CHINA TIMBER RESOURCES GROUP LIMITED
(中國木業資源集團有限公司*)

(Formerly known as Seapower Resources International Limited)
(凱暉國際實業有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 269)

ANNOUNCEMENT OF FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2007.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2007

	Note	**2007** ***HK$'000***	2006 *HK$'000*
TURNOVER	*3*	**10,380**	4,129
Cost of sales		**(4,065)**	(3,955)
Gross Profit		**6,315**	174
OTHER REVENUE	*3*	**463**	128
OTHER INCOME	*4*	**4,203**	2,187
GAIN ON FAIR VALUE CHANGE OF INVESTMENT PROPERTY		**1,845**	—
SELLING AND ADMINISTRATIVE EXPENSES		**(26,801)**	(15,660)
LOSS FROM OPERATIONS	*5*	**(13,975)**	(13,171)
FINANCE COSTS	*6*	**(426)**	(406)
LOSS BEFORE TAXATION		**(14,401)**	(13,577)
TAXATION	*7*	**(434)**	—
LOSS FOR THE YEAR OF THE COMPANY		**(14,835)**	(13,577)
ATTRIBUTABLE TO: EQUITY HOLDERS OF THE COMPANY		**(14,245)**	(13,577)
MINORITY INTERESTS		**(590)**	—
		(14,835)	(13,577)
DIVIDENDS	*8*	**—**	—
LOSS PER SHARE BASIC	*9*	**(0.21 cents)**	(0.21 cents)
DILUTED		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment property		**29,640**	—
Property, plant and equipment		**8,441**	29,311
Prepaid lease payments		**3,554**	3,635
Goodwill		**152,896**	—
Forest concession right		**8,640**	—
Deferred expenditure		**7,392**	—
		210,563	32,946
Current assets			
Financial assets at fair value through profit or loss		**3,516**	1,683
Derivative financial instruments		**1,040**	—
Inventories		**3,470**	—
Trade and other receivables	*10*	**2,629**	955
Short-term fixed deposits		**—**	15,000
Cash and bank balances		**9,116**	16,966
		19,771	34,604
Current liabilities			
Bank overdrafts		**—**	171
Trade and other payables	*11*	**99,821**	2,148
Amounts due to subsidiaries under liquidation		**490**	490
Amount due to a director of a subsidiary		**1,205**	—
Bank loan — due within one year (secured)		**—**	555
Taxation		**434**	—
		101,950	3,364
Net current (liabilities)/assets		**(82,179)**	31,240
Total assets less current liabilities		**128,384**	64,186
Non-current liabilities			
Bank loan — due after one year (secured)		**6,250**	3,528
Deferred tax liabilities		**450**	241
		6,700	3,769
TOTAL ASSETS LESS TOTAL LIABILITIES		**121,684**	60,417
CAPITAL AND RESERVES			
Share capital		**71,261**	66,023
Reserves		**49,240**	(5,606)
Total equity attributable to equity holders of the Company		**120,501**	60,417
Minority interests		**1,183**	—
TOTAL EQUITY		**121,684**	60,417

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007

1. Principal Accounting Policies

(a) Going concern basis

The Group had loss attributable to equity holders for the year of HK$14,245,000 for the year ended 31 March 2007 and net current liabilities for the year ended HK$82,179,000 as at 31 March 2007.

However, the Group raised fund of approximately HK$349.6 million from a share placement on 13 June 2007 for general working capital of the Group. Further details are set out in Note 13(b).

In the opinion of the Directors, the Group will have sufficient working capital to meet its debts as and when they fall due, and to carry on its business as a going concern in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. The effect of these potential adjustments has not been reflected in the financial statements.

(b) Statement of compliance

These financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(c) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and other financial assets at fair value through profit and loss which are carried at fair value.

ADOPTION OF NEW OR AMENDED HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these consolidated financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: *Amendments as a consequence of the Companies (Amendment) Ordinance 2005*
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRS — Int 4	Determining whether an Arrangement Contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The effects of Change in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 27 Consolidated and Separate Financial Statements

The adoption of the HKAS 27 Amendment has had no material impact on these financial statements.

(c) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts. In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKFRS 4, Insurance contracts and HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 April 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognized, less accumulated amortization, and the amount of the provision, if any, that should be recognized in accordance with HKAS 37.

The new accounting policy has been applied retrospectively by restating opening balances at 1 April 2005 and 2006 to the extent that guarantees were unexpired at those dates, with consequential adjustment to comparatives for the year ended 31 March 2006. It is not practicable to estimate the fair values and consequential effect on reported net assets of the change in accounting policies in respect of any other guarantees issued prior to 1 April 2005. The adoption of this amendment has had no material impact on these financial statements

(ii) Amendment for fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit and loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

(d) HKFRS — Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

Certain new standards, amendments and interpretations to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted, are as follows:

HKAS 1 (Amendment)	Capital Disclosures(i)
HKFRS 7	Financial Instruments: Disclosures(i)
HKFRS 8	Operating Segments(ii)
HK(IFRIC) — Int 8	Scope of HKFRS 2(iii)
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives(iv)
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment(v)
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions(vi)
HK(IFRIC) — Int 12	Service Concession Arrangements(vii)

(i) effective for annual periods beginning on or after 1 January 2007
(ii) effective for annual periods beginning on or after 1 January 2009
(iii) effective for annual periods beginning on or after 1 May 2006
(iv) effective for annual periods beginning on or after 1 June 2006
(v) effective for annual periods beginning on or after 1 November 2006
(vi) effective for annual periods beginning on or after 1 March 2007
(vii) effective for annual periods beginning on or after 1 January 2008

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

2. Segment Information

(a) Business Segment

For the year ended 31 March 2007, the Group is engaged in the following two business segments:

(i) Timber logging and trading — the sale of timber logs from forest concession

(ii) Warehousing and logistics — cold storage warehousing and logistics management services

For the year ended 31 March 2006, the Group was engaged in only one business segment, warehousing and logistics.

Segment information by business is presented as follows:

For the year ended 31 March 2007

	Timber logs and trading *HK$'000*	Warehousing and logistics *HK$'000*	Total *HK$'000*
REVENUE			
External revenue	**6,002**	**4,378**	**10,380**
Other revenue	**—**	**6**	**6**
Total revenue	**6,002**	**4,384**	**10,386**
Segment result	**(724)**	**3,655**	**2,931**
Unallocated other revenue			**457**
Unallocated other income			**1,968**
Unallocated expenses			**(19,331)**
Loss from operation			**(13,975)**
Finance cost			**(426)**
Loss before taxation			**(14,401)**
Taxation			**(434)**
Loss for the year			**(14,835)**
OTHER INFORMATION			
Segment assets	**173,288**	**30,941**	**204,229**
Unallocated			**26,105**
Total assets			**230,334**
Segment liabilities	**102,056**	**6,594**	**108,650**
Unallocated			**—**
Total liabilities			**108,650**
Capital expenditure	**44**	**221**	**265**
Unallocated			**3,636**
Total capital expenditure			**3,901**
Depreciation and amortisation	**668**	**—**	**668**
Unallocated			**648**
Total depreciation and amortisation			**1,316**

For the year ended 31 March 2006

	Timber logs and trading *HK$'000*	Warehousing and logistics *HK$'000*	Total *HK$'000*
REVENUE			
External revenue	—	4,129	4,129
Other revenue	—	11	11
Total revenue	—	4,140	4,140
Segment result	—	(3,895)	(3,895)
Unallocated other revenue			117
Unallocated other income			2,187
Unallocated expenses			(11,580)
Loss from operation			(13,171)
Finance cost			(406)
Loss before taxation			(13,577)
Taxation			—
Loss for the year			(13,577)
OTHER INFORMATION			
Segment assets	—	25,168	25,168
Unallocated			42,382
Total assets			67,550
Segment liabilities	—	4,548	4,548
Unallocated			2,585
Total liabilities			7,133
Capital expenditure	—	1,180	1,180
Unallocated			3,585
Total capital expenditure			4,765
Depreciation and amortisation	—	875	875
Unallocated			824
Total depreciation and amortisation			1,699

(b) Geographical segments

The following table presents revenue, results and certain assets and expenditure for the Group's geographical segments for the two years ended 31 March 2007 and 2006:

	Hong Kong & PRC		Guyana		Australia		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE								
External revenue	**6,002**	—	**—**	—	**4,378**	4,129	**10,380**	4,129
Other revenue	**6,505**	117	**—**	—	**6**	11	**6,511**	128
Total revenue	**12,507**	117	**—**	—	**4,384**	4,140	**16,891**	4,257
SEGMENT RESULTS	**(15,845)**	(9,276)	**(1,785)**	—	**3,655**	(3,895)	**(13,975)**	(13,171)
Other information:								
Segment assets	**35,152**	42,382	**164,241**	—	**30,941**	25,168	**230,334**	67,550
Segment liabilities	**92,630**	2,585	**8,979**	—	**7,041**	4,548	**108,650**	7,133
Capital expenditure	**3,636**	3,585	**44**	—	**221**	1,180	**3,901**	4,765
Depreciation and amortisation	**800**	824	**7**	—	**76**	875	**883**	1,699

3. Turnover and Other Reveune

The Company is an investment holding company. The Group is engaged in the provision of timber logging and sales as well as cold storage warehousing and logistics management services.

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Income from timber logging and trading	**6,002**	—
Income from cold storage warehousing and logistics management	**4,378**	4,129
	10,380	4,129
Other revenue		
Interest income	**463**	128
	10,843	4,257

4. Other Income

Other income comprises:

	2007	2006
	HK$'000	*HK$'000*
Exchange gain, net	**2,235**	—
Gain on disposal of property, plant and equipment	**—**	19
Realized gain on disposal of financial assets	**1,920**	785
Loan waived by a former director	**—**	1,310
Others	**48**	73
	4,203	2,187

5. Loss from Operations

Loss from operations is stated after charging:

	2007	2006
	HK$'000	*HK$'000*
Depreciation	**567**	1,699
Amortisation of lease payments for land under operating lease	**81**	81
Gain on fair value change of investment property	**1,845**	—
Amortization of forest concession	**360**	—
Amortization of deferred expenditure	**308**	—
Royalties	**121**	—
Exchange loss, net	**—**	1,288
Staff costs including including directors' emoluments (2006: HK$80,401)	**3,989**	2,511
— Share option granted to directors and employees	**4,041**	—
— MPF scheme contribution	**299**	80
Loss on disposal of fixed assets (other than properties)	**—**	—

6. Finance Costs

	2007	2006
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**426**	406

7. Taxations

The charge/(credit) comprises:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**434**	—
Deferred income tax	**—**	—
	434	—

The charge/(credit) for the year can be reconciled to the loss per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Loss before taxation	**(14,401)**	(13,577)
Calculated at a taxation rate of 17.5% (2006:17.5%)	**(2,520)**	(2,375)
Over-provision in prior years	**249**	—
Net effect of non-assessable/deductible items	**(207)**	1,538
Utilisated tax losses	**—**	(70)
Net effect of tax losses and temporary differences not recognized	**2,912**	907
	434	—

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year whereas no provision for had been made for profits tax in 2006 as no assessable profits arose thereof. For overseas jurisdictions, no provision for income tax has been provided for both years as the Group did not have any assessable profits derived in such jurisdictions.

8. Dividends

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2007 (2006: Nil).

9. Loss per Share

The calculation of the basic loss per share is based on the net loss for the year of approximately HK$14,245,000 (2006: loss of HK$13,577,000) and on the weighted average number of 6,910,472,656 (2006: 6,353,365,217) shares in issue during the year.

Diluted loss per share for both years is not presented as the Company's potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share.

10. Trade and Other Receivables

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**1,149**	299	**—**	—
Other receivables	**77**	40	**68**	40
Deposits paid	**837**	504	**836**	493
Prepayments	**566**	112	**475**	45
	2,629	955	**1,379**	578

The Group allows an average credit period of 60 days to its trade customers

Details of the aged analysis of trade receivables of the Group are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 — 30 days	**713**	40	**—**	—
31 — 60 days	**426**	259	**—**	—
61 — 180 days	**10**	—	**—**	—
Over 180 days	**—**	—	**—**	—
	1,149	299	**—**	—

Trade and other receivables were denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Australian Dollars	**853**	299	**—**	—
Guyana Dollars	**296**	—	**—**	—
Renminbi	**—**	—	**—**	—
	1,149	299	**—**	—

11. Trade and Other Payables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**603**	—	**—**	—
Other payables and accruals	**99,218**	2,148	**1,297**	956
	99,821	2,148	**1,297**	956

Details of the aged analysis of trade payables of the Group are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 — 30 days	**—**	—	**—**	—
31 — 60 days	**—**	—	**—**	—
61 — 90 days	**—**	—	**—**	—
Over 90 days	**603**	—	**—**	—
	603	—	**—**	—

Trade and other payable were demominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollors	**7,838**	—	**—**	—
Hong Kong Dollors	**91,643**	1,854	**1,297**	956
Australian Dollars	**340**	294	**—**	—
	99,821	2,148	**1,297**	956

12. Pledge of Assets

At 31 March 2007, cold storage warehouse and plant and equipment with an aggregate net carrying value of HK$29,640,000 (2006: HK$24,075,000) were pledged as security for bank loan facilities granted to the Group.

13. Post Balance Sheet Events

(a) On 5 July 2007, the Company exercised the option to require Mr. Danny Chan, the managing director of Jaling Forest Industries Inc., a non-wholly owned subsidiary of the Company, to sell to its wholly owned subsidiary, Vastrich Corporation Limited ("Vastrich"), 51% equity interest in Garner Forest Industries Inc. ("Garner"), at a consideration of HK$60 million and entered into an acquisition agreement with Mr. Danny Chan for purchasing the remaining 49% equity interest in Garner at a consideration of HK$50,000,000. The total consideration for the acquisition of 100% equity interest in Garner, HK$110,000,000 is payable in cash.

(b) Pursuant to a Placing Agreement entered into between the Company and the placing agent CITIC Securities Corporate Finance (HK) Limited ("CITIC") on 13 June 2007, CITIC subscribed 1,250,000,000 new shares at a price of HK$0.29 each. Net proceeds of approximately HK$349.6 million was raised to provide general working capital of the Group and acquisition of Garner.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2007

Business Review

For year ended 31 March 2007, the Group principally engaged in forest operation and management, logging and timber processing and trading, notwithstanding that for the first half of the financial year, the Group only engaged in operation of cold storage warehousing and logistics management services. The change was brought by the completion of the acquisition of a majority stake in Jaling Forest Industries Inc. ("Jaling") on 21 September 2006, the principal business of which is forest logging, exploitation, operation and management.

The cold storage warehousing and logistics management services businesses of the Group experienced a continuous scaled-down as the previous financial year as major customers kept cutting down their demand for external warehousing services. It is the current intention of the directors of the Company ("Directors") that the Group will cease to operate its cold storage warehousing and logistics management services businesses at the time the Directors consider appropriate and when the forestry business of the Group matures. In view of increasing global demand for timbers, the Company seeks to focus on the operation

and development of forestry business in order to take full advantage of the favourable international timber trading market conditions and to expand its scope of business and broaden its revenue base.

Financial Position

For the year ended 31 March 2007, the Group recorded a consolidated turnover of approximately HK$10.38 million representing an increase of approximately 151% over that of the previous year (2006: HK$4.13 million) which was mainly due to the additional contribution from the sale of timbers in the second half of the financial year. The two business segments engaged by the Group, namely timber logging and trading, and warehousing and logistics contributed approximately HK$6 million and HK$4.4 million respectively to the Group's consolidated turnover. The direct operating expenses of the year was approximately HK$4.07 million (2006: HK$3.96 million) representing an increase of 2.8% which reflected the cost of operation of Jaling. The operating loss was approximately HK$13.98 million for the year (2006: HK$13.17 million) representing an increase of 6.1% and the loss after taxes and minority interest attributable to shareholders for the year was approximately HK$14.25 million (2006: HK$13.58 million) representing an increase of 4.9%, both of which were resulted from various expenses incurred in the course of acquisitions of new businesses entities.

The net asset of the Group for the year was approximately HK$121.68 million (2006: HK$60.42 million) which was over a double of last year. The remarkable improvement in the equity of the Company was mainly due to the contribution of goodwill resulting from the acquisition of Jaling. The current assets experienced a drop of 42.86% to HK$19.77 million (2006: HK$34.60 million) which consists of cash and bank balances of HK$9.12 million (2006: HK$16.97 million) and time deposit of HK$0 (2006: HK$15 million). Current liabilities amounted to HK$101.95 million (2006: HK$3.36 million), an increase of 2,934% which was mainly due to an increase in trade and other payables resulting from consideration to be paid for the Jaling acquisition. The substantial decrease in current asset and increase in current liabilities reflected payments for consideration and expenses made or to be made for the acquisition of Jaling. The gearing ratio of the Group, measured as total debts to total assets was approximately 47.2% (2006: 11%).

The bank borrowings of the Group amounted to HK$6.25 million (2006: HK$4.08 million), all of which will be due after one year (2006: HK$3.52 million). The bank borrowings were in Australian dollars and subject to floating interest rate. The Board considered foreign exchange risk being minimal.

During the financial year, the Company has not given any guarantee to any financial institution in respect of the bank facilities utilised by one of its subsidiaries (2006: HK$5.3 million). As at 31 March 2007, the Group's cold storage warehouse, property, plant and equipment amounted to HK$29.64 million (2006: HK$24.08 million) were pledged to secure credit facilities granted to and utilized by the Group.

The Group did not use financial instruments for hedging purposes and did not have foreign currency net investments being hedged by foreign currency borrowings and other hedging instruments.

Employees and Retirement Benefit Scheme

The Group had approximately 27 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2007. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration strategy. As at 31 March 2007, the number of shares in respect of which options were granted to executive directors and employees of the Company and not exercised under the Share Option Scheme was 128,286,948, representing 1.80% of the shares of the company in issue. All the options were granted on 9 June 2006, exercisable within a period of 3 years.

The emoluments payable to the Directors are determined based on the scope of work, level of involvement, experience and seniority.

Information on the Group's mandatory provident fund scheme will be set out in the 2007 Annual Report of the Company.

Outlook

Throughout the financial year, the Company set its priorities to ensure that resources and efforts were more effectively allocated in searching business opportunities to expand its scope of business and enhance its revenue generating capacity.

On 10 April 2006, the Company entered into an acquisition agreement to acquire a 51% equity interest of Jaling, a private company incorporated in Guyana, South America, for a consideration of HK$154 million. After completion of the acquisition of Jaling in September 2006, the Company has spent substantial effort and financial resources on recruiting logging expertise, contractors, technicians and labours for provision of logging and timber processing services to Jaling and will continue to invest in timber harvesting, processing, transportation, export and sale. In addition, the Company is also setting up a timber distribution network headed by its China office located in Shenzhen, in order to expand and strengthen its timber sales and distribution capacity.

The Company also entered into an option agreement on 16 May 2006, pursuant to which the Company was granted an option to purchase, within 5 years, a 51% shareholding of Garner Forest Industries Inc. ("Garner"), also a forestry company engaging in logging and forest exploitation, operation and management in Guyana. On 5 July 2007, the Company exercised the option and entered into an acquisition agreement for purchasing the remaining 49% equity interest in Garner at an aggregate consideration of HK$110,000,000 with a view to enlarge the natural resources reserve of the Group, increase its production capacity and expand its future income base. Details of the said exercise of the option and acquisition have been disclosed by an announcement of the Company dated 12 July 2007. The Company will further despatch a circular in relation to the said acquisition of Garner to its shareholders as soon as practicable.

On 14 July 2006, the Company issued a total of 960,000,000 unlisted warrants to four independent third parties for an aggregate cash consideration of HK$4 million. The warrants are exercisable for a period of three years at the subscription price of HK$0.090 per subscription share. Upon full exercise of all the warrants, the Company will receive an additional fund of HK$86.4 million. As there is no guarantee that the warrants will be exercised, the Company has not presently planned for any specific use of these proceeds. In the event that they are exercised, the net proceeds will be used as general working capital.

On 27 June 2007, the Company successfully placed 1,250,000,000 new shares and received a total of approximately HK$349.6 million net proceeds which has strengthened the Company's capital base and working capital position. Part of the fund raised will be used to finance the acquisition of Garner and remaining balance will be applied as general working capital of the Group.

To conclude, this year marks a significant milestone for the Group's entering into the international forestry business. The Group expects its performance to improve significantly in the coming financial year. Looking forward, the Group will continue to consolidate its forestry business in Guyana, enhance its timber harvesting capacity and develop strong timber sale and distribution network; and, at the same time, adopt forest ecosystem conservation measures to secure sustainable development and to ensure forest resources are effectively restored and conserved.

Last but not least, the Group will actively seek profitable business opportunities in other jurisdictions that will diversify its business and promise lucrative growth potential.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

THE MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors of the Company has confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

AUDIT COMMITTEE

The Company has established its Audit Committee in accordance with the requirements of the rules governing the listing of securities on The Stock of Exchange Hong Kong Limited. The Audit Committee comprising of all independent non-executive directors of the Company, namely Mr. Yip Tak On, Mr. Jing Bao Li and Mr. Bao Liang Ming is responsible for reviewing the Group's accounting practices and policies, the external audit, internal controls and risk evaluation.

The audited financial statements for the year ended 31 March 2007 have been reviewed by the Audit Committee of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial period under review, the Company has complied with all those code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code"), except the board of the Company held only two regular board meetings instead of at least 4 for the financial year. Further details of the Company's corporate governance practices will be set out in the corporate governance report to be contained in the Company's 2007 Annual Report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46 of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course and at the website of the Company at http://www.hklistedco.com/269.asp. An Annual Report for the year ended 31 March 2007 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

For and on behalf of
China Timber Resources Group Limited
Tsang Kam Ching, David
Director

Hong Kong, 25 July 2007

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Fung Tsun Pong, Mr. Lau Sing Hung, Stephen, Mr. Tsang Kam Ching, David and Mr. Chow Ki Shui, Louie; and three independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming.

* *for identification purpose only*