in order to reflect the fair value of these businesses as at 31 March 2010.

In the Consideration of the valuation result performed by the Independent Valuer, the Group's business development strategies and current economic environment, the Group decided to decrease the development size of both Paper Mulberry trees business and Jatropha based bio-diesel business accordingly. Thus, the recoverable amount from these businesses would decrease and respective intangible assets, included goodwill of HK$190 million and patent of HK$411 million were written off.

Cost of inventories and forestry products sold

The amount decreased in line with the significant drop of sales.

FINANCIAL REVIEW *(continued)*

Other operating expenses

The Group's other operating expenses represent various administrative expenses.

Gains on Disposal of assets

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

The transaction was completed on 31 March 2010 and upon the completion of the Disposal, purchase consideration payable arising from the acquisition of Shenyu New Energy Group Limited has been completely cancelled out and no outstanding amount under the respective Acquisition Agreement was due to or owing to the Purchaser from the Group.

Details of the assets disposed and the financial effect were illustrated as follows:

	Carrying amount HK$'000
Purchase consideration payable cancelled out	2,369,831
Less: Assets disposed of:	
Construction in progress of a hotel development project	32,359
Prepaid lease payment	31,378
Biological assets	1,356,743
	1,420,480
Gain on disposal of assets	949,351

Staff costs

Staff cost included non-cash share based payments expenses of HK$33 million.

Finance costs

Financial costs, included approximately HK$28 million of non-cash imputed interest expenses on payables for acquisitions of certain forest farms and HK$7 million of interest on convertible notes.

Since the purchase consideration payable was fully settled during the year, the respective non-cash imputed interest expense reduced to zero (2009: HK$54 million).

Biological assets

The biological assets of the Group included other forest assets, Jatropha, paper mulberry trees and Liquorice which amounted to HK$2,952 million, HK$379 million, HK$18 million and HK$22 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 and Liquorice.

FINANCIAL REVIEW *(continued)*

Biological assets *(continued)*

The net decrease in value was mainly arising from the disposal of substantial assets of Shenyu New Energy Group amounted to approximately HK$1,357 million, loss arising from changes in fair value of HK$1,842 million and write off of HK$263 million. The movements of biological assets were as follows:

	Liquorices HK$'000	Paper mulberry trees HK$'000	Jatropha HK$'000	Other forest assets HK$'000	Total HK$'000
As at 1 April 2009	–	237,497	712,162	5,869,622	6,819,281
Purchase	–	–	–	182	182
Amortisation of stumps	–	(20,033)	–	–	(20,033)
Disposal	–	–	(338,640)	(1,018,103)	(1,356,743)
Transfer from deposit paid	34,258	–	–	–	34,258
Plantation expenditure incurred	–	378	8,396	7,091	15,865
Harvest as agricultural produce	–	(2,271)	–	(3,325)	(5,596)
Exchange differences	39	870	3,772	27,670	32,351
Loss arising from changes in fair value less costs to sell	(12,067)	(50,820)	(6,350)	(1,772,428)	(1,841,665)
Adjustment#	–	–	–	(43,039)	(43,039)
Write off	–	(147,201)	–	(115,407)	(262,608)
As at 31 March 2010	22,230	18,420	379,340	2,952,263	3,372,253

It represents the adjustments to the final consideration paid in respect of acquisition of forest farms in prior years.

Prepaid lease payments

Prepaid lease payments are the prepayments of land use rights located in the PRC. The amount decreased was mainly due to disposal of a land use right of a hotel development project, amortization and write off amounted to HK$31 million, HK$30 million and HK$57 million respectively.

FINANCIAL REVIEW *(continued)*

Prepaid lease payments *(continued)*

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

	2010 HK$'000
As at 1 April 2009	1,395,238
Exchange differences	7,222
Additions	101
Adjustment#	(4,269)
Disposals	(31,378)
Write-off	(56,924)
Amount released to profit or loss	(30,152)
As at 31 March 2010	1,279,838
Classified as current assets	31,366
Classified as non-current assets	1,248,472

It represented the adjustments to the final consideration paid in respect of acquisition of forest farms in prior years.

Purchase consideration payable

The balances represent the present value of purchase consideration payable arising from the acquisition of Shenyu New Energy Group Limited in 2008, which has been fully settled by the disposal of certain assets of Shenyu New Energy Group Limited during the year.

Other payables, accruals and long term payables

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2010, the Group's cash and bank balances amounted to approximately HK$606 million (2009: HK$201 million), which were principally denominated in Renminbi and Hong Kong dollar. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose.

As at 31 March 2010, the Group had no borrowing (after excluding convertible notes liabilities).

The Group generally finances its operation using internally generated resources. As at 31 March 2010, the Group's net current assets amounted to approximately HK$440 million (2009: HK$306 million). The Group's current ratio, being its current assets as a percentage of its current liabilities, amounted to 209% (2009: 161%).

As at 31 March 2010, the share capital of the Company consisted of 7,907,715,600 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the Company issued convertible notes as alternative financing instruments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(continued)*

As at 31 March 2010, the Group's gearing ratio, measured on the basis of total borrowings (including convertible notes) as a percentage of total shareholders' funds, was approximately 2.1% (2009: 1.4%).

VERY SUBSTANTIAL DISPOSAL ("VSD")

On 31 March 2010, the Company completed the VSD of part of assets of Yunnan Shenyu New Energy Company Limited, a company incorporated in the PRC. The details of the transaction were disclosed in announcement dated on 19 February 2010 and circular published on 12 March 2010.

The detailed financial effects were described in paragraph 'Gain on Disposal of assets' in Financial Review section.

CHARGE ON THE GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2010 and 2009 to secure general banking facilities.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not have contingent liabilities of material amounts.

CAPITAL COMMITMENTS

As at 31 March 2010, capital commitments in respect of construction costs which had been contracted but not provided for by the Group amounted to approximately HK$31 million.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

EMPLOYEES

As at 31 March 2010, the Group employed a total of approximately 200 employees, of which 10 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

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, Chief Financial 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.

RESPONSIBILITIES OF THE BOARD

The Board's primary responsibilities include the formulation of long-term corporate strategies, 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 and divisional heads. 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 rights to seek independent professional advices at the Company's expense.

COMPOSITION OF THE BOARD

The composition of the Board reflects the necessary balance of skills and experience for effective leadership and independence in decision making. As at the date of this report, the Board comprises 7 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 22 to 24 of the Report of the Directors. There are four executive Directors, namely, Mr. Tse On Kin, Mr. Pang Chun Kit, Mr. Lau Man Tak and Mr. Chi Chi Hung Kenneth and three independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Ms. Xu Lei.

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 has appropriate professional qualifications or accounting or related financial management expertise throughout the year ended 31 March 2010.

COMPOSITION OF THE BOARD *(continued)*

The Company has received confirmations from all independent non-executive Directors that they did not have any businesses or financial interests with the Group and were independent as at 31 March 2010 in accordance with Rule 3.13 of the Listing Rules.

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. Tse On Kin as Chairman 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 2010. The Model Code also applies to other specified senior management of the Group.

REMUNERATION OF DIRECTORS

The Company has 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 Ms. Xu Lei. 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.

REMUNERATION OF DIRECTORS *(continued)*

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 six meetings during the year ended 31 March 2010 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.

NOMINATION COMMITTEE

The Company has established a Nomination Committee. The Board is responsible for all matters relating to the appointment of Directors either to fill a casual vacancy or as an addition to the existing Board. Any director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next annual general meeting and shall be eligible for re-election at such meeting. Every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Bye-laws of the Company.

Directors are responsible for identifying suitable qualified candidates and making recommendations to the Board for consideration. The process of selecting and recommending candidates for directorship includes the consideration of referrals and the engagement of external recruitment professionals. The selection criteria is based mainly on the assessment of their professional qualifications and experience relevant to the Company's businesses.

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;

AUDIT COMMITTEE *(continued)*

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 2010 and interim results for the six months ended 30 September 2009 have been reviewed by the Audit Committee.

During the year ended 31 March 2010, 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 2010, fourteen board meetings had been held for reviewing business performance, considering and approving the overall strategies and policies of the Company, and other business matters. Attendance of each member, on a named basis, during the year ended 31 March 2010 is set out in the table below.

	Board Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Audit Committee Meetings
Number of meetings	14	6	6	2
Executive Directors				
Mr. Tse On Kin *(Chairman)*	10/11*	N/A	N/A	N/A
Mr. Pang Chun Kit	14/14	N/A	N/A	N/A
Mr. Lau Man Tak	0/0**	N/A	N/A	N/A
Mr. Chi Chi Hung Kenneth	0/0***	N/A	N/A	N/A
Mr. Ng Leung Ho *(Chairman)*	3/3****	N/A	N/A	N/A
Ms. Cao Chuan *(Deputy Chairman)*	2/3****	N/A	N/A	N/A
Ms. Lee Ming Hin	2/3****	N/A	N/A	N/A
Mr. Cheung Wai Tak	2/3****	N/A	N/A	N/A
Mr. Cheung Shouheng	2/3****	N/A	N/A	N/A
Mr. Sun Yan	1/3****	N/A	N/A	N/A
Independent Non-executive directors				
Dr. Wong Yun Kuen	7/11*	3/3	4/4	1/1
Mr. Chan Chi Yuen	6/11*	3/3	4/4	1/1
Ms. Xu Lei	3/6******	1/1	2/2	0/0
Mr. Lo Cheung Kin	2/3****	2/3	2/2	1/1
Mr. Zou Zi Ping	2/3****	2/3	2/2	1/1
Mr. Zhu Jian Hong	4/9*****	5/6	4/4	2/2
Average Attendance Rate	67%	75%	100%	100%

MEETING ATTENDANCE *(continued)*

* Mr. Tse On Kin, Dr. Wong Yun Kuen and Mr. Chan Chi Yuen were appointed on 18 September 2009.

** Mr. Lau Man Tak was appointed on 7 April 2010.

*** Mr. Chi Chi Hung Kenneth was appointed on 19 May 2010.

**** Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Cheung Wai Tak, Mr. Cheung Shouheng, Mr. Sun Yan, Mr. Lo Sheung Kin, Mr. Zou Zi Ping resigned on 30 September 2009.

***** Mr. Zhu Jian Hong resigned on 5 February 2010.

****** Ms. Xu Lei was appointed on 1 January 2010.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTING

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

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

The Statement of the external auditors of the Company about their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 32 and 33.

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 2010 are HK$880,000 and HK$554,000 respectively.

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 to ensure that the Company maintains a healthy financial position all the time.

During the year ended 31 March 2010, 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 2010, in order to enhance the understanding the Group's operations and developments.

3) Information relating to the Company's financial information is provided through publications 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. 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.

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 2010.

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 22 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Monday, 13 September 2010 to Thursday, 16 September 2010, 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 Thursday, 16 September 2010, 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 Friday, 10 September 2010.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by principal activity and geographical location of markets for the year ended 31 March 2010 is set out in Note 8 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 34.

The Board has resolved not to recommend any dividend for the year ended 31 March 2010.

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 2010 are those set out in the accompanying financial statements on pages 34 to 112. The amounts for the year ended 31 March 2010 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	
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**7,684**	685,465	1,105,078	828,918	360,770
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**(2,481,488)**	(453,204)	2,743,860	1,319,310	83,208

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March			As at 30 June	
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**4,860,650**	9,107,891	6,879,468	2,449,540	955,546
CURRENT ASSETS	**844,618**	803,624	1,314,328	876,864	562,395
TOTAL ASSETS	**5,705,268**	9,911,515	8,193,796	3,326,404	1,517,941
CURRENT LIABILITIES	**405,074**	497,709	1,182,516	524,882	323,000
NON-CURRENT LIABILITIES	**477,463**	2,833,241	89,788	210,934	260,004
TOTAL LIABILITIES	**882,537**	3,330,950	1,272,304	735,816	583,004
MINORITY INTERESTS	**67**	67	–	–	236,818
NET ASSETS	**4,822,731**	6,580,565	6,921,492	2,590,588	934,937

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year ended 31 March 2010 and subsequent thereto are set out in Note 32 to the financial statements.

Details of movements in the Company's share options during the year ended 31 March 2010 are set out in Note 34 to the financial statements.

CONVERTIBLE NOTES

Details of movements in the Company's convertible notes during the year ended 31 March 2010 are set out in Note 36 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

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 35 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, 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$2,036,299,000 as at 31 March 2010, 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 100% of the total sales for the year and the sales to the largest customer included therein amounted to 41%.

During the year, there was no purchase of materials from suppliers. All the cost of products sold represented amortization of self-owned biological assets, transportation costs, direct labor costs and local harvest tax.

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.

DIRECTORS

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

Executive directors

Mr. Tse On Kin *(Chairman)*	(appointed on 18 September 2009)
Mr. Pang Chun Kit	
Mr. Lau Man Tak	(appointed on 7 April 2010)
Mr. Chi Chi Hung Kenneth	(appointed on 19 May 2010)
Mr. Ng Leung Ho *(Chairman)*	(resigned on 30 September 2009)
Ms. Cao Chuan *(Deputy Chairman)*	(resigned on 30 September 2009)
Ms. Lee Ming Hin	(resigned on 30 September 2009)
Mr. Cheung Wai Tak	(resigned on 30 September 2009)
Mr. Cheung Shouheng	(resigned on 30 September 2009)
Mr. Sun Yan	(resigned on 30 September 2009)

Independent non-executive directors

Dr. Wong Yun Kuen	(appointed on 18 September 2009)
Mr. Chan Chi Yuen	(appointed on 18 September 2009)
Ms. Xu Lei	(appointed on 1 January 2010)
Mr. Lo Cheung Kin	(resigned on 30 September 2009)
Mr. Zou Zi Ping	(resigned on 30 September 2009)
Mr. Zhu Jian Hong	(resigned on 5 February 2010)

In accordance with the Bye-laws 111(A) and 111(B) of the Company, Mr. Pang Chun Kit shall retire from office by rotation at the forthcoming annual general meeting and being eligible, offer himself for re-election at the forthcoming annual general meeting. Pursuant to Bye-law 115 of the Company, Mr. Tse On Kin, Mr. Lau Man Tak, Mr. Chi Chi Hung Kenneth, Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Ms. Xu Lei, 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.

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

Executive directors

Mr. Tse On Kin, aged 48, was appointed as an executive director on 18 September 2009 and re-designated as the Chairman of the Company on 30 September 2009. Mr. Tse has over 20 years of management experience covering corporate planning, restructure, business development, project injection, merger and acquisition. Mr. Tse has a bachelor degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the Chairman and an executive director of Kong Sun Holdings Limited (Stock code: 295) and Climax International Company Limited (Stock code: 439), a non-executive director of Asia Energy Logistics Group Limited (Stock code: 351) and an independent non-executive director of Value Convergence Holdings Limited (Stock code: 821). Mr. Tse was also the former chairman of New Times Energy Corporation Limited (Stock code: 166) from May 2007 to April 2009 and Asia Energy Logistics Group Limited from March 2006 to March 2007, an executive director of Mexan Limited (Stock code: 22) from March 2005 to July 2007, a non-executive director of Climax International Company Limited from September 2007 to August 2008 and New Times Energy Corporation Limited from May 2009 to November 2009.

Mr. Pang Chun Kit, aged 37, the chief financial officer of the Company, responsible for financial management, merger and acquisition affairs of the Company. Mr. Pang graduated from the Hong Kong Polytechnic University with a Bachelor degree in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, having over ten year's experience in various kinds of auditing, financial, merger and acquisition, fund raising and investor relationship work. Mr. Pang was the former chief financial officer and joint company secretary of Lingbao Gold Company Ltd. (Stock code: 3330), the shares of which are listed on The Stock Exchange of Hong Kong Limited, and the former audit manager of Deloitte Touche Tohmatsu.

Mr. Lau Man Tak, aged 40, holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University. He has more than 15 years of experience in corporate finance, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. Mr. Lau is an independent non-executive director of each of Climax International Company Limited (Stock code: 439), Golden Resorts Group Limited (Stock code: 1031) and Kong Sun Holdings Limited (Stock code: 295), which are listed on the main board of The Stock Exchange of Hong Kong Limited. He was also a former executive director of Warderly International Holdings Limited (Stock code: 607) from December 2007 to January 2010.

Mr. Chi Chi Hung Kenneth, aged 41, has over 18 years of experience in accounting and financial control. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive Director of Hua Yi Copper Holdings Limited (stock code: 559) and M Dream Inworld Limited (stock code: 8100), and an independent non-executive Director of ZMAY Holdings Limited (stock code: 8085) and Aurum Pacific (China) Group Limited (stock code: 8148).

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

(continued)

Independent non-executive directors

Dr. Wong Yun Kuen, aged 52, received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768) and the independent non-executive director of Bauhaus International (Holdings) Limited (stock code: 483), Climax International Company Limited (stock code: 439), Golden Resorts Group Limited (stock code: 1031), Harmony Asset Limited (stock code: 428), Hua Yi Copper Holdings Limited (stock code: 559), Kaisun Energy Group Limited (stock code: 8203), Kong Sun Holdings Limited (stock code: 295), China Yunnan Tin Minerals Group Company Limited (stock code: 263) and ZMAY Holdings Limited (stock code: 8085). Dr. Wong was also an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010, and Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010, and the chairman and executive director of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010. All the companies mentioned above are listed companies in Hong Kong.

Mr. Chan Chi Yuen, aged 43, holds a bachelor degree with honours in Business Administration and a master of science degree in Corporate Governance and Directorship. He is a fellow of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance. Mr. Chan is currently an independent non-executive director of Asia Energy Logistics Group Holdings Limited (Stock code: 351), China Gamma Group Limited (Stock code: 164), China Gogreen Assets Investment Limited (Stock code: 397), Richly Field China Development Limited (Stock code: 313), Rojam Entertainment Holdings Limited (Stock Code: 8075) and The Hong Kong Building and Loan Agency Limited (Stock code: 145). Mr. Chan was an executive director of New Times Energy Corporation Limited (Stock code: 166) since 10 May 2006 and was redesignated as a non-executive director from 25 October 2006 onwards. Mr. Chan was also an executive director of Kong Sun Holdings Limited (Stock code: 295) from February 2007 to November 2009, Amax Holdings Limited (Stock code: 959) from August 2005 to January 2009 and China E-Learning Group Limited (Stock code: 8055) from July 2007 to September 2008 and an independent non-executive director of Superb Summit International Timber Company Limited (Stock code: 1228) from April 2007 to June 2010.

Ms. Xu Lei, aged 31, was appointed as an independent non-executive director, a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 1 January 2010. Ms. Xu holds a bachelor degree in Journalism. Ms. Xu has more than 5 years working experience with Hong Kong Wen Wei Po and has obtained several press awards.

Senior management

Ms. Lai Yeung Fun, aged 31, has joined the Company as Assistant Financial Controller since 1 February 2010 and was appointed as Company Secretary on 23 March 2010. She has over 7 years experience in various financial accounting and auditing work. Prior joining the Company, she had worked with PricewaterhouseCoopers Limited for about 5 years. Ms. Lai holds a Bachelor Degree of Business Administration (Honours) in Accountancy from the City University of Hong Kong. She currently is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(continued)*

Ms. Cao Chuan, aged 52, BEng. She currently is the chief executive officer of the Company and had served as an executive director, the deputy chairman of the Company from May 2007 to September 2009. 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 business of tree plantation and management, manufacture and distribution of forestry products.

Mr. Cheng Shouheng, aged 52, had served as an executive director of the Company from May 2008 to September 2009. 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 10 years of experience in the forest industry.

DIRECTORS' SERVICE CONTRACTS

Mr. Pang Chun Kit, being an executive director, has entered into a service contract with the Company for a term of three years commencing on 1 January 2009.

Mr. Tse On Kin was appointed as an executive director for a term of three years commencing on 18 September 2009. Mr. Tse has not entered into service contract with the Company.

Each of Dr. Wong Yun Kuen and Mr. Chan Chi Yuen, being an independent non-executive director, has each entered into a service contract with the Company for a term of three years commencing on 18 September 2009.

Ms. Xu Lei, being an independent non-executive director, has each entered into a service contract with the Company for a term of three years commencing on 1 January 2010.

Mr. Lau Man Tak was appointed as an executive director for a term of three years commencing on 7 April 2010. Mr. Lau has not entered into service contract with the Company.

Mr. Chi Chi Hung Kenneth was appointed as an executive director for a term of three years commencing on 19 May 2010. Mr. Chi has not entered into service contract with the Company.

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 2010, 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	Interest in underlying shares (share option)	Total interests (including underlying shares) as % of issued share capital	*Note*
Mr. Tse On Kin	–	–	–	–	0.00%	78,900,000	1.00%	1
Mr. Pang Chun Kit	500,000	3,450,000	–	3,950,000	0.05%	22,000,000	0.33%	2
Mr. Chi Chi Hung Kenneth	–	–	–	–	0.00%	26,900,000	0.34%	1

Notes:

1. The interests in underlying shares attributed to Mr. Tse On Kin and Mr. Chi Chi Hung Kenneth respectively represents share options to subscribe for 78,900,000 and 26,900,000 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.

2. 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;

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES *(continued)*

(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.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

The New Scheme

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

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

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

SHARE OPTION SCHEME *(continued)*

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.

SHARE OPTION SCHEME *(continued)*

Particulars of options granted under the New Scheme during the year ended 31 March 2010 and remained outstanding up to 31 March 2010 are as follows:

	Number of shares options							
	Beginning of the year	Granted of the year	Exercised of the year	Cancelled of the year	End of of the year	Subscription per share	Date of grant of share option	Exercisable period
Directors								
Mr. Tse On Kin	–	78,900,000	–	–	78,900,000	HK$0.290	2 March 2010	2 March 2010 to 1 March 2013
Mr. Pang Chun Kit	6,000,000	–	–	–	6,000,000	HK$0.980	27 March 2007	1 April 2007 to 31 March 2017
	6,000,000	–	–	–	6,000,000	HK$0.390	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. Ng Leung Ho*	6,000,000	–	–	(6,000,000)	–	HK$0.980	27 March 2007	1 April 2007 to 31 March 2017
Ms. Cao Chuan*	10,000,000	–	–	–	10,000,000	HK$0.980	27 March 2007	1 April 2007 to 31 March 2017
	10,000,000	–	–	–	10,000,000	HK$0.390	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$0.980	27 March 2007	1 April 2007 to 31 March 2017
	15,000,000	–	–	–	15,000,000	HK$0.390	30 September 2008	30 September 2008 to 29 September 2018
	25,000,000	–	(10,000,000)	–	15,000,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
	–	78,900,000	–	–	78,900,000	HK$0.290	2 March 2010	2 March 2010 to 1 March 2013
Mr. Cheung Wai Tak*	6,000,000	–	–	–	6,000,000	HK$2.610	2 October 2007	3 October 2007 to 2 October 2017
	6,000,000	–	–	–	6,000,000	HK$0.390	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$0.390	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

SHARE OPTION SCHEME *(continued)*

	Number of shares options							
	Beginning of the year	Granted of the year	Exercised of the year	Cancelled of the year	End of of the year	Subscription per share	Date of grant of share option	Exercisable period
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$0.980	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	191,900,000	157,800,000	(10,000,000)	(15,900,000)	323,800,000			
Employees	73,200,000	–	–	(58,600,000)	14,600,000	HK$0.980	27 March 2007	1 April 2007 to 31 March 2017
	106,000,000	–	–	(24,000,000)	82,000,000	HK$0.390	30 September 2008	30 September 2008 to 29 September 2018
	12,000,000	–	–	(2,000,000)	10,000,000	HK$0.242	30 October 2008	30 October 2008 to 29 October 2018
	212,600,000	–	–	(114,000,000)	98,600,000	HK$0.295	9 February 2009	9 February 2009 to 8 February 2019
	–	500,300,000	–	–	500,300,000	HK$0.290	2 March 2010	2 March 2010 to 1 March 2013
Sub-total	403,800,000	500,300,000	–	(198,600,000)	705,500,000			
Total	595,700,000	658,100,000	(10,000,000)	(214,500,000)	1,029,300,000			

* Mr. Ng Leung Ho, Ms. Cao Chuan, Ms. Lee Ming Hin, Mr. Cheung Wai Tak, Mr. Cheng Shouheng, Mr. Sun Yan resigned as executive directors of the Company since from 30 September 2009.

** Mr. Zou Zi Ping, Mr. Lo Cheung Kin resigned as independent non–executive directors of the Company since from 30 September 2009.

*** Mr. Zhu Jian Hong resigned as independent non–executive director of the Company since from 5 February 2010.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit scheme in operation for the year ended 31 March 2010 are set out in Note 3(t)(i) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, so far as was known to the Directors or chief executive of the Company, the following interests of which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Name	Class of Shares	Capacity	Number of shares	Percentage of holding
Mrs. Chu Yuet Wah	Ordinary	Beneficial Owner	890,000,000 *(Note 1)*	11.25%
Best China Limited	Ordinary	Beneficial Owner	880,000,000 *(Note 2)*	11.12%

Notes:

1. The beneficial interests of Mrs. Chu Yuet Wah in 890,000,000 Shares comprise corporate interest in 880,000,000 Shares, held through Best China Limited, and 10,000,000 Share Options held through Kingston Corporate Finance Limited.

2. The entire issued share capital of Best China Limited is beneficially owned by Mrs. Chu Yuet Wah.

Saved as disclosed above, as at 31 March 2010, the Company had not notified by any persons (other than the Directors of the Company and the chief executive of the Group) who had interests or short positions in the Shares or underlying shares of the Company which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the 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. Chan Chi Yuen, Dr. Wong Yun Kuen, Ms. Xu Lei. The audit committee has reviewed the accompanying financial statements prior to their publication.

AUDITORS

The financial statements have been audited by BDO Limited.

On behalf of the Board

Mr. Tse On Kin
Chairman

Hong Kong, 27 July 2010

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

We have audited the consolidated 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 34 to 112, which comprise the consolidated and company statements of financial position as at 31 March 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made to report 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.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 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.

BDO LIMITED
Certified Public Accountants

Lam Pik Wah
Practising Certificate number P05325

Hong Kong, 27 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	7,684	685,465
Loss arising from changes in fair value less costs to sell of biological assets	24	(1,841,665)	(339,491)
Other income	7	3,866	5,847
Other net gains/(losses)	9	573	(98,725)
Write-off of patent	21	(411,362)	–
Write-off of goodwill	21	(189,607)	–
Cost of inventories and forestry products sold		(7,800)	(336,842)
Impairment loss on available-for-sale investment		(25,146)	–
Gain on disposal of assets	42	949,351	–
Write-off of biological assets	24	(262,608)	(65,837)
Write-off of prepaid lease payments	20	(56,924)	–
Staff costs	12	(66,911)	(63,884)
Depreciation of property, plant and equipment	18	(14,172)	(8,802)
Amortisation of biological assets	24	(20,033)	(36,384)
Amortisation of patent	21	(26,803)	(26,689)
Release of prepaid lease payments	20	(30,152)	(27,373)
Other operating expenses		(80,937)	(73,815)
Finance costs	10	(35,164)	(65,826)
Share of losses of jointly-controlled entities	23	–	(1,528)
Loss before taxation	12	(2,107,810)	(453,884)
Taxation	11	(373,678)	680
Loss for the year		(2,481,488)	(453,204)
Other comprehensive income, net of tax:	14		
Exchange differences on translating foreign operations		20,443	137,097
Change in fair value of available-for-sale financial assets		20,115	(21,842)
Release of exchange reserve on disposal of interests in overseas subsidiaries		(8,510)	–
Other comprehensive income for the year, net of tax		32,048	115,255
Total comprehensive income for the year		(2,449,440)	(337,949)
Loss for the year attributable to:			
Owners of the Company	13	(2,481,488)	(453,203)
Minority interest		–	(1)
		(2,481,488)	(453,204)
Total comprehensive income for the year attributable to:			
Owners of the Company		(2,449,440)	(337,948)
Minority interest		–	(1)
		(2,449,440)	(337,949)
Loss per share	15		
– Basic		HK(39.07) cents	HK(8.23) cents
– Diluted		HK(39.07) cents	HK(8.23) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Biological assets	24	**3,372,253**	6,819,281
Property, plant and equipment	18	**88,036**	92,338
Construction in progress	19	**30,566**	64,888
Prepaid lease payments	20	**1,248,472**	1,363,390
Long-term prepayments	25	**93,398**	108,901
Intangible assets	21	**14,083**	640,221
Interests in jointly-controlled entities	23	**–**	–
Available-for-sale investment	30	**13,842**	18,872
		4,860,650	9,107,891
Current assets			
Inventories	26	**384**	294
Trade receivables	27	**1,306**	302,554
Prepaid lease payments	20	**31,366**	31,848
Other receivables, deposits and prepayments	28	**90,840**	154,117
Financial assets at fair value through profit or loss	29	**114,770**	40,632
Amounts due from jointly-controlled entities	23	**–**	–
Amounts due from related companies	46(b)	**–**	72,823
Amounts due from directors	46(c)	**–**	240
Cash and cash equivalents	31	**605,952**	201,116
		844,618	803,624
Total assets		**5,705,268**	9,911,515
Current liabilities			
Trade payables	38	**17,239**	60,958
Other payables and accruals		**211,519**	247,750
Purchase consideration payable	40(d)	**–**	100,000
Amount due to related companies	46(b)	**–**	89,001
Convertible notes payable	36	**99,125**	–
Tax payable		**77,191**	–
		405,074	497,709
Net current assets		**439,544**	305,915
Total assets less current liabilities		**5,300,194**	9,413,806

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Long term payables	39	**179,691**	469,091
Purchase consideration payable	40(d)	**–**	2,269,831
Convertible notes payable	36	**–**	93,196
Deferred taxation	37	**297,772**	1,123
		477,463	2,833,241
Total net assets		**4,822,731**	6,580,565
Capital and reserves attributable to owners of Company			
Share capital	32	**790,772**	547,172
Reserves		**4,031,892**	6,033,326
Equity attributable to owners of the Company		**4,822,664**	6,580,498
Minority interests		**67**	67
Total equity		**4,822,731**	6,580,565

The financial statements on pages 34 to 112 were approved and authorised for issue by the Board of Directors on 27 July 2010.

Mr. Tse On Kin
Director

Mr. Pang Chun Kit
Director

STATEMENT OF FINANCIAL POSITION

at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	22	2,255,413	4,589,836
Property, plant and equipment	18	3,110	3,486
Available-for-sale investments	30	13,842	18,872
		2,272,365	4,612,194
Current assets			
Other receivables, deposits and prepayments		12,523	1,162
Amounts due from related companies	46(b)	–	45,544
Cash and cash equivalents	31	518,504	30,039
		531,027	76,745
Total assets		2,803,392	4,688,939
Current liabilities			
Other payables and accruals		5,963	3,705
Convertible notes payable	36	99,125	–
Purchase consideration payable	40(d)	–	100,000
Amount due to a related company	46(b)	–	83,257
		105,088	186,962
Net current assets/(liabilities)		425,939	(110,217)
Total assets less current liabilities		2,698,304	4,501,977
Non-current liabilities			
Purchase consideration payable	40(d)	–	2,269,831
Convertible notes payable	36	–	93,196
Deferred taxation	37	144	1,123
		144	2,364,150
Total net assets		2,698,160	2,137,827
Capital and reserves attributable to owners of the Company			
Share capital	32	790,772	547,172
Reserves	35	1,907,388	1,590,655
Total equity		2,698,160	2,137,827

The financial statements on pages 34 to 112 were approved and authorised for issue by the Board of Directors on 27 July 2010.

Mr. Tse On Kin
Director

Mr. Pang Chun Kit
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2010

	Share capital HK$'000 (note 32)	Treasury stock HK$'000	Share premium account HK$'000	Share-based compensation reserve HK$'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	Equity attributable to owners of the Company HK$'000	Minority interest HK$'000	Total HK$'000
As 1 April 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	–	6,921,492
Total comprehensive income for the year	–	–	–	–	–	–	(21,842)	–	–	137,097	–	(453,203)	(337,948)	(1)	(337,949)
Lapse of share options	–	–	–	(1,773)	–	–	–	–	–	–	–	1,773	–	–	–
Equity settled share-based transactions	–	–	–	38,860	–	–	–	–	–	–	–	–	38,860	–	38,860
Repurchase of shares	(8,609)	–	(30,901)	–	–	–	–	–	–	–	–	–	(39,510)	–	(39,510)
Share in reserve movement of jointly-controlled entities	–	–	–	–	–	(976)	–	–	(5,366)	(474)	–	–	(6,816)	–	(6,816)
Reserves appropriation	–	–	–	–	–	–	–	162	–	–	–	(162)	–	–	–
Arising on business combination (Note 40(a))	–	–	–	–	–	–	–	–	–	–	–	–	–	68	68
Treasury shares	–	4,420	–	–	–	–	–	–	–	–	–	–	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	6,580,498	67	6,580,565

	Share capital HK$'000 (note 32)	Treasury stock HK$'000	Share premium account HK$'000	Share-based compensation reserve HK$'000	Subscription right reserve HK$'000 (note i)	Investment revaluation reserve HK$'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$'000	Equity attributable to owners of the Company HK$'000	Minority interest HK$'000	Total HK$'000
At 1 April 2009	547,172	–	1,655,454	59,705	24,543	(20,115)	136,981	3,751	549,314	19,039	3,604,654	6,580,498	67	6,580,565
Total comprehensive income for the year	–	–	–	–	–	20,115	–	–	11,933	–	(2,481,488)	(2,449,440)	–	(2,449,440)
Lapse of share option	–	–	–	(28,539)	–	–	–	–	–	–	28,539	–	–	–
Transfer of reserves	–	–	–	–	–	–	160	–	–	–	(160)	–	–	–
Equity settled share-based transactions	–	–	–	68,454	–	–	–	–	–	–	–	68,454	–	68,454
Top-up placement	242,600	–	377,602	–	–	–	–	–	–	–	–	620,202	–	620,202
Issue of new shares from exercise of share options	1,000	–	3,243	(1,293)	–	–	–	–	–	–	–	2,950	–	2,950
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	–	318	–	–	(318)	–	–	–
At 31 March 2010	790,772	–	2,036,299	98,327	24,543	–	137,141	4,069	561,247	19,039	1,151,227	4,822,664	67	4,822,731

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 not less than 10% percentage of the profit after taxation to a statutory reserve fund until the fund aggregate to 50% of their respective registered capital. The statutory reserve fund can be converted into share capital of the subsidiaries, and subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve fund may be used to offset the accumulated losses 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Operating activities			
Loss before taxation		(2,107,810)	(453,884)
Bank interest income		(445)	(5,724)
Imputed interest income		(3,372)	–
Dividend income from listed investments		(49)	(123)
Equity-settled share option expenses		68,454	38,860
Finance costs	10	35,164	65,826
Amortisation of patent		26,803	26,689
Amortisation of biological assets		20,033	36,384
Depreciation on property, plant and equipment		14,172	8,802
Net realised gain on disposal of financial assets at fair value through profit or loss		(5,553)	(575)
Fair value loss on financial assets at fair value through profit or loss		23,978	47,239
Gain on disposal of assets	42	(949,351)	–
Impairment losses on interest in jointly-controlled entities		–	11,043
(Reversal of)/impairment losses on amount due from jointly-controlled entities		(13,542)	13,495
Release of prepaid lease payments		30,152	27,373
Gain on disposal of subsidiaries	41	(9,910)	–
Gain on disposal of forest farms		–	(65,466)
Share of losses of jointly-controlled entities		–	1,528
Impairment loss on trade receivables		6,008	58,969
Impairment loss on long term prepayments		17,189	–
Write-off of biological assets		262,608	65,837
Write-off of prepaid lease payments		56,924	–
Impairment loss on available-for-sale investment		25,146	–
Write-off of goodwill		189,607	–
Write-off of patent		411,362	–
Loss on changes in fair value less costs to sell of biological assets		1,841,665	339,491
Loss on disposal of property, plant and equipment		119	205
Effect of foreign exchange differences		(1,207)	(8,458)
Operating (loss)/profit before working capital changes		(61,855)	207,511
(Increase)/decrease in inventories		(90)	38,140
Decrease/(increase) in trade receivables		117,230	(235,827)
(Increase)/decrease in other receivables, deposits and prepayments		(5,171)	19,221
(Decrease)/increase in trade payables		(43,719)	30,687
Increase/(decrease) in other payables and accruals		331	(17,510)
Decrease/(increase) in amount due from a director		240	(124)
Cash generated from operations		6,966	42,098
PRC profits tax paid		(495)	(363)
Net cash generated from operating activities		6,471	41,735

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Investing activities			
Interest received		445	5,724
Dividend income received from listed investments		49	123
Increase of biological assets due to plantation		(15,865)	(20,552)
Decrease of biological assets due to harvest		5,596	113,401
Net cash outflow on acquisition of a subsidiary	40(b)	–	(180,999)
Purchases of property, plant and equipment		(149)	(27,234)
Settlement of payable of acquisition of biological assets (including prepaid land use rights)		(114,753)	(549,406)
Decrease in receivable from securities dealers		–	41,545
Increase in construction in progress		(7,303)	(21,982)
Increase in long term prepayments		–	(44,226)
Net cash inflow arising on disposal of subsidiaries	41	14,979	–
Proceeds from disposal of financial assets at fair value through profit or loss		35,570	27,955
Purchases of financial assets at fair value through profit or loss		(128,132)	(58,301)
Proceeds from disposal of property, plant and equipment		211	45
Increase in amount due from jointly-controlled entity		–	(8,301)
Proceeds from disposal of forest farms		–	81,376
Net cash used in investing activities		(209,352)	(640,832)
Financing activities			
Interest paid		–	(220)
Decrease in amounts due from related companies		72,823	20,153
Decrease in amounts due to related companies		(89,001)	(50,365)
Proceeds from exercise of share option		2,950	–
Repurchase of shares		–	(35,090)
Proceeds from placing and subscription of shares		620,202	–
Net cash generated from/(used in) financing activities		606,974	(65,522)
Net increase/(decrease) in cash and cash equivalents		404,093	(664,619)
Cash and cash equivalents at beginning of year		201,116	853,686
Effect of foreign exchange rate changes		743	12,049
Cash and cash equivalents at end of year		605,952	201,116
Analysis of balances of cash and cash equivalents at end of year			
Bank and cash balances		605,952	201,116

for the year ended 31 March 2010

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 22 to the financial statements.

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

(a) Adoption of new and revised HKFRSs

The Group has adopted the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual period beginning on or after 1 July 2009.
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRSs 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

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

(a) Adoption of new and revised HKFRSs *(continued)*

The adoption of the above new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes:

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statements are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

HKFRS 8 "Operating Segment"

HKFRS 8 replaces HKAS 14 "Segment Reporting, and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

HKFRS 7 (Amendments) Improving Disclosures about Financial Instruments

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurement according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

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

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 [3]
Amendments to HKAS 32	Classification of Rights Issues [5]
Amendments to HKAS 39	Eligible Hedged Items [1]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [4]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirements [7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [6]
HKAS 24 (Revised)	Related Party Disclosures [7]
HKFRS 9	Financial Instruments [8]

Effective date

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

4 Effective for annual periods beginning on or after 1 January 2010

5 Effective for annual periods beginning on or after 1 February 2010

6 Effective for annual periods beginning on or after 1 July 2010

7 Effective for annual periods ending on or after 1 January 2011

8 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. It also requires an entity to attribute the share of profit or loss to non-controlling interests (previously known as minority interests) even if it results in the non-controlling interests having a deficit balance.

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

(b) Potential impact arising on HKFRSs not yet effective *(continued)*

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

The Group is in the process of making an assessment of the potential impact of other new or revised HKFRSs and the directors so far concluded that the application of the other new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments and certain biological assets which are measured at fair value and fair value less cost to sell.

(c) Presentation currency

These financial statements are presented in Hong Kong dollar.

(d) Basis of consolidation

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

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Basis of consolidation *(continued)*

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

All 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 represent the portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not owned directly or indirectly through subsidiaries, by the Company. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive incomes as an allocation of profit or loss and total comprehensive income for the year between minority interests and the owners of the Company.

(e) 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.

(f) Subsidiaries

A subsidiary is an entity 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 entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Subsidiaries *(continued)*

In the Company's statement of financial position, 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 accounted by the Company on the basis of dividend received and receivable.

(g) 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 statement of financial position 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 entity 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, in which case they are immediately recognised in profit or loss.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Intangible assets *(continued)*

Goodwill (continued)

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 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(g).

Patent

Patent is stated in the consolidated statement of financial position 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.

(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 non-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

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The useful lives, depreciation method and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Leasehold improvements	5 years
Turnpike	10 years
Building and construction	5 years
Plant and machinery	10 years
Furniture, office equipment and motor vehicles	5–10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Construction in progress

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

(l) Prepaid lease payment

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

(m) 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 costs to sell at initial recognition and at the end of each reporting period. The fair value less costs to sell 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 end of reporting period, 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 costs to sell 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 statement of comprehensive income.

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.

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Impairment of tangible and intangible assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortization and tested annually for impairment, irrespective of whether there is any indication that they may be impaired. 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.

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.

(o) Financial instruments

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

(i) Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

(i) Financial assets *(continued)*

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 in other comprehensive income and accumulated in investment revaluation reserve within equity, 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 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 end of reporting period. 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.

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 statement of financial position at cost less impairment losses.

for the year ended 31 March 2010

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 the end of each reporting period. 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 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 reclassified from equity to 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.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

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.

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.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

(iii) Effective interest method

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

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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 the 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 the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the end of reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Foreign currencies *(continued)*

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are recognised in profit or loss for the period.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate or individual financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(t) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits *(continued)*

(ii) Share-based compensation

The Group issues equity-settled share-based payments to certain directors and employees and others providing similar services. 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 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.

Where equity instruments are granted to persons other than employees, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received at the fair value of the goods or services received.

(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 statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 end of reporting 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.

(x) Taxation

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

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) **Impairment of patent**

Management assesses periodically whether the patent has suffered any impairment due to change of technologies. As at the end of reporting date, management has identified an impairment loss of HK$411,362,000 for the patent. Details of assessments are set out in Note 21 to the financial statements.

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

Management estimates the current market prices less estimated costs to sell of biological assets of paper mulberry trees, other forest assets, Jatropha and liquorices at the end of reporting period 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 biological assets and agricultural produce. Un-anticipated volatile changes in market prices of the underlying biological assets and 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.

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

(c) 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 amor tisation 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 is appropriate.

(d) 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.

(e) 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.

(f) Net realisable value of inventories

Management reviews the conditions of inventories at the end of each reporting period, 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 the end of each reporting period.

(g) Determination of contingent consideration, fair values of identifiable intangible assets arising from the business combination (Note 40)

As disclosed in Note 40, the Group acquired 100% equity interest in Shenyu New Energy Group Limited and its subsidiaries ("Shenyu New Energy Group") during the year ended 31 March 2009. 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.

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

(g) Determination of contingent consideration, fair values of identifiable intangible assets arising from the business combination (Note 40) *(continued)*

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 or recognised in profit or loss. 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 40(d))

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. During the year ended 31 March 2009, the Group continued to reassess the Contingent Consideration with details shown in Note 40(d).

(h) Management judgement on derecognition of assets in relation to the disposal transaction (Note 42)

Management exercised judgement to recognise the disposal of assets on the basis that the actual and economic interests of the assets have been transferred to the purchaser under the disposal agreement, despite the legal titles have not yet transferred to the purchaser.

(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.

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:

	2010 **HK$'000**	2009 HK$'000
Debts/Total borrowing	**99,125**	93,196
Total equity	**4,822,731**	6,580,565
Net debts to equity ratio	**2.1%**	1.4%

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 end of reporting period. 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 the end of each reporting period to ensure that adequate impairment losses are made for balances with recoverability problem.

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

(a) Credit risk *(continued)*

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 end of reporting period, the Group has a certain concentration of credit risk as 31% (2009: 47%) and 100% (2009: 99%) 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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 27.

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 end of reporting period 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 current rates at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

The Group	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
2010						
Trade payables	17,239	17,239	17,239	–	–	–
Other payables and accruals	211,519	211,519	211,519	–	–	–
Long term payables	179,691	303,762	–	29,685	60,930	213,147
Convertible notes payable	99,125	100,214	100,214	–	–	–
	507,574	632,734	328,972	29,685	60,930	213,147

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

(b) Liquidity risk *(continued)*

The Group	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 payables	469,091	571,627	–	300,567	83,734	187,326
Convertible notes payable	93,196	101,188	974	100,214	–	–
	3,329,827	4,168,499	498,683	769,883	2,712,607	187,326

The 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
2010						
Other payables and accruals	**5,963**	**5,963**	**5,963**	–	–	–
Convertible notes payable	**99,125**	**100,214**	**100,214**	–	–	–
	105,088	**106,177**	**106,177**	–	–	–
2009						
Other payables and accruals	3,705	3,705	3,705	–	–	–
Amounts due to related companies	83,257	83,257	83,257	–	–	–
Purchase consideration payable	2,369,831	3,097,975	100,000	369,102	2,628,873	–
Convertible notes payable	93,196	101,188	974	100,214	–	–
	2,549,989	3,286,125	187,936	469,316	2,628,873	–

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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) **Currency risk**

The Group mainly operates in 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 consolidated statement of financial position 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.

7. REVENUE AND OTHER INCOME

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

	2010 HK$'000	2009 HK$'000
Revenue/Turnover		
Sale of forestry products	7,684	685,465
Other income		
Bank interest income	445	5,724
Imputed interest arising from the discounting of the consideration receivable for the disposal of certain forest farms	3,372	–
Dividend income from listed investments	49	123
	3,866	5,847
	11,550	691,312

8. SEGMENTAL INFORMATION

(a) **Reportable segment**

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

(b) **Geographical information**

During 2010 and 2009, the Group's operations and assets are situated in the PRC in which all of its revenue was derived.

(c) **Major customers**

Revenue from a customer contributed to more than 10% of the Group's revenue amounted to HK$3,150,000 and HK$198,196,000 for the years ended 31 March 2010 and 2009, respectively.

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9. OTHER NET GAINS/(LOSSES)

	Notes	2010 HK$'000	2009 HK$'000
Fair value loss on financial assets at fair value through profit or loss		(23,978)	(47,239)
Gain on disposal of forest farms*		–	65,466
Impairment loss on trade receivables	27	(6,008)	(58,969)
Impairment loss on interests in jointly-controlled entities	23	–	(11,043)
Reversal of/(impairment loss) on amount due from jointly-controlled entities	23	13,542	(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		5,553	575
Gain on disposal of subsidiaries	41	9,910	–
Others		1,554	–
		573	(98,725)

* 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

10. FINANCE COSTS

	Notes	2010 HK$'000	2009 HK$'000
Imputed interest arising from the discounting of the consideration payable for the acquisition of Shenyu New Energy Group	40(d)	–	54,170
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms		27,735	4,576
Interest on convertible notes	36	7,429	7,074
Bank interest		–	6
		35,164	65,826

11. TAXATION

	Notes	2010 HK$'000	2009 HK$'000
Hong Kong profits tax			
– deferred tax credit	37	**979**	920
– resulting from a change in tax rate	37	**–**	123
Overseas tax			
– current		**–**	(363)
– deferred tax			
– deferred tax credit	37	**432,016**	–
– resulting from a change in tax status	37	**(729,122)**	–
– underprovision of in respect of prior years		**(77,551)**	–
		(373,678)	680

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

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

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from the PRC enterprise income tax commencing from 1 January 2008. Chongqing Wan Fu Chun Forestry Development Company Limited ("Chongqing WFC"), a wholly-owned subsidiary of the Group, is engaged in the forestry operation enterprise in the PRC. Pursuant to the approval obtained from the relevant PRC tax authority, Chongqing WFC is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2009.

Chongqing WFC does not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged. No deferred tax has been provided for the year.

Wan Fu Chun Forest Resources Group Company Limited ("WFC"), a wholly-owned subsidiary of the Group, was certified as a High and New Tech Enterprise for three years from 1 January 2008 to 31 December 2010, which is subject to annual review. According to the preferential regulations specified by State Council, WFC had entitled to a favourable enterprise income tax rate of 15%. Due to the low level of research and development activities took place during the calendar year ended 31 December 2009, the management considered WFC does not qualify as a High and New Tech Enterprise after the annual review and thus unable to enjoy the favourable enterprise income tax. Pursuant to the Implementation Rules, WFC should be entitled to full exemption from the PRC enterprise income tax as it is operating in forestry business during the year. As of 31 March 2009, though WFC had not yet applied for the exemption under the Implementation Rules, in the opinion of the directors, full exemption would be granted from the PRC tax authority under the Implementation Rules if application was lodged. As such, no deferred tax had been provided in the previous years. During the year, WFC has lodged an application, however, as of the date of this report, the PRC tax authority has not yet granted the exemption approval to WFC. Due to the unexpected prolonged application process, management is not confident that the exemption will be granted from the tax authority, and so it did not qualify for tax exemption for the calendar year ended 31 December 2009. Accordingly, WFC is subject to enterprise income tax rate of 25% and provision for enterprise income tax in respect of prior year and deferred taxation due to change in tax status have been provided for the year.

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11. TAXATION *(continued)*

Yunnan Shenyu New Energy Company Limited ("Yunnan Shenyu"), a wholly owned subsidiary of the Group, is also operating in forestry business during the year. Pursuant to the approval obtained from the relevant PRC tax authority, Yunnan Shenyu is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2009. Yunnan Shenyu did not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged. No deferred tax has been provided for the year.

The applicable PRC enterprise income tax is 25% for 2009 and 2010 for other PRC subsidiaries.

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

	2010 HK$'000	2009 HK$'000
Loss before taxation	(2,107,810)	(453,884)
Tax calculated at Hong Kong profits tax rate of 16.5%	(347,789)	(74,891)
Tax effect of income that is not taxable in determining taxable profit	(132,196)	(2,007)
Tax effect of expense that are not deductible in determining taxable profit	207,934	31,783
Unrecognised temporary differences and tax losses	32,951	135,026
Under-provision of tax in previous year	77,551	–
Effect of tax concessionary treatment	–	(68,866)
Effect of change in tax rate	–	(124)
Effect of change in tax status	729,122	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(193,895)	(21,601)
Taxation	373,678	(680)

12. LOSS BEFORE TAXATION

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Auditor's remuneration	**1,439**	950
Minimum lease payments under operating leases on leasehold properties	**9,173**	12,319
Research and development cost	**2,846**	11,401
Staff costs (including directors' remuneration):		
Wages and salaries	**33,184**	23,894
Share-based payment	**32,582**	38,860
Retirement benefits scheme contribution	**1,145**	1,130
	66,911	63,884
Net exchange (gains)/losses	**(19,267)**	9,246

13. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY AND DIVIDEND

The loss for the year attributable to owners of the Company for the year ended 31 March 2010 dealt with in the financial statements of the Company was approximately HK$151,388,000 (2009: HK$123,018,000) (Note 35).

No dividend was paid or proposed during the year (2009: nil), nor has any dividend been proposed since 31 March 2010.

14. OTHER COMPREHENSIVE INCOME, NET OF TAX

	2010			2009		
	Before-tax-amount HK$'000	**Tax expense/ (benefits) HK$'000**	**Net-of-tax amount HK$'000**	Before-tax-amount HK$'000	Tax expense/ (benefits) HK$'000	Net-of-tax amount HK$'000
Exchange differences on translating foreign operations	**20,443**	**–**	**20,443**	137,097	–	137,097
Change in fair value of available-for-sale financial assets	**20,115**	**–**	**20,115**	(21,842)	–	(21,842)
Release of exchange reserve on disposal of interests in overseas subsidiaries	**(8,510)**	**–**	**(8,510)**	–	–	–
	32,048	**–**	**32,048**	115,255	–	115,255

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15. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

(i) Loss attributable to owners of the Company

	2010 HK$'000	2009 HK$'000
Loss for the year attributable to owners of the Company	(2,481,488)	(453,203)
Interest on convertible notes	–	–
Loss for the year attributable to owners of the Company used in the dilutive loss per share calculation	(2,481,488)	(453,203)

(ii) Weighted average number of ordinary shares

	Number of shares	
	2010 '000	2009 '000
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic loss per share	6,352,187	5,506,786
Effect of dilutive potential ordinary shares:		
Share options	–	–
Convertible notes	–	–
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted loss per share	6,352,187	5,506,786

The computation of diluted loss per share for the year ended 31 March 2010 and 2009 did not assume the exercise of share options and conversion of convertible notes since their exercise would result in a decrease in loss per share.

16. DIRECTORS' REMUNERATION

Remuneration paid and payable to the Company's directors for year ended 31 March 2010 and 2009 were as follows:

	Year ended 31 March 2010				
	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:					
Tse On Kin (iii)	–	1,323	5	5,657	6,985
Pang Chun Kit	–	925	12	835	1,772
Ng Leung Ho (i)	–	2,700	6	–	2,706
Cao Chuan (i)	–	450	–	527	977
Lee Ming Hin (i)	–	760	6	659	1,425
Cheung Wai Tak (i)	–	605	6	1,179	1,790
Cheng Shouheng (i)	–	450	–	527	977
Sun Yan (i)	–	2,405	–	470	2,875
Independent non-executive directors:					
Wong Yun Kuen (iii)	32	–	–	–	32
Chan Chi Yuen (iii)	32	–	–	–	32
Xu Lei (iv)	15	–	–	–	15
Lo Cheung Kin (i)	30	15	–	79	124
Zou Zi Ping (i)	30	15	–	79	124
Zhu Jian Hong (ii)	51	15	–	132	198
	190	9,663	35	10,144	20,032

(i) Resigned on 30 September 2009
(ii) Resigned on 5 February 2010
(iii) Appointed on 18 September 2009
(iv) Appointed on 1 January 2010

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16. DIRECTORS' REMUNERATION *(continued)*

	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

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.

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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 (2009: four) directors, details of whose emoluments have been disclosed above.

Details of the emoluments of the remaining one (2009: one) non-director, highest paid individuals for the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kinds	3,491	3,208
Retirement benefits scheme contributions	–	–
	3,491	3,208

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
HK$		
1,500,001 – 2,000,000	–	–
2,000,001 – 2,500,000	–	–
3,000,001 – 3,500,000	1	1
3,500,001 – 4,000,000	–	–
Over 4,000,000	–	–

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18. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements HK$'000	Building and construction HK$'000	Turnpike HK$'000	Plant end machinery HK$'000	Furniture office equipment and motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2008	–	–	17,798	7,457	13,218	38,473
Acquisition of subsidiaries (Note 40(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
Exchange difference	69	5	291	92	93	550
Transfer from construction in progress (Note 19)	9,605	–	–	–	–	9,605
Additions	9	–	–	67	73	149
Disposals/write-off	–	–	–	(58)	(595)	(653)
At 31 March 2010	20,143	650	55,319	16,904	24,248	117,264
Accumulated depreciation						
At 1 April 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
Exchange difference	13	3	28	28	32	104
Provided during the year	1,998	211	5,246	2,647	4,070	14,172
Write back on disposal/ write-off	–	–	–	–	(323)	(323)
At 31 March 2010	2,588	365	8,826	6,527	10,922	29,228
Net book value						
31 March 2010	17,555	285	46,493	10,377	13,326	88,036
31 March 2009	9,883	494	51,476	12,951	17,534	92,338

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 improvements	Furniture, office equipment and motor vehicles	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 April 2009	1,999	1,735	3,734
Additions	9	35	44
Disposals/write-off	–	(48)	(48)
At 31 March 2010	2,008	1,722	3,730
Accumulated depreciation			
At 1 April 2009	117	131	248
Provided for the year	200	179	379
Disposals/write-off	–	(7)	(7)
At 31 March 2010	317	303	620
Net book value			
At 31 March 2010	1,691	1,419	3,110
At 31 March 2009	1,882	1,604	3,486

19. CONSTRUCTION IN PROGRESS

		The Group	
	Notes	**2010** HK$'000	2009 HK$'000
At 1 April 2009		**64,888**	36,792
Additions		**7,303**	21,982
Transferred to property, plant and equipment	18	**(9,605)**	(36,829)
Acquisition of subsidiaries	40(a)	**–**	42,299
Exchange difference		**339**	644
Disposal	42	**(32,359)**	–
At 31 March 2010		**30,566**	64,888

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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	
		2010	2009
	Notes	**HK$'000**	HK$'000
At 1 April 2009		**1,395,238**	977,642
Acquisition of subsidiaries	40(a)	**–**	441,550
Exchange differences		**7,222**	20,587
Additions		**101**	16,058
Adjustment #		**(4,269)**	–
Disposals	42	**(31,378)**	(33,226)
Write-off		**(56,924)**	–
Amount released to profit or loss		**(30,152)**	(27,373)
At 31 March 2010		**1,279,838**	1,395,238
Classified as current assets		**31,366**	31,848
Classified as non-current assets		**1,248,472**	1,363,390

\# It represents the adjustments to the final consideration paid in respect of acquisition of forest farms in prior years.

21. INTANGIBLE ASSETS

		The Group		
		Goodwill	Patent	Total
	Notes	HK$'000	HK$'000	HK$'000
Cost:				
At 1 April 2008		85,511	522,022	607,533
Acquisition of subsidiaries	40(a)	1,071,184	–	1,071,184
Decrease arising from the revision of the Contingent Considerations	40(d)	(967,088)	–	(967,088)
Exchange differences		–	11,768	11,768
At 31 March 2009		189,607	533,790	723,397
Exchange differences		–	2,101	2,101
At 31 March 2010		189,607	535,891	725,498
Accumulated amortisation and impairment:				
At 1 April 2008		–	55,240	55,240
Charge for the year		–	26,689	26,689
Exchange differences		–	1,247	1,247
At 31 March 2009		–	83,176	83,176
Charge for the year		–	26,803	26,803
Write-off		189,607	411,362	600,969
Exchange differences		–	467	467
At 31 March 2010		189,607	521,808	711,415
Net carrying amount:				
At 31 March 2010		–	14,083	14,083
At 31 March 2009		189,607	450,614	640,221

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21. 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	
	2010	2009
	HK$'000	HK$'000
Paper mulberry trees and other forest assets (note a)	–	85,511
Jatropha plantation and bio-diesel production (note b)	–	104,096
	–	189,607

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 24(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 24(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.

21. 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 24(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.

During the year, with reference to an independent valuation performed by LCH (Asia Pacific) Surveyors Limited on the recoverable amount of both cash-generating units, which has taken into account of the reduction in the development size of both Paper Mulberry trees business and Jatropha based bio-diesel business, the Group's latest business development strategies and current economic environment. As a result, the entire carrying amount of goodwill of HK$189,607,000 is impaired.

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. For the current year, the Group assessed the recoverable amount of patent with reference to an independent valuation performed by LCH (Asia-Pacific) Surveyors Limited as at 31 March 2010. The valuation is based on the relief from royalty approach at the royalty rate of 2% per annum and at a discount rate of 21%. In addition, the valuation has taken into account the Group's decision to reduce the development size of both Paper Mulberry trees business and Jatropha based bio-diesel business, the Group's latest business development strategies and current economic environment. As a result, an impairment loss of HK$411,362,000 is recognised.

22. INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**700,689**	3,088,227
Due from subsidiaries	**1,554,724**	1,501,609
	2,255,413	4,589,836

At 31 March 2010 and 2009, 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 2010 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	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
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.

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

		The Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Share of net assets		**–**	11,043
Less: impairment loss		**–**	(11,043)
		–	–
Amounts due from jointly-controlled entities		**13,495**	13,495
Less: impairment loss		**–**	(13,495)
Disposal of subsidiaries	41	**(13,495)**	–
		–	–

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

	2010	2009
	HK$'000	HK$'000
Total assets	**–**	92,210
Total liabilities	**–**	(73,550)
Net assets	**–**	18,660
Group's share of net assets of jointly-controlled entities	**–**	11,043
Revenue	**–**	879
Loss for the year	**–**	(2,778)
Group's share of loss of the jointly-controlled entities for the year	**–**	(1,528)

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23. 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 were 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 were not audited by BDO Limited or any its member firms.

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

The above jointly-controlled entities were disposed of during the year ended 31 March 2010 as discussed in Note 41.

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24. BIOLOGICAL ASSETS

	Liquorices 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 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 40(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 costs to sell	–	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
Purchase	–	–	–	182	182
Amortisation of stumps	–	(20,033)	–	–	(20,033)
Disposal (Note 42)	–	–	(338,640)	(1,018,103)	(1,356,743)
Transfer from deposit paid	34,258	–	–	–	34,258
Plantation expenditure incurred	–	378	8,396	7,091	15,865
Harvest as agricultural produce	–	(2,271)	–	(3,325)	(5,596)
Exchange differences	39	870	3,772	27,670	32,351
Loss arising from changes in fair value less costs to sell	(12,067)	(50,820)	(6,350)	(1,772,428)	(1,841,665)
Adjustment#	–	–	–	(43,039)	(43,039)
Write-off	–	(147,201)	–	(115,407)	(262,608)
As at 31 March 2010	22,230	18,420	379,340	2,952,263	3,372,253

\# It represents the adjustments to the final consideration paid respect of acquisition of forest farms in prior years.

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24. BIOLOGICAL ASSETS *(continued)*

Notes:

(a) **Liquorices**

Liquorices are newly planted in Inner Mongolia, the PRC. They were valued by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited ("LCH"), as at 31 March 2010.

The liquorices are measured at fair values less costs to sale which are determined by market-determined prices after accounting for normal rate of harvest recovery, cost of harvesting. transportation cost and other associated cost and the valuation used the discount rate of 12.79% in accordance with the valuation report.

(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 after impairment loss as at 31 March 2010 and 2009 is as follows:

	2010 HK$'000	2009 HK$'000
At cost less accumulated amortisation:		
Historical cost of procurement	127,874	225,238
Less: Accumulated amortisation	(111,620)	(91,587)
Net carrying amount	16,254	133,651

The Group's paper mulberry trees were valued by an independent professional valuer, LCH (Asia-Pacific) Surveyors Limited ("LCH"), as at 31 March 2010.

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;

– costs to sell, include the cost of harvesting, transportation, de-barking, drying and handling costs, was estimated at about 25% of the total value;

24. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

(b) Paper mulberry trees *(continued)*

– 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 12.79%.

The directors of the Group have performed impairment assessment of paper mulberry trees as at 31 March 2010 and a write-off of HK$147,201,000 was made as majority of paper mulberry trees faded for the year due to extreme instable climate led to serious harm to paper mulberry tree which cause the survival rate dropped significantly. 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. The Group was negotiating with the landlords for the extension of leases at the date of approval of 2009 annual report, the directors were of the view that the chance of successful renewal is remote and decided it would be prudent to write off the relevant plantation costs. During the year ended 31 March 2010, the management confirmed the termination of these leases.

(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 2010. 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.

(d) Other forest assets

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

The Group's other forest assets in the PRC were independently valued by Poyry as at 31 March 2010. 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.

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24. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

(d) **Other forest assets** *(continued)*

The principal valuation methodology and assumptions adopted are as follows:

- A forest estate approach is employed whereby all stands are modelled collectively to achieve some desired result from the total forest resources.
- The cash flows are those arising from the current rotation of trees only. No account is taken of revenues or costs from re-establishment following harvest, or of land not yet planted.
- The cash flows do not take into account income tax and finance costs.
- The cash flows have been prepared in real terms and have not therefore included inflationary effects.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.
- Costs are current average cost. No allowances has been made for cost improvements in future operations.

Biological assets included certain other forest assets situated in forest farms of which the Group is in the process of obtaining their ownership certificates. Having considered the unexpected prolonged application process, together with the time and costs to be incurred, which would have consequential effects on their recoverable amounts, the Group recognised a further write off of biological assets and prepaid lease payments of HK$115,407,000 and HK$56,924,000 respectively during the year.

25. 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.

26. INVENTORIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Jatropha's seed	**384**	294

At 31 March 2010 and 2009, no inventories were carried at net realisable value.

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27. TRADE RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables	66,605	361,523
Less: Impairment loss	(65,299)	(58,969)
	1,306	302,554

The Group normally allows credit terms to established customers ranging from 90 to 120 days (2009: 90 to 120 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk, with overdue balances regularly reviewed by senior management. Trade receivables are generally non-interest bearing and their carrying amounts approximate their fair values.

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

	2010 HK$'000	2009 HK$'000
0-30 days	–	11,839
31-60 days	–	–
61-90 days	–	–
Over 90 days	66,605	349,684
	66,605	361,523
Less: Impairment loss	(65,299)	(58,969)
	1,306	302,554

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

	2010 HK$'000	2009 HK$'000
As at 1 April 2009	58,969	–
Impairment loss recognised for the year (Note 9)	6,008	58,969
Exchange differences	322	–
As at 31 March 2010	65,299	58,969

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27. TRADE RECEIVABLES *(continued)*

(ii) *(continued)*

At 31 March 2010, the Group's trade receivables of HK$65,915,000 (2009: HK$270,077,000) 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 impairment loss of HK$65,299,000 (2009: HK$58,969,000) 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net yet past due	**–**	11,839	**–**	–
Less than 1 month past due	**–**	–	**–**	–
1 to 3 months past due	**399**	4,486	**–**	–
Over 3 months	**291**	75,121	**–**	–
	690	79,607	**–**	–
	690	91,446	**–**	–

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.

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments included an amount of HK$15,508,000 (2009: HK$29,231,000) which was expected to be recoverable after one year.

The directors consider that the fair values of the Group's other receivables, deposits and prepayments at 31 March 2010 and 2009 approximate their carrying amounts.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2010	2009
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value	**114,770**	40,632

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).

30. AVAILABLE-FOR-SALE INVESTMENTS

	The Group and the Company	
	2010	2009
	HK$'000	HK$'000
Equity securities listed in London, at fair value	**13,842**	18,872

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 end of reporting period.

31. CASH AND CASH EQUIVALENTS

At 31 March 2010, the cash and cash equivalents of the denominated in Renminbi ("RMB") amounted to approximately HK$36 million (2009: HK$104 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 dollar.

32. SHARE CAPITAL

	Number of shares		Ordinary share capital	
	2010	2009	**2010**	2009
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
As at 1 April 2009	**5,471,715**	5,557,813	**547,172**	555,781
Placement of new shares (note i)	**2,426,000**	–	**242,600**	–
Shares issued on exercise of share options (note ii)	**10,000**	–	**1,000**	–
Repurchase of shares (note iii)	**–**	(86,098)	**–**	(8,609)
As at 31 March 2010	**7,907,715**	5,471,715	**790,772**	547,172

Notes:

(i) During the year ended 31 March 2010, the Company received proceeds of issues of shares, net of related expenses, of approximately HK$620,202,000 from a placing and subscription arrangement whereby 1,316,000,000 and 1,110,000,000 new ordinary shares in the Company were issued and allotted at price of HK$0.26 and HK$0.265 per share to independent third parties of the Company respectively and used for general working capital purposes.

(ii) During the year ended 31 March 2010, options were exercised to subscribe for 10,000,000 shares in the Company. The option exercise price was HK$0.295 per share. The total consideration received by the Company of HK$2,950,000 was credited as to HK$1,000,000 to the share capital and as to HK$1,950,000 to the share premium account. In addition, the amount attributable to the related share options of HK$1,293,000 has been transferred from share-based compensation reserve 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 of its ordinary shares of HK$0.1 each at a total consideration before expenses of approximately HK$39,510,000.

33. TREASURY SHARES

The cancellation of the repurchased shares described in Note 32(iii) above 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. There was no repurchase of shares during the year ended 31 March 2010.

34. 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 would 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.

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

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

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

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

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

On 2 March 2010, a total of 658,100,000 shares options were granted to the directors. consultants 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$0.29 per share. The option shall be exercisable in the following manner:

For director and consultants

Starting from	2 March 2010	100%

For employee

Starting from	2 March 2010 to 1 March 2011	Not more than 42%
	2 March 2011	The outstanding balance

(a) The terms and conditions of the share options that existed at 31 March 2010 and 2009 is as follows:

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of options	Number of options 2010	Number of options 2009
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	**16,000,000**	16,900,000
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**	6,000,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$0.390	10 years	**37,000,000**	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**	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	**75,000,000**	94,000,000
2 March 2010	3 years from the date of grant	2 March 2010 to 1 March 2013	HK$0.29	3 years	**78,900,000**	–
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	**20,600,000**	85,200,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$0.390	10 years	**88,000,000**	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	**10,000,000**	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	**98,600,000**	212,600,000
2 March 2010	3 years from the date of grant	2 March 2010 to 1 March 2013	HK$0.29	3 years	**78,900,000**	–
Options granted to consultants:						
2 March 2010	3 years from the date of grant	2 March 2010 to 1 March 2013	HK$0.29	3 years	**500,300,000**	–
					1,029,300,000	595,700,000

for the year ended 31 March 2010

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

(a) *(continued)*

At the end of reporting period, the Company had 1,029,300,000 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 1,029,300,000 additional ordinary shares of the Company and additional share capital of HK$102,930,000 and share premium of HK$247,549,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 1,029,300,000 share options outstanding under the Scheme, which represented approximately 12% 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:**

	2010		2009	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at beginning of year	**0.458**	**595,700,000**	1.109	114,100,000
Granted during the year	**0.29**	**658,100,000**	0.322	487,600,000
Exercised during the year	**0.295**	**(10,000,000)**	–	–
Forfeited during the year	**0.514**	**(214,500,000)**	1.795	(6,000,000)
Outstanding at end of year	**0.341**	**1,029,300,000**	0.458	595,700,000
Exercisable at end of year	**0.346**	**922,220,000**	0.479	347,610,000

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.

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

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

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.295 (2009: HK$Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 9.4 years (2009: 9.4 years). In 2010, options were granted on 2 March 2010. The total estimated fair values of the options granted during the year was HK$47,186,000 (2009: HK$67,318,000).

(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 Binomial Options Pricing model. taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2 March 2010
Dividend yield	Nil
Annualised volatility (%)	49% – 68%
Risk-free interest rate (%)	0.17% – 041%
Expected life of options (year)	3
Weighted average share price (HK$)	0.29

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.

for the year ended 31 March 2010

35. 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$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	1,686,355	24,543	19,039	22,618	1,727	(26,726)	1,727,556
Total comprehensive income for the year	–	–	–	–	(21,842)	(123,018)	(144,860)
Equity settled share-based transaction	–	–	–	38,860	–	–	38,860
Repurchase of shares	(30,901)	–	–	–	–	–	(30,901)
Lapse of share option	–	–	–	(1,773)	–	1,773	–
At 31 March 2009	1,655,454	24,543	19,039	59,705	(20,115)	(147,971)	1,590,655
Total comprehensive income for the year	–	–	–	–	20,115	(151,388)	(131,273)
Lapse of share options	–	–	–	(28,539)	–	28,539	–
Equity settled share-based transaction	–	–	–	68,454	–	–	68,454
Top-up placement	377,602	–	–	–	–	–	377,602
Issue of new shares from exercise of share options	3,243	–	–	(1,293)	–	–	1,950
At 31 March 2010	2,036,299	24,543	19,039	98,327	–	(270,820)	1,907,388

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 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.

36. CONVERTIBLE NOTES PAYABLE

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

		The Group and Company	
		2010	2009
	Note	**HK\$'000**	HK\$'000
At 1 April 2009		**93,196**	87,622
Interest expenses	10	**7,429**	7,074
Interest paid		**–**	(214)
Liability at end of year		**100,625**	94,482
Amount due within one year (interest payable included in other payables and accruals)		**(1,500)**	(1,286)
At 31 March 2010		**99,125**	93,196

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).

36. CONVERTIBLE NOTES PAYABLE *(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 2009 and 2010. At 31 March 2010, the aggregate outstanding principal amount of the Convertible Notes was HK$100 million. The amortised cost of the Convertible Notes as at 31 March 2010 of approximately HK$99.1 million (2009: HK$93.2 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. Subsequent to 31 March 2010, the convertible notes were convertible into ordinary shares of the Company. Details are set out in Note 50(b) to the financial statements.

for the year ended 31 March 2010

37. DEFERRED TAXATION

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

The Group

	Note	Fair value of biological assets over procurement cost HK$'000	Principal denomination over fair value of convertible notes HK$'000	Total HK$'000
At 1 April 2008		–	2,166	2,166
Deferred tax credited to profit or loss	11	–	(920)	(920)
Effect of change in tax rate	11	–	(123)	(123)
At 31 March 2009		–	1,123	1,123
Deferred tax credited to profit or loss	11	(432,016)	(979)	(432,995)
Effect of change in tax status	11	729,122	–	729,122
Exchange differences		522	–	522
At 31 March 2010		297,628	144	297,772

The Company

	Principal denomination over fair value of convertible notes HK$'000
At 1 April 2008	2,166
Deferred tax credited to profit or loss	(920)
Effect of change in tax rate	(123)
At 31 March 2009	1,123
Deferred tax credited to profit or loss	(979)
At 31 March 2010	144

for the year ended 31 March 2010

37. DEFERRED TAXATION *(continued)*

(b) At the end of reporting period, the Group has unused tax losses of approximately HK$341,189,000 (2009: HK$216,211,000) 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.

38. 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 end of reporting date, based on the receipt of goods purchased, was as follows:

The Group

	2010 HK$'000	2009 HK$'000
0-30 days	–	5,616
31-60 days	–	–
61-90 days	–	4,340
Over 90 days	17,239	51,002
	17,239	60,958

The directors consider that the carrying amount of the Group's trade payables at 31 March 2010 and 2009 approximates their fair values.

39. 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. During the year, the Group had settled long term payables amounting to HK$334,027,000 of which HK$114,753,000 was satisfied in cash and HK$219,274,000 was satisfied by the debt restructuring arrangement. Details of arrangement are set out in Note 47 to the financial statements.

for the year ended 31 March 2010

40. 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 Islands and held as its principal assets a 100 per cent equity interest 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	24	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	21		1,071,184
Satisfied by purchase consideration (note (c))			3,483,192

40. 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 statement of comprehensive income 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 statement of comprehensive income for that year amounted to approximately HK$232 million.

(b) **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

(c) **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

40. BUSINESS COMBINATION *(continued)*

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

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.

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

40. BUSINESS COMBINATION *(continued)*

(d) Revision of estimated contingent consideration and purchase consideration payable

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 21) as follows:

	Notes	**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	21	(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	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	

During the year ended 31 March 2010, the Company reassessed the estimation of Contingent Consideration based on the operating result of Shenyu New Energy Group. Since Shenyu New Energy Group did not generate any profit, the vendor of Shenyu New Energy Group was not satisfied with the progress in profitability of Shenyu New Energy Group and complained to the Company. After numerous negotiations, both parties fixed the purchase consideration payable as at 12 February 2010 at HK$2,369,831,000 (Note 42).

On 12 February 2010, the Company entered into a disposal agreement (the "Disposal Agreement") with the vendor of Shenyu New Energy Group (the "Purchaser"). Pursuant to the Disposal Agreement, the Company has agreed to sell and the Purchaser has agreed to purchase certain assets of Yunnan Shenyu New Energy Company Limited (the "Disposal"). Details of the transaction are disclosed in the Company's circular dated 12 March 2010. The financial impact of the disposal is illustrated in Note 42.

41. DISPOSAL OF SUBSIDIARIES

On 30 November 2009, the Group disposed of its 100% equity interest in a subsidiary, Charming World Investment Limited and its subsidiary and jointly controlled entities, for a consideration of HK$15,000,000.

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	Notes	HK$'000
Other receivables, deposits and prepayments		84
Bank balances and cash		21
Net assets disposed of		105
Release of exchange reserve		(8,510)
Assignment of amount due from jointly-controlled entities	23	13,495
Gain on disposal of subsidiaries	9	9,910
Total consideration		15,000
Net cash inflow arising on disposal:		
Cash consideration received		15,000
Bank balances and cash disposed of		(21)
		14,979

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42. DISPOSAL OF ASSETS

As disclosed in Note 40(d) to the financial statements, the Company entered into the Disposal Agreement with the Purchaser. The transaction was completed on 31 March 2010. Upon the completion of the Disposal, the purchase consideration payable arising from the above acquisition was completely cancelled out and no outstanding amount under the Acquisition Agreement was due to or owing to the Purchaser from the Group.

Details of the assets disposed of and the financial effect was illustrated as follows:

	Notes	Carrying amount HK$'000
Purchase consideration payables cancelled out	40	2,369,831
Assets disposed of:		
Construction in progress of a hotel development project	19	32,359
Prepaid lease payment	20	31,378
Biological assets	24	1,356,743
		1,420,480
Gain on disposal of assets		949,351

The carrying amount of the above assets were determined at the following bases:

(a) Biological assets comprised (i) other trees located in certain counties in the province of Yunnan, the PRC; and (ii) Jatropha estate in the counties of Huize and Shuangjiang in the province of Yunnan. They were measured at fair value at the date of disposal based on the valuation performed by Poyry with the same valuation methodology and assumptions described in Note 24(c)&(d).

(b) Construction in progress and prepaid lease payment represented a hotel development project in Shuangbai county of Yunnan province. They were measured at cost less amortisation.

At the date of approval of this financial statements, the transfer of legal titles of the above assets have not yet been completed. According to the Disposal Agreement, whether the legal titles of the assets have been transferred to the Purchaser or its nominee or not, the actual and economic benefits of these assets should be transferred to the Purchaser or its nominee on the completion date. As all costs incurred for the assets before the transfer of legal titles would be borne by the Purchaser, the directors of the Company considered that it is appropriate to record the disposal of assets and derecognition of purchase consideration payable in the year.

43. CONTINGENT LIABILITIES

At 31 March 2010 and 2009, the Company and the Group did not have contingent liabilities.

44. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties and nursery gardens under operating leases arrangements. Leases for properties are negotiated for terms for one to two years. Leases for nursery gardens are negotiated for terms for six years.

The Group as lessee

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases in respect of the Group falling due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	9,430	13,618
In the second to fifth years, inclusive	2,710	21,635
More than five years	90	1,743
	12,230	36,996

The Group as lessor

As at 31 March 2010, the Group endeavours to sub-lease vacant space of office properties on short-term sub-lets operating leases.

At the end of reporting period, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2010 HK$'000	2009 HK$'000
Within one year	3,788	1,580
After one year but within five years	–	1,317
	3,788	2,897

45. CAPITAL COMMITMENTS

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

	2010 HK$'000	2009 HK$'000
Capital commitments contracted but not provided for:		
Construction cost	31,370	45,941

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46. RELATED PARTY TRANSACTIONS

(a) **Key management compensation**

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

	Year ended 31 March 2010 HK$'000	Year ended 31 March 2009 HK$'000
Salaries and other short-term employee benefits	9,853	7,215
Post-employment benefits	35	39
Share options	10,144	18,037
	20,032	25,291

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

The amounts due were unsecured, non-interest bearing and had no fixed repayment terms. An ex-director, Mr Ng Leung Ho was beneficially interested in these related companies. No guarantees had been given or received. No expenses had 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 2010, the maximum outstanding balance of amounts due from related companies was HK$72,823,000 (2009: HK$93,862,000). The amounts were fully paid during the year.

(c) **Amounts due from directors**

The amounts were due from ex-directors, Ms. Cao Chuan and Mr. Cheng Shouheng. The balances were unsecured, interest free and with no fixed repayment terms. The maximum amount outstanding during the year was HK$240,000 (2009: HK$240,000). The amounts were fully paid during the year.

47. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 March 2010, two subsidiaries of the Group, Chongqing Wan Fu Chun and Wan Fu Chun, entered into several debt restructuring agreements with certain customers and vendors of forest farms. As a result, trade receivables and other receivables of HK$180,135,000 and HK$39,139,000 respectively were offset against other payables of HK$219,274,000.

(ii) As disclosed in Note 42 to the financial Statements, the purchase consideration payable of HK$2,369,831,000 was cancelled during the year ended 31 March 2010.

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48. 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.

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.

49. 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 2010 and 2009 are categorised as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Financial Assets		
At fair value through profit or loss – investments held for trading	**114,770**	40,632
Available-for-sale investment measured at fair value	**13,842**	18,872
Loan and receivable (including cash and bank balances)	**791,496**	839,751
Financial Liabilities		
Financial liabilities measured at amortised cost	**507,574**	3,329,827

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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49. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(continued)*

HKFRS 7 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data. This level includes the unlisted investment fund with quote issued by respective fund administrator.

31 March 2010	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	HK$	HK$	HK$
Financial assets at fair value through profit or loss – listed	114,770	–	–	114,770
Available-for-sale financial assets – listed	13,842	–	–	13,842

During the reporting period, there is no significant transfer between Level 1 and Level 2.

50. EVENTS AFTER THE REPORTING PERIOD

(a) The Company entered into a placing agreement on 3 June 2010 as disclosed in the Company's announcement on the same date.

(b) On 30 April and 7 May 2010, holders of Convertible Notes converted the entire Convertible Notes with principal amount of HK$100,000,000 into 833,333,333 new ordinary shares of the Company. The enlarged issued share capital of the Company immediately after the above conversion was HK$874,105,000.