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CHINA GRAND FORESTRY GREEN RESOURCES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 910

2011/12 ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Lau Man Tak
Mr. Chi Chi Hung Kenneth
Mr. Pang Chun Kit *(Chairman)*
(resigned on 5 August 2011)
Ms. Zhang Jianchan
(appointed on 11 April 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen
Mr. Chan Chi Yuen
Mr. Yu Pak Yan Peter
Mr. Zheng Jinyun
(appointed on 11 April 2012)
Mr. Zheng Yurui
(appointed on 11 April 2012)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

Mr. Chi Chi Hung Kenneth

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

Bank of Communications Co., Ltd.
2/F., 563 Nathan Road
Kowloon
Hong Kong

The Bank of East Asia Limited
10 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

WEBSITE

www.chinagrandforest.com

Chairman's Statement

Dear Shareholders,

On behalf of China Grand Forestry Green Resources Group Limited (the "Company"), I would like to express our heartfelt gratitude for your support and confidence in the Company. I hereby report to our shareholders the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2012 together with comparative figures for the year ended 31 March 2011.

For the year, the Group recorded a loss attributable to shareholders of HK$387 million, representing a loss of HK$0.66 per share. During the year, the Group successfully has seeks a new investment opportunity which improves the Group's performance and increase shareholders' value. The Group completed a very substantial acquisition in relation to an acquisition of property investment business and a gain of bargain purchase of HK$1,222 million was recorded.

STATUS OF INDUSTRY DEVELOPMENT AND MARKET REVIEW

In the year, the business environment of the ecological business in China was still adversely affected by various factors such as environmental issues and government policies. The turnover of the Group decreased continuously due to decrease in wood flow and this trend is expected to continue in the coming years. Ecological business is labour intensive and it requires a long investment period to generate return.

BUSINESS DEVELOPMENT STRATEGIES AND PROSPECTS

The newly acquired property investment business is attributed stable rental income and property management fee income to the Group since February 2012. The Group will endeavor to support and develop the property related business in order to generate increasing future revenue sources for the Group.

The Group will continue working on broadening revenue source in order to increase the shareholders' return, the Group would consider any appropriate business opportunities which can generate appropriate cash inflow with appropriate business risk.

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.

Chi Chi Hung Kenneth
Executive Director

Hong Kong, 28 June 2012

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

For the year, the Group recorded a turnover of approximately HK$24 million (2011: HK$3 million), representing an increase of 700% compared with the year ended 31 March 2011. The increase in turnover was mainly attributable to the post-acquisition revenue generated from the newly acquired property business. The Group's loss attributable to shareholders was approximately HK$387 million, representing a basic loss per share of HK$0.66 (2011: loss of HK$1,204 million, representing a basic loss per share of HK$2.61).

During the year under review, the Group completed the acquisition of the property business, a gain on bargain purchase of HK$1,222 million was attributed from the acquisition, and the post-acquisition turnover from the newly acquired business was first-time consolidated into the Group's accounts. The Group's property investment and ecological forestry business accounted for approximately 73.35 per cent and 26.65 per cent, respectively, of the Group's total turnover.

The loss was mainly attributable to the operating loss arising from limited activities in harvesting and trading of biological assets, change in fair value of biological assets of HK$1,149 million and change in fair value of financial assets through profit or loss of HK$114 million.

DIVIDEND

The Board does not recommend any final dividend for the year (2011: HK$Nil).

BUSINESS REVIEW

During the year, The Group completed the acquisition of property investment business. The Directors had identified the property investment business which provides an invaluable opportunity for the Group to diversify its business and participate in the properties related business in the PRC, and also to broaden its asset and earning base. The directors are pleased to report that the property investment business has already contributed profit to the Group for the financial year under review.

On the other side regarding the Group's traditional ecological forestry business, the running costs of traditional resources business kept rising. The granting of harvesting permit was very limited, and therefore the revenue from the Group's ecological forestry business has been declining.

The Property Investment Business

The Group is optimistic to the commercial property market of mainland China in the long term. The Group has completed a transaction to acquire a shopping mall in Fuzhou City during the year at a fair value of consideration of approximately HK$1,348 million as at 15 February 2012. The Group recorded the rental income of approximately HK$3 million and property management and related fee income of approximately HK$14 million in the financial year. The shopping mall was fully leased out at year end. The Board considers the shopping mall in Fuzhou City will bring a positive return and steady rental income to the Company.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

The Ecological Forestry Business

(i) Forest land and timber business

As at 31 March 2012, the total area of traditional forest land use right owned by the Group amounted to approximately 5 million Chinese Mu. Such forest land is mainly located in Hunan, Chongqing, Yunnan and Guizhou.

It would be difficult to yield a reasonable return from the production and sales of traditional timber products under the current market conditions where production cost increases greatly and capital expenditure of road construction in forest farms is high. In addition, due to the environmental issues in the PRC, the grant of harvesting permit was very limited and difficult to obtain. Therefore, the traditional logging business has been slowing down and turnover dropped during the year.

The Group did not carry out any harvesting activities during the 2nd half of the year. As mentioned above, the grant of harvesting permit was very limited, therefore the expected future wood flow was adjusted downward, and hence the fair value of biological assets was reduced accordingly during the year.

(ii) Biomass energy

Biomass energy project which was a clean burning alternative fuel produced from renewable and sustainable resources, which was still under development, it was a potential business opportunity for the forestry industry in China. As at 31 March 2012, the Group owned Jatropha estate of approximately 160,000 Chinese Mu in Yunnan Province. The value of Jatropha dropped significantly during the year due to the continued drought in Yunnan. As a result of the approximately 44% mortality rate of Jatropha estate occurred.

Due to insufficient supply of raw materials and high fluctuation of energy price, the biomass energy project was not progressing smoothly. The Group is evaluating the business opportunities and the relevant business risk in order to determine the appropriate development strategy.

PROSPECTS

Looking forward, the Directors expect that the property investment business will increase the income stream of the Group, bring additional stable earnings to the Group, increase the return on equity of the Group and bring a long term benefit to the Group.

On the other side, to proactively address the environmental issues and climate change, there will be more measures, such as additional afforestation for boosting 'greening' efforts so as to improve forest carbon sequestration. The Group expects that domestic harvesting in the plantations would be tightened, thus we have to seek other appropriate business opportunities.

The Group is rather conservative about the resources business growth in the coming years even though there was surging demand on resources in PRC. The Group is aimed to strengthen its competitive edge by optimizing its forest portfolios, and by seeking appropriate business partners and associates to assist the Group to obtain harvesting permits so as to increase revenue. When opportunities arises the Group may also consider realizing certain forest portfolio to improve its financial positions.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The increase in sales for the year is mainly attributable from rental income of newly acquired of property investment business and sales of forestry products.

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	916,137	89,174
Jatropha	233,226	—
	1,149,363	89,174

For other trees, the revaluation loss mainly arising from the limitation of grant of harvesting permit by PRC government, decrease in future projected woodflow and adjust upward in direct costs such as silvicultural cost, transportation cost, harvesting cost, roading cost and overhead.

For Jatropha, the value diminution is primarily the result of mortality of about 44% of the area, largely due to severe drought in Yunnan province, which led to a significant reduction in the estimated mature crop seed yield.

In addition, in the past few years in certain areas the instable climates led to serious harm to newly planted biological assets and caused the survival rate to drop significantly, which in turn caused the economic commercial value of those injured biological assets decrease very significantly and almost approach zero, and hence a loss in fair value incurred accordingly.

Gain on bargain purchase

During the year ended 31 March 2012, the Company entered into the Share Transfer Agreement with the Purchaser to acquire the effective interest in a property investment business in Fujian.

The transaction was completed on 15 February 2012 and a gain of HK$1,222 million was recorded.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Impairment loss on other receivables and available-for sale investments

During the year, the Group had made appropriate amount of impairment loss on long aged other receivables and impaired the available-for-sale investment to reflect its market value.

Write-off of property, plant and equipment

Turnpike was originally constructed for operating and harvesting the forest. In view of the minimal harvesting activities carried out by the Group and most of the existing turnpikes are not in a good condition due to natural disaster, management evaluates the turnpikes would not be functioned properly. Therefore the carrying amount approximately HK$38 million of turnpike constructed in forests was fully written-off.

Write-off of biological assets and prepaid lease payment

Management assessed that the granting of harvesting permit by the local authorities of some forests located in Yunnan Province are remote and they will hardly recover the cost for such forests, full written-off of biological assets and prepaid lease payment of approximately HK$89 million and approximately HK$262 million was made respectively.

Cost of inventories and forestry products sold

The cost of inventories was mainly related to seeds and the cost of forestry products sold was the timber cost incurred during the year.

Staff costs

The Group adopted a tighter cost control and no new share option was granted during the year, thus staff costs decreased accordingly.

Other operating expenses

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

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

Finance costs

Financial costs, included approximately HK$22 million of non-cash imputed interest expenses on payables for acquisitions of certain forest farms, loan from related companies and convertible notes.

Biological assets

The biological assets of the Group included Jatropha and other forest assets.

During the year, the valuation of Group's forest assets and Jatropha in PRC was independently valued by Poyry (Beijing) Consulting Co., Ltd. Shanghai Branch ("Poyry").

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Biological assets *(continued)*

The net decrease in value was mainly due to the loss arising from changes in fair value of HK$1,149 million. The movements of biological assets were as follows:

	Jatropha HK$'000	Other forest assets HK$'000	Total HK$'000
As at 1 April 2011	362,920	2,124,506	2,487,426
Disposal	—	(32,449)	(32,449)
Plantation expenditure incurred	9,485	629	10,114
Harvest as agricultural produce	—	(1,164)	(1,164)
Exchange adjustment	8,480	53,112	61,592
Loss arising from changes in fair value less costs to sell	(233,226)	(916,137)	(1,149,363)
Write-off	—	(89,174)	(89,174)
As at 31 March 2012	147,659	1,139,323	1,286,982

Prepaid lease payments

Prepaid lease payments are the prepayments of land use rights located in the PRC. The amount decreased was mainly due to the amortization amounted to HK$32 million, written off of HK$262 million and disposal of HK$69 million respectively.

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

	2012 HK$'000
As at 1 April 2011	**1,247,495**
Exchange adjustment	**32,197**
Disposals	**(69,371)**
Write-off	**(262,482)**
Amount released to profit or loss	**(32,467)**
As at 31 March 2012	**915,372**
Classified as current assets	**(18,211)**
Classified as non-current assets	**897,161**

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

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 2012, the Group's cash and bank balances amounted to approximately HK$24 million (2011: HK$581 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 2012, the Group had no bank borrowings.

The Group generally finances its operation using internally generated resources and the proceed raised from issue of new shares in previous years. As at 31 March 2012, the Group's net current liabilities amounted to approximately HK$377 million (net current assets 2011: HK$588 million). The Group's current ratio, being its current assets as a percentage of its current liabilities, amounted to 29% (2011: 268%).

As at 31 March 2012, the share capital of the Company consisted of 687,052,446 ordinary shares of HK$0.01 each and 401,666,666 convertible preference shares of HK$0.01 each. Apart from the ordinary shares and convertible preference shares in issue, the Company will issue convertible notes as alternative financing instruments.

As at 31 March 2012, the Group's gearing ratio was 15%, measured on the basis of total borrowings as a percentage of total shareholders' funds (2011: Nil).

SIGNIFICANT EVENT

(a) During the year, the Company completed the acquisition of Grandbiz Holdings Limited, a company incorporated in the British Virgin Island and hold an entire equity interest in Mazy International Limited, which in turn holds 40% equity interest in Fujian Sinco Industrial Co., Ltd ("Fujian Sinco") and Great Peace Global Group Limited holds 50% equity interest in a jointly controlled entity, Grand International Development Limited, which in turn holds 60% equity interest in Fujian Sinco. Fujian Sinco is principally engaged in the business of property investment in Fujian. The acquisition consideration of HK$1,348 million is satisfied by cash consideration and the issuance by the Company of convertible preference shares and convertible notes. The details of the acquisition, which constitutes a Very Substantial Acquisition under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd., were disclosed in the Company's circular to its shareholders of 10 January 2012.

(b) The Capital Reorganisation became effective on 1 December 2011. Capital Reorganisation involving consolidation of every twenty (20) shares of HK$0.10 each into one (1) consolidated share of HK$2.00 each; a reduction in the nominal value of the then issued consolidated shares from HK$2.00 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$1.99 on each of the issued consolidated shares and subdivision of each authorised but unissued consolidated shares into two hundred (200) adjusted shares of HK$0.01 each. Details of which are set out in the Company's circular dated 7 November 2011.

Management Discussion and Analysis

CHARGE ON THE GROUP'S ASSETS

The Group did not have any pledged assets as at 31 March 2012 and 2011 to secure general banking facilities.

CONTINGENT LIABILITIES

As at 31 March 2012, the Group did not have contingent liabilities of material amounts.

CAPITAL COMMITMENTS

As at 31 March 2012, capital commitments in respect of construction costs which had been contracted but not provided for by the Group amounted to approximately HK$25 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 2012, the Group employed a total of approximately 160 employees, of which 9 employees are employed in Hong Kong. In addition to competitive packages offered to the employees, other benefits provided to eligible candidates include contributions to mandatory provident fund as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to directors, executives and employees of the Company as incentives for their contribution to the growth of the Group.

Corporate Governance Report

CORPORATE GOVERNANCE

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.

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 8 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 19 to 21 of the Report of the Directors. There are three executive Directors, namely Mr. Lau Man Tak, Mr. Chi Chi Hung Kenneth and Ms. Zhang Jianchan and five independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Chan Chi Yuen, Mr. Yu Pak Yan Peter, Mr. Zheng Jinyun and Mr. Zheng Yurui.

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 2012.

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 2012 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 (i.e. Executive Director) are segregated and not exercised by the same individual. 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.

Corporate Governance Report

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 2012. The Model Code also applies to other specified senior management of the Group.

REMUNERATION COMMITTEE

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 Mr. Yu Pak Yan Peter. The principal responsibilities of the Remuneration Committee include making recommendation on the policy and structure for the remuneration of Directors and senior management of the Company, the establishment of a formal and transparent procedure for developing such policy, and the review of specific remuneration packages of all executive Directors and senior management of the Company by reference to corporate goals and objective resolved by the Board from time to time.

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

(a) the executive Director's responsibilities and contribution;

(b) the executive Director's individual performance;

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

(d) performance of the Group as a whole.

Corporate Governance Report

REMUNERATION COMMITTEE *(continued)*

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 one meeting during the year ended 31 March 2012 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 an Nomination Committee. The existing Nomination Committee comprises the three independent non-executive Directors, Dr. Wong Yun Kuen is the Chairman of the Nomination Committee. The Nomination Committee 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.

The Nomination Committee is 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.

The Nomination Committee held one meeting during the year ended 31 March 2012. Attendance of each member at the Nomination Committee meeting is set out in the table under section "Meeting Attendance" of this report.

AUDIT COMMITTEE

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

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

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

Corporate Governance Report

AUDIT COMMITTEE *(continued)*

(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 2012 and interim results for the six months ended 30 September 2011 have been reviewed by the Audit Committee.

During the year ended 31 March 2012, 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 2012, twelve 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 2012 is set out in the table below.

	Board Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Audit Committee Meetings
Number of meetings	12	1	1	2
Mr. Lau Man Tak	11/12	N/A	N/A	N/A
Mr. Chi Chi Hung Kenneth	12/12	N/A	N/A	N/A
Dr. Wong Yun Kuen	5/12	1/1	1/1	2/2
Mr. Chan Chi Yuen	5/12	1/1	1/1	1/2
Mr. Yu Pak Yan Peter	6/12	1/1	1/1	2/2
Mr. Pang Chun Kit	2/12*	N/A	N/A	N/A

* Mr. Pang Chun Kit was resigned on 5 August 2011.

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 30 and 31.

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.

Corporate Governance Report

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the external auditors for the year ended 31 March 2012 are HK$1,959,000 and HK$1,110,000 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 2012, 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 2012, 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") (www.hkexnews.hk) and at www.chinagrandforest.com.

Report of the Directors

The Directors of the Company herein present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 March 2012.

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 24 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by principal activities for the year ended 31 March 2012 is set out in Note 9 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 32.

The Board has resolved not to recommend any dividend for the year ended 31 March 2012.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below. The amounts for the year ended 31 March 2012 are those set out in the accompanying financial statements on pages 32 to 112. The amounts for the year ended 31 March 2011 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
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**23,864**	2,761	7,684	685,465	1,105,078
(LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(387,380)**	(1,203,652)	(2,481,488)	(453,204)	2,743,860

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION *(continued)*

Assets, liabilities and non-controlling interests

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**5,818,661**	3,812,351	4,860,650	9,107,891	6,879,468
CURRENT ASSETS	**155,453**	938,563	844,618	803,624	1,314,328
TOTAL ASSETS	**5,974,114**	4,750,914	5,705,268	9,911,515	8,193,796
CURRENT LIABILITIES	**532,408**	350,265	405,074	497,709	1,182,516
NON-CURRENT LIABILITIES	**1,322,012**	297,611	477,463	2,833,241	89,788
TOTAL LIABILITIES	**1,854,420**	647,876	882,537	3,330,950	1,272,304
NON-CONTROLLING INTERESTS	**66**	67	67	67	—
NET ASSETS	**4,119,694**	4,103,038	4,822,731	6,580,565	6,921,492

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year ended 31 March 2012 and subsequent thereto are set out in Note 33 to the financial statements.

Details of movements in the Company's share options during the year ended 31 March 2012 are set out in Note 35 to the financial statements.

CONVERTIBLE NOTES

Details of movements in the Company's convertible notes during the year ended 31 March 2012 are set out in Note 38 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.

Report of the Directors

RESERVES

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

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution amounted to approximately HK$2,886,703,000 at 31 March 2012.

Under the Companies Act 1981 of Bermuda (as amended), the balances in a company's contributed surplus and share premium accounts are available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus and share premium if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the assets of the company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales to the Group's five largest customers accounted for approximately 30% of the total sales for the year and the sales to the largest customer included therein amounted to 26%.

During the year, there was no purchase of materials from suppliers. All the cost of products sold represented amortisation 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. Lau Man Tak	
Mr. Chi Chi Hung Kenneth	
Ms. Zhang Jianchan	(appointed on 11 April 2012)
Mr. Pang Chun Kit *(Chairman)*	(resigned on 5 August 2011)

Independent non-executive Directors

Dr. Wong Yun Kuen	
Mr. Chan Chi Yuen	
Mr. Yu Pak Yan Peter	
Mr. Zheng Jinyun	(appointed on 11 April 2012)
Mr. Zheng Yurui	(appointed on 11 April 2012)

Report of the Directors

DIRECTORS *(continued)*

In accordance with the Bye-laws 111(A) and 111(B) of the Company, Mr. Lau Man Tak and Mr. Chan Chi Yuen shall retire from office by rotation at the forthcoming annual general meeting and being eligible, Mr. Chan Chi Yuen offer himself for re-election at the forthcoming annual general meeting. Mr. Lau Man Tak does not offer himself for re-election at the forthcoming annual general meeting for personal reasons. Pursuant to Bye-law 115 of the Company, Ms. Zhang JIanchan, Mr. Zheng Jinyun and Mr. Zheng Yurui, 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. Lau Man Tak, aged 42, Mr. Lau is currently an executive Director and Chief Financial Officer of the Company. Mr. Lau 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 currently an executive Director of Aurum Pacific (China) Group Limited (stock code: 8148), and an independent non-executive Director of Kingston Financial Group Limited (stock code: 1031), Climax International Company Limited (stock code: 439), Kong Sun Holdings Limited (stock code: 295) and AMCO United Holdings Limited (formerly known as Guojin Resources Holdings Limited) (stock code: 630), Sincere Watch (Hong Kong) Limited (stock code: 444) which, are companies listed on the Main Board of the Stock Exchange (save for Aurum Pacific (China) Group Limited which is a company listed on the Growth Enterprise Market of the Stock Exchange). 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 43, is currently an executive Director, Chief Executive Officer and company secretary of the Company. He has over 19 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 Morning Star Resources Limited (stock code: 542), Hua Yi Copper Holdings Limited (stock code: 559) and M Dream Inworld Limited (stock code: 8100), and an independent non-executive Director of Interchina Holdings Company (stock code: 202), Perfect Shape (PRC) Holdings Limited (stock code: 1830), Sam Woo Holdings Limited (stock code: 2322), ZMAY Holdings Limited (stock code: 8085),Aurum Pacific (China) Group Limited (stock code: 8148) and China Natural Investment Company Limited (stock code: 8250). Save as disclosed, Mr. Chi did not hold any directorships in other public company listed in Hong Kong or overseas in the last three years or any other position with the Company or any of its subsidiaries.

Report of the Directors

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

Executive Directors *(continued)*

Ms. Zhang Jianchan, aged 51, has been appointed as an executive Director of the Company with effect from 11 April 2012. Ms. Zhang is a senior economist, who completed the courses of Renmin University of China as the Master of Business Administration in 2001. Ms. Zhang once worked in an integrated enterprise which is engaged in the businesses such as property development, architectural engineering, construction supervision, beverage manufacturing and investment & financing consultant from 1993 to 2001 and once held positions such as a general manager of a subsidiary and an assistant to the chairman of a group company. She has gained extensive experiences in property development, architectural engineering management and corporate planning. From 2001 to the present, Ms. Zhang joined and worked in Guo Shi Investment Group Company Limited (郭氏投資集團有限公司). She once acted as an assistant to the chairman, responsible for administration work; and a vice president of the group, responsible for project assessment, planning, marketing, sale as well as the management and maintenance of Macalline Fuzhou Sandi Shopping Mall (紅星美凱龍福州三迪商場).

Independent non-executive Directors

Dr. Wong Yun Kuen, aged 54, Dr. Wong received his 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 the Hong Kong Securities Institute.

Dr. Wong is an executive Director of UBA Investments Limited (stock code: 768), and an independent non-executive Director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Kingston Financial Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Hua Yi Copper Holdings Limited (stock code: 559) and New Island Printing Holdings Limited (stock code: 377). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive Director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010, and an executive Director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

Mr. Chan Chi Yuen, aged 45, holds a bachelor degree with honors 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.

Report of the Directors

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

Independent non-executive Directors *(continued)*

Mr. Chan is currently an executive Director of Sam Woo Holdings Limited (stock code: 2322), and is also an independent non-executive Director of New Times Energy Corporation Limited (stock code: 166), Asia Energy Logistics Group Holdings Limited (stock code: 351), China Gamma Group Limited (stock code: 164), China Gogreen Assets Investment Limited (stock code: 397), Rojam Entertainment Holdings Limited (stock code: 8075) and U-RIGHT International Holdings Limited (stock code: 627). 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 The Hong Kong Building and Loan Agency Limited (stock code: 145) from October 2009 to February 2011, Richly Field China Development Limited (stock code: 313) from February 2009 to August 2010 and Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010.

Mr. Yu Pak Yan Peter, aged 61, has over 28 years of experience in real estate and financial services industries. Mr. Yu has a Bachelor Degree in Management from Youngstown State University in Ohio, USA and a Master of Science Degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980–1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America.

Mr. Yu is an executive Director of Kong Sun Holdings Limited (stock code: 295), an independent non-executive Director of Kingston Financial Group Limited (stock code: 1031), Sam Woo Holdings Limited (stock coded: 2322) and M Dream Inworld Limited (stock code: 8100).

Mr. Zheng Jinyun, aged 49, has been appointed as an independent non-executive Director of the Company with effect from 11 April 2012. Mr. Zheng has completed the China CEO Management Innovation Executive Program with the relevant certificate of Shanghai Jiao Tong University in 2003 and completed the CEO Innovation Executive Program (總裁高級研修班) with the relevant certificate of Fudan University in 2005. Mr. Zheng has commenced his own international trading business since 1978 and expanded his business to the global market. Mr. Zheng started to expand his business to the development and management of residential and commercial properties in 2006. Mr. Zheng is the committee member of the current Chinese People's Political Consultative Conference of Fujian Province (福建省人民政治協商會議委員) and the honorable citizen of Putian City (莆田市榮譽市民).

Mr. Zheng Yurui, aged 57, has been appointed as an independent non-executive Director of the Company with effect from 11 April 2012. Mr. Zheng has graduated from Party School of Central Committee of C.P.C. with undergraduate diploma in 1999, majoring in administration and he is a senior economist. From 1971 to 1998, Mr. Zheng worked in several state-owned companies and private companies including a factory in which he acted as a deputy general manager. From 1998 to the present, Mr. Zheng founded his own footwear manufacturing company, acting the chairman. From 2008 to the present, Mr. Zheng has served as a Director of a property development company concurrently. Mr. Zheng is the representative of the Tenth and Eleventh People's Congress of Fujian Province (福建省第十屆、第十一屆人民代表大會) and the representative of the Fourth, the Fifth, and the Sixth People's Congress of Putian City (莆田市第四屆、第五屆、第六屆人民代表大會).

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

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.

Mr. Lau Man Tak , being an executive Director, has entered into service contract with the Company for a term of three years commencing on 7 April 2010.

Mr. Chi Chi Hung Kenneth, being an executive Director, has entered into service contract with the Company for a term of three years commencing on 19 May 2010.

Mr. Yu Pak Yan Peter, being an independent non-executive Director, has entered into service contract with the Company for a term of three years commencing on 31 December 2011.

Each of Ms. Zhang Jianchan, being an executive Director, Mr. Zheng Jinyun and Mr. Zheng Yurui, being an independent non-executive Director, has each entered into a service contract with the Company for a term of three years commencing on 11 April 2012.

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.

Report of the Directors

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

As at 31 March 2012, 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. Chi Chi Hung Kenneth	—	—	—	—	—	1,345,000	0.20%	1
Mr. Pang Chun Kit	25,000	172,500	—	197,500	0.03%	1,100,000	0.16%	2

Notes:

1. The interests in underlying shares attributed to Mr. Chi Chi Hung Kenneth represents share options to subscribe for 1,345,000 new shares in the Company, exercisable at a price of HK$5.80 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 300,000 new shares in the Company, exercisable at a price of HK$19.60 per share and granted pursuant to the Company's existing share option scheme, as adopted by the Company's shareholders in the Company's annual general meeting held on 23 November 2001;

   (ii) share options to subscribe for 300,000 new shares in the Company, exercisable at a price of HK$7.80 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 500,000 new shares in the Company, exercisable at a price of HK$5.90 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 he resigned on 5 August 2011

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

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 16 September 2011 and the Stock Exchange granting approval of the listing of and permission to deal in the Shares to be issued under the share option scheme (the "New Scheme") on 15 November 2011, the Company has adopted the New Scheme and terminated the share option scheme adopted on 23 November 2001 (the "Old Scheme")

The Old Scheme

The Old Scheme was terminated on 16 September 2011. The outstanding options granted shall continue to be valid and exercisable after the termination of the Old Scheme.

The documented purpose of the Old 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 Old Scheme are summarised as follows:

1. Eligible participants of the Old 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 Old 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 Old 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 Old Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company from time to time.

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

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

Report of the Directors

SHARE OPTION SCHEME *(continued)*

The Old Scheme *(continued)*

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

Report of the Directors

SHARE OPTION SCHEME *(continued)*

The Old Scheme *(continued)*

Particulars of options granted under the Old Scheme during the year ended 31 March 2012 and remained outstanding up to 31 March 2012 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. Chi Chi Hung Kenneth	1,345,000	—	—	—	1,345,000	HK$5.80	2 March 2010	2 March 2010 to 1 March 2013
Mr. Pang Chun Kit *	300,000	—	—	—	300,000	HK$19.60	27 March 2007	1 April 2007 to 31 March 2017
	300,000	—	—	—	300,000	HK$7.80	30 September 2008	30 September 2008 to 29 September 2018
	500,000	—	—	—	500,000	HK$5.90	9 February 2009	9 February 2009 to 8 February 2019
Sub–total	2,445,000	—	—	—	2,445,000			
Employees and consultants	1,030,000	—	—		1,030,000	HK$19.60	27 March 2007	1 April 2007 to 31 March 2017
	300,000	—	—	—	300,000	HK$52.20	2 October 2007	3 October 2007 to 2 October 2017
	5,150,000	—	—	—	5,150,000	HK$7.80	30 September 2008	30 September 2008 to 29 September 2018
	500,000	—	—	—	500,000	HK$4.84	30 October 2008	30 October 2008 to 29 October 2018
	1,000,000	—	—	—	1,000,000	HK$5.72	23 January 2009	23 January 2009 to 22 January 2019
	6,180,000	—	—	(500,000)	5,680,000	HK$5.90	9 February 2009	9 February 2009 to 8 February 2019
	31,560,000	—	—	(3,945,000)	27,615,000	HK$5.80	2 March 2010	2 March 2010 to 1 March 2013
Sub-total	45,720,000	—	—	(4,445,000)	41,275,000			
Total	48,165,000	—	—	(4,445,000)	43,720,000			

* Mr. Pang Chun Kit resigned as executive Director of the Company on 5 August 2011.

Report of the Directors

SHARE OPTION SCHEME *(continued)*

The New Scheme

At the annual general meeting of the Company held on 16 September 2011, the shareholders of the Company approved the adoption of a New Scheme. The purpose of the New Scheme is to provide the Company with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Participants. There appears to be no material difference between the terms of the Old Scheme and New Scheme, other than the scope of participants which, under the New Scheme, is more specific than that covered under the Old Scheme. The New Scheme covers any employee (full time and part time) holding salaries, consultants, agents, contractors, consumers and suppliers as the Board in its sole discretion considers eligible. Moreover, in relation to the various circumstances under which an Option will lapse, e.g. death and termination of employment, the periods following such circumstances during which an option-holder may exercise their options are different under the two schemes.

The exercise price, vesting period, the exercisable period and the number of Shares subject to each option will be determined by the Board at the time of grant. No option was granted by the Company under the New Scheme since its adoption to the date of this report.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit scheme in operation for the year ended 31 March 2012 are set out in Note 4n(i) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012, 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 of Shareholder	Capacity/Nature of Interest	Number of shares or underlying shares		Approximate % of existing issued share capital in the Company	Approximate % of issued share capital after the exercise in full of the Repurchase Mandate
		Long Position	Short Position		
Mr. Guo Jiadi (Note 1)	Interest of Controlled Corporation	200,000,000	—	29.11%	32.34%
United Century International Limited (Note 2)	Beneficial Owner	200,000,000	—	29.11%	32.34%
Mrs. Chu Yuet Wah (Note 3)	Interest of Controlled Corporation	42,500,000	—	6.19%	6.87%
Best China Limited (Note 4)	Beneficial Owner	42,500,000	—	6.19%	6.87%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

1. The beneficial interests of Mr. Guo Jiadi in 200,000,000 Shares comprise corporate interest in 200,000,000 Shares, held through United Century International Limited.

2. The entire issued share capital of United Century International Limited is beneficially owned by Mr. Guo Jiadi.

3. The beneficial interests of Mrs. Chu Yuet Wah in 42,500,000 Shares comprise corporate interest in 42,500,000 Shares, held through Best China Limited.

4. 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 2012, 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.

Report of the Directors

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, Mr. Yu Pak Yan Peter. The audit committee has reviewed the accompanying financial statements prior to their publication.

AUDITOR

The consolidated financial statements for the year ended 31 March 2012 have been audited by Messrs. BDO Limited. A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. BDO Limited as the auditor of the Company.

On behalf of the Board

Mr. Chi Chi Hung Kenneth
Executive Director

Hong Kong, 28 June 2012

Independent Auditor's Report

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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 (together the "Group") set out on pages 32 to 112, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2012 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the financial statements which indicate that the Group incurred a loss of approximately HK$387,380,000 for the year ended 31 March 2012 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$376,955,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BDO LIMITED
Certified Public Accountants

Lam Pik Wah
Practising Certificate number P05325

Hong Kong, 28 June 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	8	**23,864**	2,761
Loss arising from changes in fair value less costs to sell of biological assets	26	**(1,149,363)**	(719,800)
Gain on bargain purchase	42	**1,222,432**	—
Change in fair value of derivative financial instrument	38	**(12,459)**	—
Other income	8	**6,794**	11,330
Other net losses	10	**(93,811)**	(24,647)
Write-off of patent	23	**—**	(13,762)
Cost of inventories and forestry products sold		**(1,320)**	(1,626)
Impairment loss on long-term prepayments	25	**—**	(96,547)
Impairment loss on other receivables	27	**(5,230)**	(66,154)
Impairment loss on available-for-sale investments		**(1,270)**	(12,416)
Write-off of property, plant and equipment	19	**(38,319)**	—
Write-off of biological assets	26	**(89,174)**	(279,363)
Write-off of prepaid lease payments	22	**(262,482)**	(57,741)
Staff costs		**(10,795)**	(28,281)
Depreciation of property, plant and equipment	19	**(16,295)**	(12,587)
Amortisation of patent	23	**—**	(928)
Release of prepaid lease payments	22	**(32,467)**	(28,469)
Other operating expenses		**(41,704)**	(36,959)
Finance costs	11	**(22,147)**	(9,660)
Loss before income tax	13	**(523,746)**	(1,374,849)
Income tax credit	12	**136,366**	171,197
Loss for the year		**(387,380)**	(1,203,652)
Other comprehensive income, after tax:	15		
Exchange differences on translating foreign operations		**(91,757)**	168,528
Impairment loss on available-for-sale financial assets		**(1,270)**	(12,416)
Reclassification to profit or loss		**1,270**	12,416
Other comprehensive income for the year, after tax		**(91,757)**	168,528
Total comprehensive income for the year		**(479,137)**	(1,035,124)

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Loss attributable to:			
Owners of the Company		**(387,379)**	(1,203,652)
Non-controlling interests		**(1)**	—
		(387,380)	(1,203,652)
Total comprehensive income attributable to:			
Owners of the Company		**(479,136)**	(1,035,124)
Non-controlling interests		**(1)**	—
		(479,137)	(1,035,124)
			(Restated)
Loss per share	16		
— Basic		**HK$(0.66)**	HK$(2.61)
— Diluted		**HK$(0.66)**	HK$(2.61)

Consolidated Statement of Financial Position

at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Biological assets	26	**1,286,982**	2,487,426
Investment property	20	**3,554,530**	—
Property, plant and equipment	19	**43,953**	65,693
Construction in progress	21	**8,236**	39,857
Prepaid lease payments	22	**897,161**	1,217,950
Available-for-sale investments	31	**155**	1,425
Derivative financial instrument	38	**27,644**	—
		5,818,661	3,812,351
Current assets			
Inventories	28	**1,203**	816
Trade receivables	29	**773**	373
Prepaid lease payments	22	**18,211**	29,545
Other receivables, deposits and prepayments	27	**6,499**	13,625
Financial assets at fair value through profit or loss	30	**97,826**	313,266
Amounts due from related parties	48(b)	**6,527**	—
Cash and cash equivalents	32	**24,414**	580,938
		155,453	938,563
Total assets		**5,974,114**	4,750,914
Current liabilities			
Trade payables	40	**39,480**	18,007
Other payables and accruals	37	**406,219**	251,684
Tax payable		**86,709**	80,574
		532,408	350,265
Net current (liabilities)/assets		**(376,955)**	588,298
Total assets less current liabilities		**5,441,706**	4,400,649

Consolidated Statement of Financial Position

at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Long term payables	41	**426,982**	162,085
Convertible notes payable	38	**262,255**	—
Deferred taxation	39	**632,775**	135,526
		1,322,012	297,611
Net assets		**4,119,694**	4,103,038
Capital and reserves attributable to owners of the Company			
Share capital	33	**6,871**	974,105
Reserves		**4,112,757**	3,128,866
Equity attributable to owners of the Company		**4,119,628**	4,102,971
Non-controlling interests		**66**	67
Total equity		**4,119,694**	4,103,038

On behalf of the Board

Mr. Lau Man Tak
Director

Mr. Chi Chi Hung Kenneth
Director

Statement of Financial Position

at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Interests in subsidiaries	24	**3,515,415**	2,490,104
Property, plant and equipment	19	**4,746**	5,561
Available-for-sale investments	31	**155**	1,425
Derivative financial instrument	38	**27,644**	—
		3,547,960	2,497,090
Current assets			
Other receivables, deposits and prepayments		**782**	529
Cash and cash equivalents	32	**5,272**	512,208
		6,054	512,737
Total assets		**3,554,014**	3,009,827
Current liabilities			
Other payables and accruals	37	**38,273**	40,083
		38,273	40,083
Net current (liabilities)/assets		**(32,219)**	472,654
Total assets less current liabilities		**3,515,741**	2,969,744
Non-current liabilities			
Convertible notes payable	38	**262,255**	—
Net assets		**3,253,486**	2,969,744
Capital and reserves			
Share capital	33	**6,871**	974,105
Reserves	36	**3,246,615**	1,995,639
Total equity		**3,253,486**	2,969,744

On behalf of the Board

Mr. Lau Man Tak
Director

Mr. Chi Chi Hung Kenneth
Director

Consolidated Statement of Changes in Equity

for the year ended 31 March 2012

	Share capital	Convertible preference share	Share premium account	Share-based compensation reserve	Subscription right reserve	Statutory reserve fund	Capital reserve	Exchange fluctuation reserve	Conversion option reserve	Investment Revaluation reserve	(Accumulated losses)/ retained profits	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 33)	(note 34)			(note i)	(note ii)			(note iii)					
At 1 April 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
Loss for the year	—	—	—	—	—	—	—	—	—	—	(1,203,652)	(1,203,652)	—	(1,203,652)
Other comprehensive income	—	—	—	—	—	—	—	168,528	—	(12,416)	—	156,112	—	156,112
Reclassification to profit or loss	—	—	—	—	—	—	—	—	—	12,416	—	12,416	—	12,416
Total comprehensive income	—	—	—	—	—	—	—	168,528	—	—	(1,203,652)	(1,035,124)	—	(1,035,124)
Lapse of share option	—	—	—	(10,323)	—	—	—	—	—	—	10,323	—	—	—
Transfer of reserves	—	—	—	—	—	149	—	—	—	—	(149)	—	—	—
Equity-settled share-based transactions	—	—	—	11,152	—	—	—	—	—	—	—	11,152	—	11,152
Top-up placement	100,000	—	104,650	—	—	—	—	—	—	—	—	204,650	—	204,650
Issue of new shares from exercise of share options	83,333	—	35,335	—	—	—	—	—	(19,039)	—	—	99,629	—	99,629
At 31 March 2011	974,105	—	2,176,284	99,156	24,543	137,290	4,069	729,775	—	—	(42,251)	4,102,971	67	4,103,038
Loss for the year	—	—	—	—	—	—	—	—	—	—	(387,379)	(387,379)	(1)	(387,380)
Other comprehensive income	—	—	—	—	—	—	—	(91,757)	—	(1,270)	—	(93,027)	—	(93,027)
Reclassification to profit or loss	—	—	—	—	—	—	—	—	—	1,270	—	1,270	—	1,270
Total comprehensive income	—	—	—	—	—	—	—	(91,757)	—	—	(387,379)	(479,136)	(1)	(479,137)
Capital reorganization	(969,234)	—	969,234	—	—	—	—	—	—	—	—	—	—	—
Issue of convertible preference share (note 34)	—	425,198	—	—	—	—	—	—	—	—	—	425,198	—	425,198
Imputed finance costs arising from the discounting of loan from a related company for funding the construction of an investment property	—	—	—	—	—	—	853	—	—	—	—	853	—	853
Conversion of convertible preference share	2,000	(141,340)	139,340	—	—	—	—	—	—	—	—	—	—	—
Issue of convertible notes (note 38)	—	—	—	—	—	—	—	—	69,742	—	—	69,742	—	69,742
Lapse of share option	—	—	—	(6,932)	—	—	—	—	—	—	6,932	—	—	—
Lapse of warrants	—	—	—	—	(24,543)	—	—	—	—	—	24,543	—	—	—
At 31 March 2012	6,871	283,858	3,284,858	92,224	—	137,290	4,922	638,018	69,742	—	(398,155)	4,119,628	66	4,119,694

Notes:

(i) Subscription right reserve represents net proceeds received from issue of warrants. During the year 2012, the warrants were lapsed.

(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% of the profit after income tax 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/accumulated losses when the convertible notes are redeemed.

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss before income tax		**(523,746)**	(1,374,849)
Bank interest income		**(1,569)**	(4,062)
Imputed interest income		**—**	(1,332)
Dividend income from listed investments		**(1,738)**	(369)
Equity-settled share-based payment		**—**	11,152
Finance costs		**22,147**	9,660
Amortisation of patent		**—**	928
Depreciation on property, plant and equipment		**16,295**	12,587
Gain on bargain purchase	42	**(1,222,432)**	—
Net realised gain on disposal of financial assets at fair value through profit or loss		**(1,951)**	(32)
Fair value loss/(gain) on financial assets at fair value through profit or loss		**113,899**	(7,782)
Fair value loss on derivative financial instrument		**12,459**	—
Release of prepaid lease payments		**32,467**	28,469
(Gain)/loss on disposal of forest farms		**(15,229)**	18,159
Impairment loss on trade receivables		**—**	985
Impairment loss on other receivables		**5,230**	66,154
Impairment loss on long-term prepayments		**—**	96,547
Write-off of biological assets		**89,174**	279,363
Write-off of prepaid lease payments		**262,482**	57,741
Impairment loss on available-for-sale investments		**1,270**	12,416
Write-off of property, plant and equipment		**38,319**	—
Write-off of patent		**—**	13,762
Loss on changes in fair value less costs to sell of biological assets		**1,149,363**	719,800
Loss on disposal of property, plant and equipment		**1,963**	17,492
Loss on disposal of a subsidiary	43	**920**	—
Effect of foreign exchange differences		**(17,059)**	(1,024)
Operating loss before working capital changes		**(37,736)**	(44,235)
Decrease/(increase) in inventories		**776**	(432)
Increase in trade receivables		**(400)**	(52)
Decrease in other receivables, deposits and prepayments		**45,966**	12,393
(Decrease)/increase in trade payables		**(5,573)**	768
(Decrease)/Increase in other payables and accruals		**(24,826)**	9,754
Cash used in operations		**(21,793)**	(21,804)
PRC profits tax paid		**(27)**	(450)
Net cash used in operating activities		**(21,820)**	(22,254)

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Interest received		**1,569**	4,062
Dividend income received from listed investments		**1,738**	369
Increase of biological assets due to plantation		**(10,114)**	(10,188)
Decrease of biological assets due to harvest		**—**	664
Purchases of property, plant and equipment		**(2,107)**	(3,556)
Settlement of payable of acquisition of biological assets (including prepaid lease payments)		**(2,894)**	(7,868)
Increase in construction in progress		**(1,115)**	(9,112)
Net cash outflow on acquisition of subsidiaries	42	**(632,504)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**113,492**	510
Purchases of financial assets at fair value through profit or loss		**(10,000)**	(191,192)
Proceeds from disposal of property, plant and equipment		**3,169**	217
Proceeds from disposal of forest farms		**2,574**	5,347
Proceeds from disposal of a subsidiary	43	**990**	—
Net cash used in investing activities		**(535,202)**	(210,747)
Cash flows from financing activities			
Expense on issue of shares		**—**	(5,350)
Proceeds from placing and subscription of shares		**—**	210,000
Net cash generated from financing activities		**—**	204,650
Net decrease in cash and cash equivalents		**(557,022)**	(28,351)
Cash and cash equivalents at beginning of year		**580,938**	605,952
Effect of foreign exchange rate changes		**498**	3,337
Cash and cash equivalents at end of year		**24,414**	580,938
Analysis of balances of cash and cash equivalents at end of year			
Cash and bank balances		**24,414**	580,938

Notes to the Financial Statements

for the year ended 31 March 2012

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 engaged in tree plantation and management, manufacture and distribution of forestry products and holding of property for investment and rental purpose and set out in note 24 to the financial statements.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HK(IFRIC) -Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

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

HKFRS 3 (Amendments) — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKFRS 7(Amendments) — Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade and other receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 March 2012 and 2011. The prior year financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

Notes to the Financial Statements

for the year ended 31 March 2012

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2011 *(continued)*

HK(IFRIC)-Interpretation 19 — Extinguishing Financial Liabilities with Equity Instruments

The Interpretation applies where the Group renegotiates the terms of a financial liability and as a result issues its own equity instruments to the lender in full or partial settlement (commonly referred to as "debt for equity swaps"). The equity instruments are regarded as consideration paid and recognised at their fair value on the date the financial liability (or part thereof) is extinguished. The difference between the carrying amount of the financial liability extinguished and the consideration paid is recognised in profit or loss. If only part of the financial liability is extinguished, it is necessary to assess whether some of the consideration paid relates to modification of the terms of the liability that remains outstanding. In cases where it does, the consideration is allocated between the part extinguished and the part remaining. Previously, the Group recognised the equity instruments issued at the carrying amount of the debt extinguished with no gain or loss reported in profit or loss.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for current and comparative period. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

Notes to the Financial Statements

for the year ended 31 March 2012

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[4]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurements[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-INT 20	Stripping Costs in the Production Phase of A Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

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

Amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

Notes to the Financial Statements

for the year ended 31 March 2012

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

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

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

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

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

Notes to the Financial Statements

for the year ended 31 March 2012

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

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

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the 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 and going concern assumption

The financial statements have been prepared under the historical cost basis except for investment property, financial instruments and certain biological assets which are measured at fair value or fair value less costs to sell as explained in the accounting policies set out below.

During the year, the Group has incurred a loss of HK$387,380,000 for the year ended 31 March 2012 and, as of that date, the Group's current liabilities exceeded its current assets by HK$376,955,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Financial Statements

for the year ended 31 March 2012

3. BASIS OF PREPARATION *(continued)*

(b) Basis of measurement and going concern assumption *(continued)*

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity and financial position of the Group in view of the conditions described in the preceding paragraph. The directors are taking active measures to improve the working capital of the Group as described below:

1. the Group is in the process of obtaining bank borrowings by pledging the investment property;

2. the directors intend to negotiate with forest vendors to restructure the repayment schedules of the payables of the acquisition of forest farms;

3. the directors will implement procedures by improving efficacy of the management of forestry business for seeking potential business opportunities;

4. the directors anticipate that the Group will generate positive cash flows from its property business; and

5. the major shareholder has undertaken to provide continuing financial support in order to maintain the Group as a going concern.

As a result of the above, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2012. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements for the year ended 31 March 2012 on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(c) Functional and presentation currency

These financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Intangible assets

Patent

Patent was 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 was charged to profit or loss on a straight line basis over its estimated useful life unless such life is indefinite. The patent was amortised from the date they were available for use and its estimated useful life was 20 years. Both the period and method of amortisation and any conclusion drawn about the useful life of the patent were reviewed annually.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes 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.

Property, plant and equipment other than construction-in-progress are depreciated so as to write-off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives 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

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Construction-in-progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress in transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction-in-progress until it is completed and ready for its intended use.

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 on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(f) Prepaid lease payments

Prepaid lease payments represent upfront premium paid for use of land. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

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

(g) 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 and recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Biological assets *(continued)*

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

(h) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment
- Intangible assets
- Prepaid lease payment
- Interests in subsidiaries

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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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 as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

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, to the extent 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 as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leasing

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 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.

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.

(j) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(i) Financial assets *(continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loan and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(ii) Impairment loss on financial assets *(continued)*

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is reclassified from equity and 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 is not reversed.

(iii) Financial liabilities

The Group has one category of financial liabilities being financial liabilities at amortised costs. These liabilities, including trade and other payables, are initially measured at fair value, net of directly attributable transaction costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible notes

Convertible notes issued by the Group that contain liability, early redemption option and conversion option component are classified separately into their respective items on initial recognition. The early redemption option represents the Company's option to early redeem before maturity date. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the redemption option component is recognised at fair value and classified as derivative financial instrument.

On initial recognition, the fair value of the liability component is determined using the discounted cash flow at an effective interest rate. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (conversion option reserve).

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(iv) Convertible notes *(continued)*

In subsequent reporting periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The early redemption option component is measured at fair value with change in fair value recognised in profit or loss. The equity component represented by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible option reserve until the conversion option is exercised, in which case, the convertible option reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible option reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

(v) 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.

(vi) Equity instruments

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

(vii) Convertible preference shares

Convertible preference shares in which the Group has no contractual obligation to redeem and will only be converted to the Group's own equity instruments, which is classified as equity instruments and measured at fair value at initial recognition.

When the convertible preference shares are converted, the convertible preference shares are transferred to ordinary share capital and share premium. Transaction costs relating to issuance of the equity instrument are charged directly to equity.

(viii) 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns and other similar allowances:

(i) Revenue 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) Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms;

(iii) Property management income and related fee is recognised when the services are rendered;

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable; and

(v) Dividend income is recognised when the shareholders' rights to receive payment is established.

(m) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

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 included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Foreign currencies *(continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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 non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to 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.

(n) 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.

(ii) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

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 the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Employee benefits *(continued)*

(ii) Share-based payments *(continued)*

Where equity instruments are granted to persons other than employees and others providing similar services, 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.

(o) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Received grants that have not yet fulfill the recognition conditions are recognised as deferred revenue in the statement of financial position.

(p) 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.

(q) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income taxes

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.

(t) Related party

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

Notes to the Financial Statements

for the year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Related party *(continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

for the year ended 31 March 2012

5. 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) Fair values of biological assets

The Group's biological assets are valued by the management at fair value less costs to sell based on a valuation carried out by independent professional valuers. In determining the fair value of the biological assets, the professional valuers apply the income approach and net present value approach which require a number of key assumptions and estimates to be made such as discount rate, log price, plantation costs and harvesting. Any change in the estimates may affect the fair value of the biological assets significantly. The professional valuers and management review the assumptions and estimates periodically to identify any significant change in the fair value less costs to sell of the biological assets.

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.

(b) 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.

(c) Recoverability of trade and other receivables

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

Notes to the Financial Statements

for the year ended 31 March 2012

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

(d) Fair value of investment property

Investment property is stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors have exercised their judgements and are satisfied that the assumptions used in the valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the investment property and the corresponding adjustment to the amount of gain or loss would be recognised in profit or loss.

(e) Fair value of convertible notes, early redemption option component, conversion option component and convertible preference shares

The fair value of convertible notes, redemption option component, equity component and convertible preference shares are estimated by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation reports, the directors have exercised their judgements and are satisfied that the assumptions used in the valuation is reflective of the current market conditions. Changes to these assumptions and market conditions would result in changes in fair value of redemption option component and the corresponding adjustment to the amount of gain or loss would be recognised in profit or loss.

(f) Income taxes

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

Notes to the Financial Statements

for the year ended 31 March 2012

6. 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. There was no change in capital management policies and objectives from prior periods.

The capital structure of the Group consists of debts, which includes loan from related party disclosed in note 41 and convertible note payable disclosed in note 38, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, retained earnings and reserves as disclosed in notes 32, 33 and 36 respectively.

The gearing ratio at the year end was as follows:

	2012 **HK$'000**	2011 HK$'000
Debts/Total borrowing	**630,992**	—
Total equity	**4,119,694**	4,103,038
Net debts to equity ratio	**15%**	Nil

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for the year ended 31 March 2012

7. FINANCIAL RISK MANAGEMENT

Exposure to credit risk, liquidity risk, interest rate risk and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are limited by the Group's financial management policies and practices described 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 and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for balances with recoverability problem.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor. 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 79% (2011: 30%) and 92% (2011: 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 and other receivables are set out in notes 27 and 29.

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

Notes to the Financial Statements

for the year ended 31 March 2012

7. FINANCIAL RISK MANAGEMENT *(continued)*

(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 in the short and longer term.

The Group is exposed to liquidity risk as at 31 March 2012 as its financial assets due within one year were less than its financial liabilities due within one year. At 31 March 2012, the Group had net current liabilities of approximately HK$376,955,000. In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year by taking into consideration the proposed arrangements which include, but are not limited to, the following:

1. the Group is in the process of obtaining bank borrowings by pledging the investment property;

2. the directors intend to negotiate with forest vendors to restructure the repayment schedules of the payables of the acquisition of forest farms;

3. the directors will implement procedures by improving efficacy of the management of forestry business for seeking potential business opportunities;

4. the directors anticipate that the Group will generate positive cash flows from its property business; and

5. the major shareholder has undertaken to provide continuing financial support in order to maintain the Group as a going concern.

Notes to the Financial Statements

for the year ended 31 March 2012

7. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

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
2012						
Trade payables	**39,480**	**39,480**	**39,480**	**—**	**—**	**—**
Other payables and accruals	**332,923**	**332,923**	**332,923**	**—**	**—**	**—**
Long term payables	**426,982**	**543,500**	**—**	**381,836**	**30,619**	**131,045**
Convertible notes payable	**262,255**	**461,676**	**—**	**—**	**461,676**	**—**
	1,061,640	**1,377,579**	**372,403**	**381,836**	**492,295**	**131,045**
2011						
Trade payables	18,007	18,007	18,007	—	—	—
Other payables and accruals	207,276	207,276	207,276	—	—	—
Long term payables	162,085	282,458	—	15,798	52,884	213,776
	387,368	507,741	225,283	15,798	52,884	213,776

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
2012						
Other payables and accruals	**38,273**	**38,273**	**38,273**	**—**	**—**	**—**
Convertible notes payable	**262,255**	**461,676**	**—**	**—**	**461,676**	**—**
	300,528	**499,949**	**38,273**	**—**	**461,676**	**—**
2011						
Other payables and accruals	40,083	40,083	40,083	—	—	—
	40,083	40,083	40,083	—	—	—

Notes to the Financial Statements

for the year ended 31 March 2012

7. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from payables for acquisition of certain forest farms, loan from a related company and convertible notes as disclosed in notes 41, 48 and 38 respectively. These financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interests rates. The Group has not used any financial instruments to hedge potential fluctuation in interest rates.

(d) Currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi ("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) Equity price risk

The Group is exposed to equity price changes arising from equity instruments classified as financial assets at fair value through profit or loss and available-for-sale equity investment. All of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong and are included in the Hang Seng Index except for the equity securities listed in London held in the available-for-sales investments. Decisions to buy and sell securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the available-for-sale investments had been 10% higher/lower, the Group's reserves would increase/decrease by HK$15,500 (2011: HK$143,000). If the price of the financial assets at fair value through profit or loss had been 10% higher/lower, loss for the year would decrease/increase by HK$9,783,000 (2011: HK$31,323,000) and reserves would increase/decrease by HK$9,783,000 (2011: HK$31,323,000).

Notes to the Financial Statements

for the year ended 31 March 2012

8. REVENUE AND OTHER INCOME

Revenue represents income generated from the principal activities of the Group. Revenue and other income recognised during the year are as follows:

	2012 HK$'000	2011 HK$'000
Revenue/Turnover		
Sale of forestry products	**6,360**	2,761
Rental income	**3,122**	—
Property management and related fee income	**14,382**	—
	23,864	2,761
Other income		
Bank interest income	**1,569**	4,062
Government grant income	**1,214**	—
Imputed interest arising from the discounting of the consideration receivable for the disposal of certain forest farms	**—**	1,332
Dividend income from listed investments	**1,738**	369
Income arising from transfer of research and development project to third parties	**—**	3,294
Income arising from granting of patent use rights	**2,273**	2,273
	6,794	11,330
	30,658	14,091

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9. SEGMENTAL INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

After completion of the business combination on 15 February 2012, the Group has identified two reportable segments, the business of ecological forestry operation and property investment. In last year, the Group had only identified the business of ecological forestry operation as the single reportable operating segment.

During the year, there is no inter-segment transactions made. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business Segments

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Property Investment Business		Ecological Forestry Business		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue from:						
External sales	**17,504**	—	**6,360**	2,761	**23,864**	2,761
Inter-segment sales	**—**	—	**—**	—	**—**	—
Reportable segment revenue	**17,504**	—	**6,360**	2,761	**23,864**	2,761
Reportable segment profit/(loss)	**6,160**	—	**(1,466,414)**	(1,177,672)	**(1,460,254)**	(1,177,672)
Interest revenue	**—**	—	**1,569**	4,062	**1,569**	4,062
Interest expense	**4,875**	—	**13,297**	9,033	**18,172**	9,033
Depreciation and amortisation	**64**	—	**15,284**	13,139	**15,348**	13,139
Income tax expenses/(credit)	**1,691**	—	**(138,057)**	(171,197)	**(136,366)**	(171,197)
Write-off of biological assets	**—**	—	**89,174**	279,363	**89,174**	279,363
Release of prepaid lease payment	**—**	—	**32,467**	28,469	**32,467**	28,469
Loss arising from changes in fair value less costs to sell of biological assets	**—**	—	**1,149,363**	719,800	**1,149,363**	719,800
Write-off of property, plant and equipment	**—**	—	**38,319**	—	**38,319**	—
Write-off of prepaid lease payment	**—**	—	**262,482**	57,741	**262,482**	57,741

Notes to the Financial Statements

for the year ended 31 March 2012

9. SEGMENTAL INFORMATION *(continued)*

(a) Business Segments *(continued)*

Assets and liabilities information

	Property Investment Business		Ecological Forestry Business		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**3,559,390**	—	**2,278,298**	3,917,921	**5,837,688**	3,917,921
Addition to non-current assets	**14**	—	**13,172**	20,025	**13,186**	20,025
Segment liabilities	**1,049,294**	—	**504,598**	607,793	**1,553,892**	607,793

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2012	2011
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**23,864**	2,761
Elimination of inter-segment revenue	**—**	—
Consolidated revenue	**23,864**	2,761

	2012	2011
	HK$'000	HK$'000
Loss after income tax		
Reportable segment loss	**(1,460,254)**	(1,177,672)
Gain on bargain purchase	**1,222,432**	—
Fair value (loss)/gain on financial assets at fair value through profit and loss	**(113,899)**	7,782
Impairment loss on available-for-sale investments	**(1,270)**	(12,416)
Finance costs	**(3,975)**	(627)
Change in fair value of derivative financial instrument	**(12,459)**	—
Unallocated corporate expenses	**(17,955)**	(20,719)
Consolidated loss after income tax	**(387,380)**	(1,203,652)

Notes to the Financial Statements

for the year ended 31 March 2012

9. SEGMENTAL INFORMATION *(continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities *(continued)*

	2012 HK$'000	2011 HK$'000
Assets		
Reportable segment assets	**5,837,688**	3,917,921
Non-current financial assets	**27,799**	1,425
Unallocated corporate assets	**108,627**	831,568
Consolidated total assets	**5,974,114**	4,750,914

	2012 HK$'000	2011 HK$'000
Liabilities		
Reportable segment liabilities	**1,553,892**	607,793
Unallocated corporate liabilities	**300,528**	40,083
Consolidated total liabilities	**1,854,420**	647,876

(c) Geographical information

During the year 2012 and 2011, the Group's major operations and assets are situated in the PRC in which all of its revenue was derived.

(d) Major customers

During the year ended 31 March 2012, revenue from a customer contributed to more than 10% of the Group's revenue amounting to approximately HK$6,288,520. During the year ended 31 March 2011, revenues from two customers contributed to more than 10% of the Group's revenue amounting to approximately HK$2,305,000 and HK$456,000 respectively.

Notes to the Financial Statements

for the year ended 31 March 2012

10. OTHER NET LOSSES

	2012 HK$'000	2011 HK$'000
Fair value (loss)/gain on financial assets at fair value through profit or loss	(113,899)	7,782
Net realised gain on disposal of financial assets at fair value through profit or loss	1,951	32
Net (loss)/gain on financial assets at fair value through profit or loss	(111,948)	7,814
Gain/(loss) on disposal of forest farms*	15,229	(18,159)
Impairment loss on trade receivables	—	(985)
Bad debt recovery	182	—
Loss on disposal of property, plant and equipment	(1,963)	(17,492)
Loss on disposal of a subsidiary	(920)	—
Rental income	—	3,816
Net exchange gain/(loss)	3,770	(1,627)
Others	1,839	1,986
	(93,811)	(24,647)

* It represents gain/(loss) on disposal of biological assets and prepaid lease payments as follows:

	2012 Biological assets HK$'000	2012 Prepaid lease payments HK$'000	2012 Total HK$'000
Sales proceeds	—	2,574	2,574
Consideration payable for the acquisition of forest farms	32,449	82,026	114,475
Carrying amounts	(32,449)	(69,371)	(101,820)
	—	15,229	15,229

	2011 Biological assets HK$'000	2011 Prepaid lease payments HK$'000	2011 Total HK$'000
Sales proceeds	4,140	1,207	5,347
Carrying amounts	(22,339)	(1,167)	(23,506)
	(18,199)	40	(18,159)

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11. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms	**13,297**	9,033
Imputed interest arising from loan from a related company	**4,875**	—
Imputed interest on convertible notes (note 38)	**3,975**	627
	22,147	9,660

12. INCOME TAX

	2012 HK$'000	2011 HK$'000
Hong Kong profits tax		
— deferred tax credit	**—**	144
Overseas tax		
— current	**(154)**	(394)
— deferred tax credit	**136,520**	171,447
	136,366	171,197

Hong Kong profits tax has been provided at 16.5% based on the estimated assessable profit for the current and prior years. 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.

Pursuant to the Implementation Rules, Wan Fu Chun Forest Resources Development Company Limited ("WFC"), a wholly-owned subsidiary of the Group should be entitled to full exemption from the PRC enterprise income tax as it is operating in forestry business. In the past two years, WFC had not been granted the exemption approval by the PRC tax authority. No application has been made in the year ended 31 March 2012. Accordingly, WFC is subject to enterprise income tax rate of 25% for the years ended 31 March 2011 and 2012.

Yunnan Shenyu New Energy Company Limited ("Yunnan Shenyu"), a wholly owned subsidiary of the Group, is also operating in forestry business during the year. Pursuant to the approval obtained from the relevant PRC tax authority, Yunnan Shenyu is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2010. Yunnan Shenyu did not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged.

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for the year ended 31 March 2012

12. INCOME TAX *(continued)*

The applicable PRC enterprise income tax is 25% for 2011 and 2012 for other PRC subsidiaries.

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

	2012 HK$'000	2011 HK$'000
Loss before income tax	**(523,746)**	(1,374,849)
Tax credit calculated at Hong Kong profits tax rate of 16.5% (2011: 16.5%)	**(86,418)**	(226,850)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(117,970)**	(58,302)
Tax effect of income that is not taxable in determining taxable profit	**(220,465)**	(4,043)
Tax effect of expense that are not deductible in determining taxable profit	**124,282**	105,799
Utilisation of previously unrecognised tax losses	**(1,109)**	(3,563)
Unrecognised temporary differences and tax losses	**165,314**	15,762
Income tax credit	**(136,366)**	(171,197)

13. LOSS BEFORE INCOME TAX

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

	The Group	
	2012 HK$'000	2011 HK$'000
Auditor's remuneration	**1,959**	1,267
Minimum lease payments under operating leases on leasehold properties	**4,314**	8,468
Research and development costs	**4,592**	900
Staff costs (including directors' emoluments):		
Wages and salaries	**9,806**	16,239
Share-based payment	**—**	11,152
Retirement benefits scheme contribution	**989**	890
	10,795	28,281

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for the year ended 31 March 2012

14. LOSS 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 2012 dealt with in the financial statements of the Company was approximately HK$38,835,000 (2011: HK$43,847,000).

No dividend was paid or proposed during the year (2011: nil), nor has any dividend been proposed since 31 March 2012.

15. OTHER COMPREHENSIVE INCOME, AFTER TAX

	2012			2011		
	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	**(91,757)**	**—**	**(91,757)**	168,528	—	168,528
Impairment loss on available-for-sale financial assets	**(1,270)**	**—**	**(1,270)**	(12,416)	—	(12,416)
Reclassification to profit or loss	**1,270**	**—**	**1,270**	12,416	—	12,416
	(91,757)	**—**	**(91,757)**	168,528	—	168,528

16. LOSS PER SHARE

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

(i) Loss attributable to owners of the Company

	2012 HK$'000	2011 HK$'000
Loss for the year attributable to owners of the Company	**(387,379)**	(1,203,652)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**—**	—
Loss for the year attributable to owners of the Company used in the diluted loss per share calculation	**(387,379)**	(1,203,652)

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for the year ended 31 March 2012

16. LOSS PER SHARE *(continued)*

(ii) Weighted average number of ordinary shares and convertible preference shares

	Number of shares	
	2012	2011
	'000	'000
		(restated)
Weighted average number of ordinary shares and convertible preference shares at 31 March for the purpose of basic loss per share	**584,308**	460,306
Effect of dilutive potential ordinary shares:		
Share options	**—**	—
Convertible notes	**—**	—
Weighted average number of ordinary shares and convertible preference shares at 31 March for the purpose of calculation of diluted loss per share	**584,308**	460,306

The weighted average number of ordinary shares for the purpose of basic loss per share at 31 March 2011 has been adjusted to reflect the capital reorganisation effected on 1 December 2011.

The computation of diluted loss per share for the years ended 31 March 2012 and 2011 does not assume the exercise of share options and convertible notes since their exercise would result in a decrease in loss per share.

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for the year ended 31 March 2012

17. DIRECTORS' REMUNERATION

The emoluments paid or payable to the Company's directors for years ended 31 March 2012 and 2011 were as follows:

	Year ended 31 March 2012				
	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					
Lau Man Tak (i)	—	—	—	—	—
Chi Chi Hung Kenneth (ii)	—	550	2	—	552
Pang Chun Kit (v)	—	306	5	—	311
Independent non-executive directors					
Wong Yun Kuen	60	—	—	—	60
Chan Chi Yuen	60	—	—	—	60
Yu Pak Yan Peter (iii)	60	—	—	—	60
	180	856	7	—	1,043

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for the year ended 31 March 2012

17. DIRECTORS' REMUNERATION *(continued)*

	Year ended 31 March 2011				
	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 (iv)	—	2,500	9	—	2,509
Pang Chun Kit (v)	—	952	12	395	1,359
Lau Man Tak (i)	—	—	—	—	—
Chi Chi Hung Kenneth (ii)	—	100	—	—	100
Independent non-executive directors:					
Wong Yun Kuen	60	—	—	—	60
Chan Chi Yuen	60	—	—	—	60
Xu Lei (iv)	45	—	—	—	45
Yu Pak Yan Peter (iii)	15	—	—	—	15
	180	3,552	21	395	4,148

(i) Appointed on 7 April 2010
(ii) Appointed on 19 May 2010
(iii) Appointed on 31 December 2010
(iv) Resigned on 31 December 2010
(v) Resigned on 5 August 2011

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

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

Notes to the Financial Statements

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18. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of the five individuals with highest emoluments in the Group for the year included two (2011: two) directors, details of whose emoluments have been disclosed above.

Details of the emoluments of the remaining three (2011: three) non-directors, highest paid individuals for the year are as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kinds	766	1,907
Retirement benefits scheme contributions	24	21
	790	1,928

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
HK$		
Nil to 1,500,000	3	3
1,500,001–2,000,000	—	—
2,000,001–2,500,000	—	—
2,500,001–3,500,000	—	—
3,500,001–4,000,000	—	—
Over 4,000,000	—	—

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19. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements HK$'000	Building and construction HK$'000	Turnpike HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2010	20,143	650	55,319	16,904	24,248	117,264
Exchange adjustment	420	29	2,465	753	814	4,481
Transfer from construction in progress (note 21)	1,361	—	—	—	—	1,361
Additions	—	—	—	—	3,556	3,556
Disposals/write-off	(18,339)	—	—	—	(2,095)	(20,434)
At 31 March 2011	3,585	679	57,784	17,657	26,523	106,228
Exchange adjustment	68	256	1,240	398	446	2,408
Transfer from construction in process (note 21)	—	16,292	11,858	5,193	—	33,343
Acquisitions of subsidiaries	—	—	—	—	3,015	3,015
Additions	112	—	—	85	1,910	2,107
Disposal of a subsidiary	—	—	—	—	(3,071)	(3,071)
Disposals/write-off	—	(6)	(58,910)	(10,265)	(10,600)	(79,781)
Reclassification between categories	2,227	8,210	—	(7,414)	(1,490)	1,533
At 31 March 2012	5,992	25,431	11,972	5,654	16,733	65,782
Accumulated depreciation						
At 1 April 2010	2,588	365	8,826	6,527	10,922	29,228
Exchange adjustment	76	21	516	352	480	1,445
Provided during the year	465	215	5,367	2,682	3,858	12,587
Write back on disposal/write-off	(1,359)	—	—	—	(1,366)	(2,725)
At 31 March 2011	1,770	601	14,709	9,561	13,894	40,535
Exchange adjustment	69	95	298	195	289	946
Provided during the year	495	3,482	6,782	2,128	3,408	16,295
Disposal of a subsidiary	—	—	—	—	(1,151)	(1,151)
Write back on disposal/write-off	—	—	(20,591)	(7,877)	(7,861)	(36,329)
Reclassification between categories	2,227	4,587	—	(3,781)	(1,500)	1,533
At 31 March 2012	4,561	8,765	1,198	226	7,079	21,829
Net book value						
31 March 2012	1,431	16,666	10,774	5,428	9,654	43,953
31 March 2011	1,815	78	43,075	8,096	12,629	65,693

Notes to the Financial Statements

for the year ended 31 March 2012

19. 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.

During the year, the directors assessed the future economic benefits of turnpikes in certain forests. As the turnpikes are not in a good condition and are mostly destroyed, the Group recognised a write off for turnpikes in these forests.

The Company	Leasehold improvements HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost			
At 1 April 2010	2,008	1,722	3,730
Additions	—	2,830	2,830
Disposals/write-off	—	(4)	(4)
At 31 March 2011	2,008	4,548	6,556
Additions	111	39	150
Disposals/write-off	—	(38)	(38)
At 31 March 2012	2,119	4,549	6,668
Accumulated depreciation			
At 1 April 2010	317	303	620
Provided for the year	200	176	376
Disposals/write-off	—	(1)	(1)
At 31 March 2011	517	478	995
Provided for the year	207	740	947
Disposals/write-off	—	(20)	(20)
At 31 March 2012	724	1,198	1,922
Net book value			
At 31 March 2012	1,395	3,351	4,746
At 31 March 2011	1,491	4,070	5,561

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for the year ended 31 March 2012

20. INVESTMENT PROPERTY

	The Group 2012 HK$'000
At 1 April	—
Acquisition of subsidiaries	**3,569,030**
Exchange adjustment	**(14,500)**
At 31 March	**3,554,530**

The investment property is located in Taijiang District, Fuzhou, the PRC. It is a 7-storey (plus two basement levels) furniture shopping mall. The construction has been completed and the property ownership certificate has been obtained on 4 June 2012.

The fair value of the investment property at the end of reporting period was assessed by Asset Appraisal Limited, an independent qualified valuer. The valuations was based on direct comparison approach assuming sale of this property at its existing status with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. The valuation of investment property as at 31 March 2012 was arrived at by reference to market evidence of transaction prices for similar properties.

The investment property is held under a medium-term lease.

21. CONSTRUCTION IN PROGRESS

	The Group	
	2012 **HK$'000**	2011 HK$'000
At 1 April	**39,857**	30,566
Additions	**1,115**	9,112
Transferred to property, plant and equipment (note 19)	**(33,343)**	(1,361)
Exchange adjustment	**855**	1,540
Written off	**(248)**	—
At 31 March	**8,236**	39,857

The construction in progress mainly represents a production factory development project in Shuangbai county of Yunnan province.

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22. PREPAID LEASE PAYMENTS

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

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**1,247,495**	1,279,838
Exchange Adjustment	**32,197**	55,034
Disposals	**(69,371)**	(1,167)
Write-off (note 26)	**(262,482)**	(57,741)
Amount released to profit or loss	**(32,467)**	(28,469)
At 31 March	**915,372**	1,247,495
Classified as current assets	**18,211**	29,545
Classified as non-current assets	**897,161**	1,217,950

The above prepaid lease payments comprise the following:

	The Group	
	2012	2011
	HK$'000	HK$'000
Land portion from the consideration in respect of the forest acquisitions (note a)	**868,073**	1,200,371
Others	**47,299**	47,124
	915,372	1,247,495

Note:

(a) It represents the amount allocated as land portion from the consideration in respect of the forests acquired by the Group in the PRC. The Group has obtained forestry ownership certificates granted by local forestry bureaus in respect of prepaid lease payments for total areas of approximately 5 million Chinese Mu. For forests without forestry ownership certificates of approximately 1.4 million Chinese Mu, the Group has lodged applications for forestry ownership certificates to respective forestry bureaus since acquisitions. Due to change of rules and regulations, the approval process has been suspended as of the date of this report. However, the Group has obtained letters issued by the respective forestry bureaus and the legal opinion confirming the ownerships of these forests.

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for the year ended 31 March 2012

23. INTANGIBLE ASSETS

	The Group		
	Goodwill HK$'000	**Patent** HK$'000	**Total** HK$'000
Cost			
At 1 April 2010	189,607	535,891	725,498
Exchange adjustment	—	5,550	5,550
At 31 March 2011 and 2012	189,607	541,441	731,048
Accumulated amortisation and impairment			
At 1 April 2010	189,607	521,808	711,415
Charge for the year	—	928	928
Write-off	—	13,762	13,762
Exchange adjustment	—	4,943	4,943
At 31 March 2011 and 2012	189,607	541,441	731,048
Net carrying amount			
At 31 March 2012	—	—	—
At 31 March 2011	—	—	—

Goodwill

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

	The Company	
	2012 **HK$'000**	2011 HK$'000
Paper mulberry trees and other forest assets	**85,511**	85,511
Jatropha plantation and bio-diesel production	**104,096**	104,096
	189,607	189,607
Less: write-off	**(189,607)**	(189,607)
	—	—

During the year ended 31 March 2010, with reference to an independent valuation performed by LCH (Asia Pacific) Surveyors Limited on the recoverable amount of both cash-generating units, which had 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 was impaired for the year ended 31 March 2010.

Notes to the Financial Statements

for the year ended 31 March 2012

23. INTANGIBLE ASSETS *(continued)*

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.

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

The directors have performed impairment assessment of patent at 31 March 2011 and a write-off of HK$13,762,000 was made as the Group decided to terminate the paper mulberry trees business in view of the Group's latest business development strategies and current economic environment.

24. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**700,689**	700,689
Due from subsidiaries	**2,987,089**	1,789,415
Less: Impairment losses	**(172,363)**	—
	3,515,415	2,490,104

At 31 March 2012 and 2011, 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.

An impairment was recognised for certain investments in subsidiaries and amounts due from subsidiaries with a carrying amount of HK$172,363,000 (before deducting the impairment loss) because the respective subsidiaries had been loss-making for some time and no future economic benefits was expected.

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for the year ended 31 March 2012

24. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries as at 31 March 2012 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 Development Company Limited	The PRC	Registered RMB487,181,000	100%	Tree plantation and management, manufacture and distribution of forestry products
Yunnan Shenyu New Energy Company Limited	The PRC	Registered RMB16,000,000	100%	Tree plantation and management, manufacture and distribution of forestry products
Fujian Sinco Industrial Company Limited	The PRC	Registered RMB290,000,000	100%	Property investment

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.

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25. LONG-TERM PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Long-term prepayments	**116,740**	116,740
Less: Impairment loss	**(116,740)**	(116,740)
	—	—

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

Movements in the provision for impairment of long-term prepayments are as follows:

	2012 HK$'000	2011 HK$'000
At 1 April	**116,740**	17,219
Impairment losses recognised	**—**	96,547
Exchange adjustment	**—**	2,974
At 31 March	**116,740**	116,740

In view of the target for proactively addressing climate change and the additional afforestation for boosting "greening" efforts and improving forest carbon sequestration highlighted by the PRC Government, the Group had to minimise its logging operation and reduce its plantation activities and suspend the construction of infrastructure. As a result, the Group suspended the infrastructure work and an impairment loss of HK$96,547,000 (2010: HK$17,189,000) was recognised in the year ended 31 March 2011.

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26. BIOLOGICAL ASSETS

The Group	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
As at 31 March 2010	22,230	18,420	379,340	2,952,263	3,372,253
Disposals	—	—	—	(22,339)	(22,339)
Exchange adjustment	472	393	16,159	110,127	127,151
Harvest as agricultural produce	—	—	—	(664)	(664)
Loss arising from changes in fair value less costs to sell	—	—	(40,506)	(679,294)	(719,800)
Plantation expenditure incurred	—	—	7,927	2,261	10,188
Write-off	(22,702)	(18,813)	—	(237,848)	(279,363)
As at 31 March 2011	—	—	362,920	2,124,506	2,487,426
Disposals	—	—	—	(32,449)	(32,449)
Exchange adjustment	—	—	8,480	53,112	61,592
Harvest as agricultural produce	—	—	—	(1,164)	(1,164)
Loss arising from changes in fair value less costs to sell	—	—	(233,226)	(916,137)	(1,149,363)
Plantation expenditure incurred	—	—	9,485	629	10,114
Write-off	—	—	—	(89,174)	(89,174)
As at 31 March 2012	—	—	147,659	1,139,323	1,286,982

Notes:

(a) Liquorices

Liquorices were planted in Inner Mongolia, the PRC.

The directors had performed impairment assessment of liquorices at 31 March 2011 and a write-off of HK$22,702,000 was made as liquorices were still young and injured due to extreme instable climate led to serious harm to liquorices and cannot be sold currently. The Group had the view that liquorices business in Inner Mongolia is high risk under current economic environment. The management was considering to close the business and had obtained approval for capital reduction from Inner Mongolia government authority on 7 November 2011.

(b) Paper mulberry trees

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

The directors had performed impairment assessment of paper mulberry trees as at 31 March 2011 and a write-off of HK$18,813,000 was made. The Group had no plan to further financially support the development of the GMPM business in the foreseeable future.

Notes to the Financial Statements

for the year ended 31 March 2012

26. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

(c) Jatropha

The Group's Jatropha, are located in Yunnan Province, the PRC. They were independently valued by Pöyry (Beijing) Consulting Co., Ltd., Shanghai Branch ("Pöyry") as at 31 March 2012 under the Net Present Value ("NPV") approach.

In valuing the Group's Jatropha, Pöyry employed NPV approach by using a discount rate of 13% (2011: 11.5%) and the following major assumptions:

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

— The estimated jatropha seed yield at maturity for the jatropha plantations are 183kg/mu (2011: 288kg/mu) which is estimated to be achieved in 5 years.

(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 Pöyry as at 31 March 2012. In valuing the Group's other forest assets, Pöyry applied the income expectation approach based on projected wood flows of the Group's forest assets, the projected future after 10% harvest tax cash flows, based on their assessment of current timber log price, and a discounted rate of 11.5% (2011: 11.5%).

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

The principal valuation methodology and assumptions adopted are as follows:

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

During the year ended 31 March 2011, the Group recognised a write off of biological assets and prepaid lease payments of HK$237,848,000 and HK$57,741,000 respectively due to the unexpected prolonged application process for obtaining ownership certificates of the related forest farms which would have consequential effects on their recoverable amounts.

During the year, the Group recognised a write-off of biological assets and prepaid lease payments of HK$89,174,000 and HK$262,482,000 respectively because the Group, having considered the likelihood of surrendering certain forest farms to the local authorities and the difficulties in obtaining harvesting permit, concluded that no future economic benefits can be generated from these forest farms.

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27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Other receivables	**80,260**	79,566
Deposits	**854**	93
Prepayments	**313**	1,631
	81,427	81,290
Less: Impairment loss	**(74,928)**	(67,665)
	6,499	13,625

Included in the Group's other receivables as at 31 March 2012 were receivables of HK$52,182,000 (2011: HK$52,182,000) arising from the disposal of several forest farms to the third parties in prior years. Full impairment had been made in prior years.

Movements in the provision for impairment of other receivables are as follows:

	2012	2011
	HK$'000	HK$'000
At 1 April	**67,665**	—
Impairment losses recognised	**5,230**	66,154
Exchange adjustment	**2,033**	1,511
At 31 March	**74,928**	67,665

Included in the above impairment loss is a full provision for individually impaired other receivables of approximately HK$74,928,000 (2011: HK$67,665,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of the remaining other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default.

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28. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Seeds	**1,203**	816

At 31 March 2012 and 2011, no inventories were carried at net realisable value.

29. TRADE RECEIVABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**45,498**	69,589
Less: Impairment loss	**(44,725)**	(69,216)
	773	373

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

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for the year ended 31 March 2012

29. TRADE RECEIVABLES *(continued)*

(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:

	2012 HK$'000	2011 HK$'000
Over 90 days	**45,498**	69,589
Less: Impairment loss	**(44,725)**	(69,216)
	773	373

(ii) The movement in the impairment loss of trade receivables during the year:

	2012 HK$'000	2011 HK$'000
As at 1 April	**69,216**	65,299
Impairment loss recognised for the year (note 10)	**—**	985
Bad debts written off	**(26,018)**	—
Exchange difference	**1,527**	2,932
As at 31 March	**44,725**	69,216

At 31 March 2012, the Group's trade receivables of HK$44,725,000 (2011: HK$69,216,000) 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 accumulative impairment loss of HK$44,725,000 (2011: HK$69,216,000) is made. The Group does not hold any collateral over these balances.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2012 HK$'000	2011 HK$'000
Equity securities listed in Hong Kong, at fair value	**97,826**	313,266

The above equity securities were designated as financial assets at fair value through profit or loss on initial recognition by the directors of the Company. Changes in fair values of financial assets at fair value through profit or loss are recorded in profit or loss as other net gains/losses (note 10).

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31. AVAILABLE-FOR-SALE INVESTMENTS

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
Equity securities listed in London, at fair value	**155**	1,425

The above investments represent investments in listed equity securities which are designated as available-for-sale investments 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.

32. CASH AND CASH EQUIVALENTS

At 31 March 2012, the cash and cash equivalents of the denominated in RMB amounted to approximately HK$17 million (2011: HK$21 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.

33. SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Authorised		
As at 1 April, 2010 and 2011, ordinary shares of HK$0.10 each	20,000,000	2,000,000
Share consolidation (note i(a))	(19,000,000)	—
Sub-division of ordinary shares (note i(c))	199,000,000	—
As at 31 March 2012, ordinary shares of HK$0.01 each	200,000,000	2,000,000
As at 31 March 2012, convertible preference shares of HK$0.01 each (note ii) (note 34)	602,000	6,020

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33. SHARE CAPITAL *(continued)*

	Ordinary share	
	Number of shares '000	Amount HK$'000
Issued and fully paid		
As at 1 April 2010, ordinary shares of HK$0.1 each	7,907,715	790,772
Placement of new shares (note iii)	1,000,000	100,000
Shares issued from conversion of convertible notes (note iv)	833,333	83,333
As at 31 March 2011, ordinary shares of HK$0.1 each	9,741,048	974,105
Share consolidation (note i(a))	(9,253,995)	—
Capital reduction (note i(b))	—	(969,234)
Ordinary shares of HK$0.01 each after capital reorganisation	487,053	4,871
Share issued from conversion of convertible preference shares (note (v))	200,000	2,000
As at 31 March 2012, ordinary shares of HK$0.01 each	687,053	6,871

	Convertible preference share	
	Number of shares '000	Amount HK$'000
As at 1 April 2010 and 31 March 2011, convertible preference shares of HK$0.01 each	—	—
Issue of convertible preference shares (note (v))	601,667	425,198
Conversion of convertible preference shares (note (v))	(200,000)	(141,340)
As at 31 March 2012, convertible preference share of HK$0.01 each (note 34)	401,667	283,858

Notes to the Financial Statements

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33. SHARE CAPITAL *(continued)*

Notes:

(i) A special resolution was passed at a special general meeting held on 30 November 2011 approving the Capital Reorganisation on the basis that:

(a) Every twenty (20) issued and unissued share of HK$0.10 each in the share capital of the Company be consolidated into one (1) share of HK$2.00 (the "Share Consolidation") which effected on 1 December 2011. Following the implementation of the Share Consolidation, the Company's number of authorised share capital of 20,000,000,000 was divided into 1,000,000,000 of HK$2.00 each and its number of issued share capital of 9,741,048,933 was divided into 487,052,447 of HK$2.00 each.

(b) Subject to and forthwith upon the Share Consolidation taking effect, the issued share capital of the Company be reduced by canceling the paid up capital to the extent of HK$1.99 on each of the then issued Consolidated Shares on the effective date (1 December 2011) such that the nominal value of all the issued Consolidated Shares will be reduced from HK$2.00 to HK$0.01 each (the "Capital Reduction"). The Capital Reduction gave reduce to a debit to issued share capital of HK$969,234,000 and the same amount was credit to the share premium account.

(c) Subject to and forthwith upon the Capital Reduction taking effect, each of the authorised but unissued Consolidated Shares (including those arising from the Capital Reduction) be sub-divided into two hundred (200) shares of HK$0.01 each (the "Sub-Division"). Following the implementation of the Sub-Division, the Company's number of authorised share capital of 1,000,000 was splited into 200,000,000 of HK$0.01 each.

(ii) Pursuant to an ordinary resolution passed on 30 January 2012, the authorised convertible preference share of the Company was increased to 602,000,000 convertible preference shares of HK$0.01 each.

(iii) During the year ended 31 March 2011, the Company received proceeds of issues of shares, net of related expenses, of approximately HK$204,650,000 from placing and subscription agreement whereby an aggregate of 1,000,000,000 new ordinary shares of the Company were issued and allotted at a price of HK$0.21 per share to independent third parties. The proceeds were used for general working capital purposes.

(iv) On 30 April and 7 May 2010, 250,000,000 and 583,333,333 new ordinary shares of par value HK$0.1 each were issued respectively, both at a conversion price of HK$0.12 each, resulting in release of the liability component and equity component in aggregate, at the date of conversion of HK$100,000,000. The conversion gave rise to a credit to share capital of HK$83,333,000 and the remaining balance of HK$16,296,000 was credited to the share premium account. In addition, an amount of HK$19,039,000 has been transferred from conversion option reserve to the share premium account.

(v) On 30 January 2012, 601,166,666 convertible preference shares were issued to the vendors of the Acquisition as disclosed in note 42 to the financial statements. The issued convertible preference share gave rise to a credit to convertible preference shares of HK$425,198,000. On 30 January 2012, 200,000,000 convertible preference shares were converted into ordinary shares of the Company by crediting the share capital of HK$2,000,000 and share premium of HK$139,340,000.

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34. CONVERTIBLE PREFERENCE SHARES

On 30 January 2012, the Company issued 601,666,666 convertible preference shares as part of the consideration for the business combination as disclosed in note 42 to the financial statements. Convertible preference share of notional value of HK$3 each shall be convertible into one new ordinary share, subject to adjustment in the customary manner, including share consolidations, share subdivision, capitalisation issues, capital distributions, rights issues and issues of other securities for cash as discount of more than 20%. The convertible preference shares will rank (a) in priority to the ordinary shares of the Company and any other class of shares to return of capital; and (b) pari passu with ordinary shares of the Company as to any dividends accumulated on the convertible preference shares. The holder of each convertible preference share shall not have any voting rights. The convertible preference shares shall be non-redeemable and will not be listed on any stock exchange. The fair value of the convertible preference shares, at the initial recognition, amounting HK$425,198,000 was credited to convertible preference share.

During the year, 200,000,000 convertible preference shares have been converted into 200,000,000 ordinary shares.

35. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations. Pursuant to this objective, on 25 October 1998, the Company adopted a share option scheme (the "Scheme 1998") 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 Scheme 1998 and to adopt a share option scheme (the "Old 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 Old Scheme and termination of the Scheme 1998.

Eligible participants of the Old Scheme include directors and employees of the Company and its subsidiaries. The Old Scheme was terminated on 16 September 2011. The outstanding options granted shall continue to be valid and exercisable after the termination of the Old Scheme.

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

At the annual general meeting of the Company held on 16 September 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and the termination of the Old Scheme. The purpose of the New Scheme is to provide the Company with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Participants. There appears to be no material difference between the terms of the Old Scheme and New Scheme, other than the scope of participants which, under the New Scheme, is more specific than that covered under the Old Scheme. The New Scheme covers any employee (full time and part time) holding salaries, consultants, agents, contractors, consumers and suppliers as the Board in its sole discretion considers eligible. Moreover, in relation to the various circumstances under which an Option will lapse, e.g. death and termination of employment, the periods following such circumstances during which an option-holder may exercise their options are different under the two schemes.

The exercise price, vesting period, the exercisable period and the number of Shares subject to each option will be determined by the Board at the time of grant. No option was granted by the Company under the New Scheme since its adoption to the date of this report.

The maximum number of unexercised share options currently permitted to be granted under the New 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 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 30 November 2011, a special resolution was passed at a special general meeting to approve the Capital Reorganisation effective on 1 December 2011. The exercise prices and the number of shares which may be issued upon exercise of share options granted have been adjusted subsequent to the implementation of the Share Consolidation and Capital Reduction as disclosed in note 33 to the financial statement.

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for the year ended 31 March 2012

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

On 27 March 2007, a total of 9,255,000 share options were granted to the directors and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$19.60 per share. The option shall be vested in the following manner:

Starting from	1 April 2007	Not more than 40%
	2 April 2007 to 1 April 2008	Not more than 70%
	2 April 2008 to 1 April 2009	The outstanding balance

On 2 October 2007, a total of 450,000 shares options were granted to the directors of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$52.20 per share. The option shall be vested in the following manner:

Starting from	3 October 2007	Not more than 40%
	4 October 2007 to 3 October 2008	Not more than 70%
	4 October 2008 to 3 October 2009	The outstanding balance

On 30 September 2008, a total of 7,450,000 shares options were granted to the directors and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$7.80 per share. The option shall be exercisable in the following manner:

Starting from	30 September 2008	100%

On 30 October 2008, a total of 600,000 shares options were granted to the employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$4.84 per share. The option shall be vested in the following manner:

Starting from	30 October 2008	Not more than 40%
	1 November 2008 to 30 October 2009	Not more than 70%
	1 November 2009 to 30 October 2010	The outstanding balance

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

On 23 January 2009, a total of 1,000,000 shares options were granted to the directors of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$5.72 per share. The option shall be vested in the following manner:

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

On 9 February 2009, a total of 15,330,000 shares options were granted to the directors and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$5.90 per share. The option shall be vested in the following manner:

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

On 2 March 2010, a total of 32,905,000 shares options were granted to the directors, consultants and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$5.80 per share. The option shall be vested in the following manner:

For director

Starting from	2 March 2010	100%

For employee and consultants

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

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for the year ended 31 March 2012

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

(a) The terms and conditions of the share options that existed at 31 March 2012 and 2011 is as follows:

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of options	Number of options 2012 Before capital re-organisation	Number of options 2012 After capital re-organisation	Number of options 2011 Before capital re-organisation	Number of options 2011 After capital re-organisation
Options granted to ex-directors								
27 March 2007	2 years from the date of grant	1 April 2007 to 31 March 2017	HK$19.60	10 years	**6,000,000**	**300,000**	6,000,000	300,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$7.80	10 years	**6,000,000**	**300,000**	6,000,000	300,000
9 February 2009	2 years from the date of grant	9 February 2009 to 8 February 2019	HK$5.90	10 years	**10,000,000**	**500,000**	10,000,000	500,000
Options granted to directors								
2 March 2010	Immediately	2 March 2010 to 1 March 2013	HK$5.80	3 years	**26,900,000**	**1,345,000**	26,900,000	1,345,000
Options granted to employees and consultants								
27 March 2007	2 years from the date of grant	1 April 2007 to 31 March 2017	HK$19.60	10 years	**20,600,000**	**1,030,000**	20,600,000	1,030,000
2 October 2007	2 years from the date of grant	3 October 2007 to 2 October 2017	HK$52.20	10 years	**6,000,000**	**300,000**	6,000,000	300,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$7.80	10 years	**103,000,000**	**5,150,000**	103,000,000	5,150,000
30 October 2008	2 years from the date of grant	30 October 2008 to 29 October 2018	HK$4.84	10 years	**10,000,000**	**500,000**	10,000,000	500,000
23 January 2009	2 years from the date of grant	23 January 2009 to 22 January 2019	HK$5.72	10 years	**20,000,000**	**1,000,000**	20,000,000	1,000,000
9 February 2009	2 years from the date of grant	9 February 2009 to 8 February 2019	HK$5.90	10 years	**113,600,000**	**5,680,000**	123,600,000	6,180,000
2 March 2010	1 year from the date of grant	2 March 2010 to 1 March 2013	HK$5.80	3 years	**552,300,000**	**27,615,000**	631,200,000	31,560,000
					874,400,000	**43,720,000**	963,300,000	48,165,000

At the end of reporting period, the Company had 43,720,000 share options outstanding under the Scheme, which represented approximately 6% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 43,720,000 additional ordinary shares of the Company and additional share capital of HK$437,200 and share premium of HK$296,421,600 (before issue expenses).

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for the year ended 31 March 2012

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

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

	2012		2011	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at beginning of year	**6.70**	**48,165,000**	6.82	51,465,000
Forfeited during the year	**5.81**	**(4,445,000)**	8.44	(3,300,000)
Outstanding at end of year	**6.79**	**43,720,000**	6.70	48,165,000
Exercisable at end of year	**6.79**	**43,720,000**	6.70	48,165,000

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

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.81 years (2011: 3.70 years).

(c) Fair value of share options and assumptions

There was no grant of equity-settled share options during the year.

The Group amortises the fair value of the share options calculated above over the relevant vesting period. During the year ended 31 March 2011, an amount of HK$11,152,000 was charged as an equity-settled share-based payment to profit or loss and share-based payment had been fully recognised. During the year ended 31 March 2012, no equity-settled share-based payment was charged to profit and loss.

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36. RESERVES

The Company

	Convertible preference share HK$'000 (note 34)	Share premium account HK$'000	Subscription right reserve HK$'000 (note i)	Conversion option reserve HK$'000 (note ii)	Share-based compensation reserve HK$'000 (note iii)	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	—	2,036,299	24,543	19,039	98,327	—	(270,820)	1,907,388
Loss for the year	—	—	—	—	—	—	(43,847)	(43,847)
Other comprehensive income	—	—	—	—	—	(12,416)	—	(12,416)
Reclassification to profit or loss	—	—	—	—	—	12,416	—	12,416
Total comprehensive income for the year	—	—	—	—	—	—	(43,847)	(43,847)
Lapse of share options	—	—	—	—	(10,323)	—	10,323	—
Equity-settled share-based transaction	—	—	—	—	11,152	—	—	11,152
Top-up placement	—	104,650	—	—	—	—	—	104,650
Issue of shares from conversion of convertible notes	—	35,335	—	(19,039)	—	—	—	16,296
At 31 March 2011	—	2,176,284	24,543	—	99,156	—	(304,344)	1,995,639
Loss for the year	—	—	—	—	—	—	(211,198)	(211,198)
Other comprehensive income	—	—	—	—	—	(1,270)	—	(1,270)
Reclassification to profit or loss	—	—	—	—	—	1,270	—	1,270
Total comprehensive income for the year	—	—	—	—	—	—	(211,198)	(211,198)
Capital reorganization	—	969,234	—	—	—	—	—	969,234
Issue of convertible preference share (note 34)	425,198	—	—	—	—	—	—	425,198
Conversion of convertible preference share	(141,340)	139,340	—	—	—	—	—	(2,000)
Lapse of share options	—	—	—	—	(6,932)	—	6,932	—
Lapse of warrants	—	—	(24,543)	—	—	—	24,543	—
Issue of convertible notes (note 38)	—	—	—	69,742	—	—	—	69,742
At 31 March 2012	283,858	3,284,858	—	69,742	92,224	—	(484,067)	3,246,615

Notes:

(i) Subscription right reserve represents net proceeds received from issue of warrants. During the year 2012, the warrants were lapsed.

(ii) Conversion option reserve represents equity portion of convertible notes issued by the Company.

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

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37. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	**58,605**	44,408	**—**	—
Other payables and accruals	**95,689**	59,855	**8,485**	10,295
Received in advance	**14,691**	3,889	**—**	—
Consideration payables for the acquisition of subsidiaries	**49,788**	49,788	**29,788**	29,788
Consideration payables for the acquisition of forest farms	**187,446**	93,744	**—**	—
	406,219	251,684	**38,273**	40,083

38. CONVERTIBLE NOTES PAYABLE

The Company shall issue convertible notes with an aggregate principal amount of HK$461,676,000 as part of consideration of the acquisition as disclosed in note 42 to the financial statements. The convertible notes carry zero-coupon interest rate. The convertible notes have a maturity period of 5 years from the date of issue.

The holders are entitled to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK$3 per conversion share at any time during the period commencing from the date of issuance of the convertible notes. The conversion price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidations of shares, capitalisation issues, rights issues, issues of shares at discount of more than 20% and other dilutive events in accordance with the terms and conditions of the convertible notes.

The Company shall have the right to redeem any portion of the convertible notes outstanding at an amount equals to the principal amount of the convertible notes in its sole and absolute discretion at any time and from time to time prior to the date falling on the seventh business day prior to the maturity date by giving to the holders not less than 10 business days' prior written notice.

The holders shall have the right at any time before the date falling on the seventh business day prior to the maturity date to request the Company to redeem the whole or part of the outstanding principal amount of the convertible notes at a price equal to 100% of the amount to be redeemed, provided that the Company, having regard to the financial situation of the Group, accepts the request of the holders for early redemption.

The fair value of the convertible notes, at the initial recognition, was HK$287,919,000, comprising liability component of HK$258,280,000, conversion option component of HK$69,742,000 and early redemption option of HK$40,103,000. The conversion option component was credited to conversion option reserve and the early redemption option was recorded in derivative financial instrument under non-current assets.

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38. CONVERTIBLE NOTES PAYABLE *(continued)*

Movement of the liability and derivative financial instrument components are as follows:

The Group and the Company	Liability component HK$'000	Derivative financial instrument HK$'000
At 1 April 2011	—	—
Convertible notes to be issued	258,280	(40,103)
Imputed interest expense (note 11)	3,975	—
Change in the fair value	—	12,459
At 31 March 2012	262,255	(27,644)

The liability component is calculated by the Asset Appraisal Limited using discounted cash flow at an effective interest rate of 12.3%. The liability component carried on amortised cost basis until extinguished on conversion or redemption.

The Company determined the fair value of the conversion option component and the early redemption option is based on the valuation preformed by the Asset Appraisals Limited using the Binomial Tree Pricing Model. The major inputs into the models were as follows:

	At 31 March 2012	At 15 February 2012 (note d)
Conversion price	HK$3.00	HK$3.00
Expected volatility (note a)	77.80%	78.32%
Expected life (note b)	5 years	5 years
Risk free rate (note c)	0.55%	0.61%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price cover the period same as the remaining life of the convertible notes before date of valuation.

(b) Expected life was the expected remaining life of the options.

(c) The risk free rate is determined by reference to the HKMA Exchange Fund Notes rate at date of valuation.

(d) 15 February 2012 was used for the calculation of the components of the convertible notes as this is the date of completion of the acquisition as disclosed in note 42 to the financial statements.

During the year, loss of HK$12,459,000 was recognised as a change in fair value of derivative financial instrument.

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39. DEFERRED TAXATION

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

The Group

	Notes	Fair value of biological assets over procurement cost HK$'000	Principal denomination over fair value of convertible notes HK$'000	Fair value change on investment property HK$'000	Total HK$'000
At 1 April 2010		297,628	144	—	297,772
Deferred tax credited to profit or loss	12	(171,447)	(144)	—	(171,591)
Exchange adjustment		9,345	—	—	9,345
At 31 March 2011		135,526	—	—	135,526
Acquisition of subsidiaries		—	—	633,688	633,688
Deferred tax credited to profit or loss	12	(138,074)	—	1,554	(136,520)
Exchange adjustment		2,548	—	(2,467)	81
At 31 March 2012		—	—	632,775	632,775

The Company

	Principal denomination over fair value of convertible notes HK$'000
At 1 April 2010	144
Deferred tax credited to profit or loss	(144)
At 31 March 2011 and 2012	—

(b) At the end of reporting period, the Group has unused tax losses of approximately HK$435,760,000 (2011: HK$369,586,000) 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.

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40. 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	
	2012	2011
	HK$'000	HK$'000
Current or less than 1 month	**211**	—
1 to 3 months	**15,235**	—
More than 3 months but less than 12 months	**7,666**	18,007
More than 12 months	**16,368**	—
	39,480	18,007

The directors consider that the carrying amount of the Group's trade payables at 31 March 2012 and 2011 approximates their fair values.

41. LONG TERM PAYABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Consideration payables for acquisition of certain forest farms (note i)	**58,245**	162,085
Loan from a related company (note 48(b))	**368,737**	—
	426,982	162,085

Note:

(i) The consideration payables for the acquisition of certain forest farms of the Group represent the present value of biological assets and prepaid lease payments, and their related imputed interest arisen from the discounting of such consideration payables.

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42. BUSINESS COMBINATION

(a) Financial effect of business combination

On 15 February 2012, the Group, through Grand Supreme Limited, a wholly owned subsidiary, completed the acquisition of the entire shareholdings of Great Peace Global Group Limited, a company incorporated in the British Virgin Islands and the entire shareholdings of Grandbiz Holdings Limited, a company incorporated in the British Virgin Islands, who hold in aggregate 100% equity interest in Fujian Sinco Industrial Co., Ltd. ("Fujian Sinco") (the "Acquisition"). Fujian Sinco holds a shopping mall in Fuzhou as described in note 20 to the financial statements.

The primary reason for the business combination of the Group is to broadening its revenue source because the revenue from the Group's forestry business has been declining.

Fair value of assets and liabilities recognised at the date of Acquisition:

	Acquiree's fair value HK$'000
Net assets acquired:	
Investment property	3,569,030
Property, plant and equipment	3,015
Deposits and prepayments	968
Other receivable	45,137
Amounts due from related companies/parties	6,527
Cash and cash equivalents	2,496
Trade payables	(27,046)
Amounts due to related companies/parties	(6,033)
Loan from a related company	(366,899)
Other tax receivables	1,171
Received in advance	(20,498)
Tax payable	(3,631)
Deferred taxation	(633,688)
	2,570,549

Gain on bargain purchase on Acquisition

	HK$'000
Consideration transferred (note (c))	1,348,117
Less: fair value of identified net assets acquired	(2,570,549)
Gain on bargain purchase	(1,222,432)

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42. BUSINESS COMBINATION *(continued)*

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

Post-acquisition contribution to revenue and net profit of Fujian Sinco as included in the Group's consolidated statement of comprehensive income for the year ended 31 March 2012 is HK$17,504,000 and HK$6,170,000 respectively. If the Acquisition had incurred on 1 April 2011, the revenue and net profit of the Group for the year ended 31 March 2012 would have been HK$17,596,000 and HK$8,674,000 respectively.

(b) Analysis of the net outflow of cash and cash equivalents as a result of the acquisition is as follows:

	HK$'000
Cash paid	635,000
Cash and cash equivalents acquired	(2,496)
	632,504

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

	Notes	HK$'000
Cash paid		635,000
Fair value of convertible preference shares issued	34	425,198
Fair value of convertible notes to be issued		
— Liability component	38	258,280
— Early Redemption Option	38	(40,103)
— Conversion option reserve	38	69,742
		1,348,117

The aggregate consideration of the Acquisition comprised the following:

— HK$635,000,000 of the consideration in cash;

— Issuance of 601,666,666 convertible preference shares; and

— Issuance of convertible notes with principal amount of HK$461,676,000

According to the acquisition agreements, the consideration is subject to the adjustment based on the aggregated net assets value of Fujian Sinco as at the completion date ("Net Assets Value"). The Net Assets Value is defined as the net asset value of Fujian Sinco plus deferred tax liability. The vendors and a guarantor have jointly and severally undertaken to the Company and guarantee that the Net Assets Value of Fujian Sinco as shown in the completion accounts will not be less than HK$3,140,000,000 (the "Guaranteed Amount"). As at the completion date, the Net Assets Value of Fujian Sinco was HK$2,902,000,000. The above consideration has reflected the shortfall between the Net Assets Value of Fujian Sinco at the completion date and the Guaranteed Amount.

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43. DISPOSAL OF A SUBSIDIARY

On 30 August 2011, the Group disposed of its 100% equity interest in a subsidiary, Fancy Spirit Limited for a consideration of approximately HK$1,199,000.

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

	HK$'000
Bank balances and cash	209
Property, plant and equipment	1,920
Other payables and accruals	(10)
Net assets disposed of	2,119
Loss on disposal of a subsidiary	(920)
Total consideration	1,199
Net cash inflow arising on disposal:	
Cash consideration received	1,199
Bank balances and cash disposed of	(209)
	990

44. NON CASH TRANSACTION

As disclosed in note 42 to the financial statements, the consideration for the business combination was partly settled by the issuing of convertible notes and convertible preference shares of the Company.

45. CONTINGENT LIABILITIES

At 31 March 2012 and 2011, the Company and the Group did not have any contingent liabilities.

Notes to the Financial Statements

for the year ended 31 March 2012

46. LEASES

The Group leases its office properties and nursery gardens under operating leases arrangements. Leases for office properties are negotiated for term for one year. Leases for nursery gardens are negotiated for terms for five years.

The Group as lessee

The lease payment recognised as an expenses are as follows:

	Notes	2012 HK$'000	2011 HK$'000
Minimum lease payments		**4,314**	4,652
Sub-lease payment	10	**—**	3,816
Total lease payments	13	**4,314**	8,468

At 31 March 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**808**	920
In the second to fifth years, inclusive	**12**	535
More than five years	**250**	—
	1,070	1,455

The Group as lessor

The Group's shopping mall was leased to a number of tenants for varying terms.

	2012 HK$'000	2011 HK$'000
Within one year	**36,827**	—
In the second to fifth years, inclusive	**27,229**	—
More than five years	**73,814**	—
	137,870	—

Notes to the Financial Statements

for the year ended 31 March 2012

47. CAPITAL COMMITMENTS

At 31 March 2012 and 2011, the Group had the following commitments:

	2012 **HK$'000**	2011 HK$'000
Capital commitments contracted but not provided for:		
Construction in progress	**25,058**	33,479

48. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

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

	Year ended 31 March 2012 **HK$'000**	Year ended 31 March 2011 HK$'000
Salaries and other short-term employee benefits	**1,036**	3,732
Post-employment benefits	**7**	21
Share-based payments	**—**	395
	1,043	4,148

(b) Amounts due from/(to) related parties

The amounts due from related parties was unsecured, non-interest bearing and had no fixed repayment terms. A long term loan from a related company was unsecured and repayable on 27 May 2014. It is interest bearing and the interest is charged at 6.65% starting from 1 April 2012. At 31 March 2012, a major shareholder of the Company, Mr. Guo Jiadi was beneficially interested in the related company. No guarantees had been given to or received from related parties. No expenses had been recognised in the period for bad or doubtful debts in respect of the amounts owed by related company.

Notes to the Financial Statements

for the year ended 31 March 2012

49. NATURAL RISK

The Group's revenue depends significantly on its 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 utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affect by interruption of transportation due to bad weather or other reason.

50. CONTINGENCIES

The Group has been informed that there were uncertainties of several forest land use rights that dispute may arise between forest land vendors and the Group. Legal advice received supports the directors' belief that the forest land use rights were still retained at year end. The directors will continue to seek legal advice and negotiate with forest land vendors. The carrying amount of related prepaid lease payment on the forest land use rights and the biological assets held at year end were HK$3,301,000 and HK$10,125,000 respectively.

Notes to the Financial Statements

for the year ended 31 March 2012

51. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as at 31 March 2012 and 2011 are categorised as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial Assets		
At fair value through profit or loss		
— held for trading	**97,826**	313,266
— derivative financial instrument	**27,644**	—
Available-for-sale investment measured at fair value	**155**	1,425
Loan and receivable (including cash and bank balances)	**38,213**	593,305
Financial Liabilities		
Financial liabilities measured at amortised cost	**1,061,640**	387,368

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.

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.

Notes to the Financial Statements

for the year ended 31 March 2012

51. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(continued)

31 March 2012

	The Group			
	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Financial assets at fair value through profit or loss — listed	**97,826**	**—**	**—**	**97,826**
Available-for-sale investments — listed	**155**	**—**	**—**	**155**
Derivative financial instrument	**—**	**27,644**	**—**	**27,644**

31 March 2011

	The Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss — listed	313,266	—	—	313,266
Available-for-sale investments — listed	1,425	—	—	1,425

During both years, there was no significant transfer between level measurement hierarchy.

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2012.