CHINA TIMBER RESOURCES GROUP LIMITED

中國木業資源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 269)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The Board of Directors (the "Board") of China Timber Resources Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009 together with comparative figures for the last year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Turnover	*5*	**17,841**	33,382
Cost of sales		**(18,696)**	(19,391)
Gross (loss)/profit		**(855)**	13,991
Interest income		**1,166**	6,699
(Loss)/gain on change in fair value of investment property		**(5,236)**	18,094
Gain on change in fair value of biological assets less estimated point-of-sale costs		**35,548**	25,513
Gain on disposal of investment property		**—**	3,036
Other income and other gains or losses	*6*	**(8,870)**	4,159
Realised loss on financial assets at fair value through profit or loss		**(27,529)**	—
Selling and administrative expenses		**(64,682)**	(52,047)
Finance costs	*7*	**(799)**	—
(Loss)/profit before taxation	*7*	**(71,257)**	19,445
Taxation (charge)/credit	*8*	**(185)**	346
(Loss)/profit for the year		**(71,442)**	19,791
Attributable to:			
Equity holders of the Company		**(67,436)**	21,211
Minority interests		**(4,006)**	(1,420)
		(71,442)	19,791
Dividend	*9*	**—**	10,137
		HK cents	HK cents
(Loss)/earnings per share	*10*		
— Basic		**(0.67)**	0.24
— Diluted		**N/A**	0.22

* *for identification purposes only*

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investment property		**37,000**	50,000
Property, plant and equipment		**95,774**	63,092
Prepaid lease payments		**32,810**	26,285
Biological assets		**71,950**	22,606
Forest concession rights		**530,783**	533,811
Prepayments for acquisition of plantation assets and equipment		**60,358**	40,816
		828,675	736,610
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**882**	1,786
Inventories		**120,603**	38,715
Trade and other receivables	*11*	**29,305**	76,051
Prepaid lease payments		**711**	81
Cash and bank balances	*12*	**132,736**	339,838
		284,237	456,471
CURRENT LIABILITIES			
Trade and other payables	*13*	**11,367**	23,861
Short term borrowings	*14*	**14,212**	6,073
Tax payable		**—**	84
		25,579	30,018
NET CURRENT ASSETS		**258,658**	426,453
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,087,333**	1,163,063
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,574**	1,574
Acreage fees payable		**11,368**	11,764
		12,942	13,338
NET ASSETS		**1,074,391**	1,149,725
CAPITAL AND RESERVES			
Share capital		**101,370**	101,370
Reserves		**950,050**	1,021,516
Equity attributable to equity holders of the Company		**1,051,420**	1,122,886
Minority interests		**22,971**	26,839
TOTAL EQUITY		**1,074,391**	1,149,725

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. Corporate Information

The Company is an exempted Company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office is the office of Caledonian Bank & Trust Limited, Caledonian House, George Town, Grand Cayman, Cayman Islands.

The principal activities of the Company and its subsidiaries (the "Group") are principally engaged in forest operation and management, timber logging, processing and trading and cold warehouse rental.

The financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

2. Adoption of New and Revised Standards

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

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

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosure about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)

		Effective date
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	— HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 39 (80)	(i)
	— HKAS 38, HKFRS 2, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16	(ii)
	— HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(vii)

Effective date

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 2008
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009
(vii) Annual periods beginning on or after 1 January 2010

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

3. Principal Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation

These financial statements are prepared under the historical cost convention modified for the revaluation of investment property, buildings, certain financial instruments and biological assets which are carried at fair value.

4. Segment Information

(a) Business Segments

For the year ended 31 March 2009, the Group was engaged in the following two business segments:

(i) Timber logging and trading – the sale of timber logs from forest concession, tree plantation area and outside suppliers. This business segment also existed in the year ended 31 March 2008; and

(ii) Other timber operation – the manufacture and sale of furniture and handicrafts.

Segment information by business is presented as follows:

For the year ended 31 March 2009

	Timber logging and trading *HK$'000*	Other timber operation *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
REVENUE				
External revenue	**12,975**	**4,146**	**720**	**17,841**
Segment result	**(9,165)**	**(3,123)**		**(12,288)**
Unallocated interest income				**781**
Unallocated other income and other gains and losses				**656**
Loss on change in fair value of investment property				**(5,236)**
Unallocated expenses				**(55,170)**
Loss before taxation				**(71,257)**
Taxation				**(185)**
Loss for the year				**(71,442)**
OTHER INFORMATION				
Segment assets	**964,657**	**4,442**		**969,099**
Unallocated				**143,813**
Total assets				**1,112,912**
Segment liabilities	**34,001**	**43**		**34,044**
Unallocated				**4,477**
Total liabilities				**38,521**
Capital expenditure	**20,506**	**9,507**		**30,013**
Unallocated				**9,474**
Total capital expenditure				**39,487**
Depreciation and amortisation	**6,139**	**1,222**		**7,361**
Unallocated				**3,130**
Total depreciation and amortisation				**10,491**

For the year ended 31 March 2008

	Timber logging and trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
REVENUE			
External revenue	32,021	1,361	33,382
Segment result	23,628		23,628
Unallocated interest income			6,474
Unallocated expenses			(30,672)
Gain on change in fair value of investment property			18,094
Unallocated other income and gains			1,921
Profit before taxation			19,445
Taxation credit			346
Profit for the year			19,791
OTHER INFORMATION			
Segment assets	738,649		738,649
Unallocated			454,432
Total assets			1,193,081
Segment liabilities	20,639		20,639
Unallocated			22,717
Total liabilities			43,356
Capital expenditure	14,458		14,458
Unallocated			32,229
Total capital expenditure			46,687
Depreciation and amortisation	1,000		1,000
Unallocated			1,004
Total depreciation and amortisation			2,004

(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 2009 and 2008:

	Hong Kong & PRC & Australia		**Guyana**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE						
Turnover	**10,079**	33,282	**7,762**	—	**17,841**	33,382
OTHER INFORMATION						
Segment assets	**549,298**	637,227	**563,614**	555,854	**1,112,912**	1,193,081
Segment liabilities	**26,622**	30,960	**11,899**	12,396	**38,521**	43,356
Capital expenditure	**20,257**	40,285	**19,230**	6,402	**39,487**	46,687
Depreciation and amortisation	**4,884**	1,994	**5,607**	10	**10,491**	2,004

5. Turnover

The Group is engaged in timber logging and trading, manufacturing and sale of furniture and handicrafts and cold warehouse rental.

	2009	2008
	HK$'000	*HK$'000*
Income from timber logging and trading	**12,975**	32,021
Sales of goods	**4,146**	—
Gross rental income from cold storage warehouse (before direct outgoings of HK$24,000; 2008: HK$839,000)	**720**	1,361
	17,841	33,382

6. Other Income and Other Gains or Losses

Other income and other gains or losses comprise:

	2009	2008
	HK$'000	*HK$'000*
Exchange (loss)/gain, net	**(8,081)**	1,120
Loss on fair value changes on financial assets	**(909)**	(1,250)
Waiver of loan from a former director of a subsidiary	**—**	822
Gain on disposal of subsidiaries	**—**	687
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over costs:		
Arising from acquisition of 44% issued share capital of Jaling Forest Industries Inc.	**—**	379
Arising from acquisition of additional interests in other subsidiaries	**—**	952
Realised gain on disposal of financial assets	**—**	87
Other income	**120**	1,362
	(8,870)	4,159

7. (Loss)/Profit Before Taxation

(Loss)/profit before taxation is stated after charging:

	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration	**980**	900
Interest expense on short term borrowings wholly repayable within five years	**799**	—
Depreciation of property, plant and equipment	**7,467**	2,004
Amortisation of forest concession rights	**3,024**	—
Release of lease payments for land under operating lease	**711**	81
Cost of inventories and timber harvested	**18,696**	19,391
Royalties paid	**349**	443
Staff cost (excluding directors' remuneration):		
— Salaries and allowances	**17,970**	4,650
— Share options granted to employees	**—**	855
— Pension fund contributions	**598**	173

Note: Salaries and allowances of HK$2,139,000 (2008: HK$633,000) have been included in the cost of sales on the face of the consolidated income statement. Also depreciation charge of HK$156,000 (2008: HK$Nil) has been included in cost of sales on the face of the consolidated income statement.

Cost of inventories and timber harvested also included a write-down of inventories of HK$1,956,000 and a net write off of inventories of HK$2,604,000.

8. Taxation

The taxation charge/(credit) comprises:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax		
— current year	—	—
— prior year	—	(404)
PRC enterprise income tax	**185**	58
Taxation charge/(credit)	**185**	(346)

The taxation charge/(credit) for the year can be reconciled to the accounting (loss)/profit as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(71,257)**	19,445
Taxation calculated at 16.5% (2008: 17.5%)	**(11,757)**	3,403
Under/(over) provision in prior years	**185**	(404)
Net effect of non-taxable/deductible items	**3,270**	(8,228)
Net effect of tax losses and temporary differences not recognised	**19,242**	11,196
Effect of tax concessionary treatment	**(6,619)**	(6,218)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,136)**	(95)
Taxation charge/(credit)	**185**	(346)

The statutory tax rate for Hong Kong profits tax is 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. No Hong Kong profits tax was made as there was no assessable profits derived for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

For the year ended 31 March 2009, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (2008: 25% to 33%).

9. Dividend

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2009.

Pursuant to a resolution passed at the Directors' meeting on 29 July 2008, a final dividend of equivalent to HK$0.001 per share totaling HK$10,137,000 for the year ended 31 March 2008 was proposed for shareholders' approval at the Annual General Meeting. The dividend has not been provided for in the consolidated financial statements for the year ended 31 March 2008. The dividend was paid during the year ended 31 March 2009.

10. (Loss)/Earnings Per Share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$67,436,000 (2008: profit of HK$21,211,000) and on the weighted average number of 10,137,064,686 (2008: 8,880,228,551) ordinary shares in issue during the year.

The calculation of the diluted (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the Company and on the weighted average number of ordinary shares outstanding during the year, being the weighted average number of ordinary shares used in basic (loss)/earnings per shares calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The diluted loss per share for the year ended 31 March 2009 was not presented as the potential ordinary shares had anti-dilutive effect on basic loss per share.

11. Trade and Other Receivables

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**5,733**	—
Other receivables	**2,812**	7,144
Deposits paid	**1,498**	23,344
Prepayment	**19,262**	45,563
	29,305	76,051

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to over three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 31 March 2009, three major customers accounted for most of the total trade receivables of the Group. Trade receivables are non-interest-bearing.

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

	2009	2008
	HK$'000	*HK$'000*
Outstanding balances aged:		
0 to 30 days	**537**	—
31 to 60 days	**353**	—
61 to 180 days	**4,843**	—
	5,733	—

At 31 March 2009, all of the Group's trade receivables were neither past due nor impaired which related to customers for whom there was no recent history of default. Consequently, no allowance for doubtful debts was recognised therefor as at the balance sheet date.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2009	2008
	HK$'000	*HK$'000*
Renminbi	**3,963**	—
United States Dollars	**1,770**	—
	5,733	—

12. Cash and bank balances

	2009	2008
	HK$'000	*HK$'000*
Cash and bank balances	**132,736**	339,838

Cash and bank balances were denominated in the following currencies:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong Dollars	**53,541**	293,103
Renminbi ("RMB")	**78,121**	44,203
United States Dollars	**553**	1,710
Australian Dollars	**189**	672
Guyana Dollars	**332**	150
	132,736	339,838

The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

13. Trade and Other Payables

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**5,294**	—
Other payables and accruals	**6,073**	23,861
	11,367	23,861

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

	2009	2008
	HK$'000	*HK$'000*
Outstanding balances aged:		
0 to 30 days	**3,640**	—
31 to 60 days	**261**	—
61 to 90 days	**1,393**	—
	5,294	—

Trade and other payable were denominated in the following currencies:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong Dollars	**1,392**	2,100
Renminbi	**9,273**	21,085
United States Dollars	**551**	651
Australian Dollars	**151**	24
Guyana Dollars	**—**	1
	11,367	23,861

14. Short Term Borrowings

The amounts are unsecured, interest bearing ranging from 7.2% to 8.4% (2008: 9.6%) per annum, and are repayable within one year.

15. Comparative figures

Trade and other payable of HK$6,617,000 included in current liabilities at 31 March 2008 was reclassifed to acreage fees payables included in non-current liabilities to conform with the current year presentation.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2009

BUSINESS REVIEW

For the year ended 31 March 2009, the Group was mainly engaged in forest operation and management, timber logging and trading, timber processing, and manufacture and sale of timber products.

The turnover of the Group was unavoidably affected by the worldwide financial tsunami. The credit crunch led to decrease in demand for the whole PRC market. As a result, the wholesale and retail price of timber in PRC dropped significantly.

The turnover contributed by timber logging and trading and other operation represented 96% of the overall turnover of the Group for the year. Taking the advantage of low production and sales costs in timber related products, the Group explored the manufacture and sale of furniture and handicrafts business in the PRC to maximize investment return. In the long run, in view of the stimulation of the macro-economic by the PRC government, the internal demand for timber products will be boosted up and thus will provide a better gross margin to our shareholders. In addition, the Group's operation in cold storage warehouse rental business had become insignificant due to continuous decrease on rental income for the past few years.

FINANCIAL REVIEW

For the year ended 31 March 2009, the Group's turnover decreased by 46% to approximately HK$17.8 million as compared with approximately HK$33.4 million in 2008 financial year. The two business segments engaged by the Group, namely timber logging and trading, and other timber operation (manufacture and sale of furniture and handicrafts), contributed approximately HK$13 million (73%) and HK$4 million (23%) respectively to the Group's consolidated turnover. Detailed segment turnover and contribution to profit before tax of the Group are shown in note 4 to this announcement. The reason for the gross loss incurred for the year is due to the net write off of inventories related to a one-off processing transaction for the manufacture of furniture operation, a new business venture of the Group which commenced in 2008. At 31 March 2008, inventories of processed timber logs of approximately HK$12,504,000 were kept by an independent third party processing agent of wooden board and other products. The inventories did not measure up to the expected quality standard for the production of the Group's furniture products and had to be scraped. Management sought compensation from, and negotiated and agreed with the processing agent that the agent would waive the amount of processing and transportation charges of approximately HK$9,900,000. The net loss suffered by the Group on this one-off processing transaction was therefore reduced to approximately HK$2,604,000.

The loss before taxation and net loss were approximately HK$71.3 million and HK$71.4 million respectively (2008: profit before taxation: HK$19.4 million and net profit: HK$19.8 million), representing a decrease in profit of approximately HK$91 million. The loss was mainly attributable to the decrease in turnover, increase in investment, increase of staff costs to approximately HK$32 million (2008: approximately HK$16 million) due to an increase in staff, realised loss on disposal of financial assets amounted to approximately HK$27.5 million (2008: Nil), unrealised loss on finance assets amounted to approximately HK$910,000, depreciation amounted to approximately HK$7.5 million (2008: approximately 2 million) and net exchange loss amounted to approximately HK$8 million (2008: net exchange gain: HK$1 million). The loss attributable to shareholders for the year was approximately HK$67.4 million (2008: profit HK$21.2 million).

LIQUIDITY AND FINANCIAL REVIEW

As at 31 March 2009, the Group's net assets amounted to approximately HK$1,074 million as compared with net assets value of approximately HK$1,150 million as at 31 March 2008. Besides, the current assets of the Group were HK$284 million (2008: HK$456 million) with deposit, cash and bank balances of approximately HK$133 million (2008: HK$340 million), and the current liabilities decreased from HK$30 million (2008) to HK$25.5 million (2009) due to decrease in other payables and accruals. The gearing ratio of the Group, measured as total debts to total assets, was kept at a stable level of 3.5% (2008: 3.6%).

As at 31 March 2009, the Group had no outstanding bank loan (2008: Nil), but it had committed short term borrowings amounted to approximately HK$14 million (2008: 6 million), all of which will be due within one year and subject to interest rate ranging from 7.2% to 8.4% per annum. The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars except its cold storage warehouse in Australia, thus depreciation in Australian dollars has resulted in a net exchange loss. Save as aforesaid, the Board considered foreign exchange risk being minimal. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimize any potential foreign exchange exposure risk to arise in the future. During this financial year, the Company has not given any guarantee to any financial institution in respect of bank facilities utilised by any of its subsidiaries. As at 31 March 2009, there were no assets being pledged to secure credit facilities granted to and utilised by the Group (2008: Nil).

As at 31 March 2009, the Group had no material contingent liabilities but it had capital commitments of HK$101 million (2008: HK$275 million). The Group did not use any financial instruments for hedging purposes and did not have foreign currency net investments being hedged by foreign currency borrowings and other hedging instruments.

MATERIAL SUBSEQUENT EVENTS

The Company and its wholly owned subsidiary entered into a framework agreement on 13 April 2009 and a formal sale and purchase agreement on 9 May 2009 for the acquisition of Yichang Xinshougang Property Development Company Limited* (宜昌新首鋼房地產發展有限公司), a company incorporated in the PRC with limited liability and its sole asset is a piece of land of approximately 587,700 square meters located in Yiling District (夷陵區), Yichang City (宜昌市), Hubei Province, the PRC, for the development of Yichang Three Gorges International Exhibition Centre* (宜昌三峽國際會展中心) and Three Gorges Guobin Garden Commercial Property* (三峽國賓花園商品房). The said agreement is subject to shareholders' approval in due course and its total consideration for the acquisition is HK$986 million which will be settled by payment of cash, promissory note and issue of convertible bonds. For further details, please refer to the announcement of the Company dated 21 May 2009.

PROSPECT

Forest land reserve and logging business

The Group has forest resources in Guyana of South America covering an aggregate area close to 257,000 hectares which the Group has been granted an exclusive timber concession for a period of 25 years. In addition, the Group's acquisition of forest land in Da Bu County, Guangdong Province had increased to 94,500 Chinese Mu with a lease term of 50 years.

The main types of wood exported from our Guyana forest are first grade timbers like purpleheart (紫心木／南美紫檀), Greenheart Camphor (綠心樟／南美綠檀), Mora (莫拉／南美雞翅) and Massaranduba (鐨石紅檀).

The Company has continued investing substantial financial resources on development of its logging business in Guyana including recruitment of a professional logging team, provision of logging equipment with international standard, construction of timber processing base and a 72TEU collection dual purpose barge. The barge took a trial voyage recently and shall be on duty after obtaining a licence. The Board expects that the Group could gradually increase and stabilise its timber logging, processing and transportation capacity.

Sale and Distribution Centre in Shenzhen

The Group has expanded its distribution network for timber related products by launching its flagship store in Shenzhen in August 2008 which acts as a window for exhibiting high grade furniture made of timbers of the Group.

The grand opening of the Company's 17,000 sq. ft. (1,600m^2) flagship store trading in the name of 紫御•尚品 located in Kingkey Banner Center, Nanshan District of Shenzhen (深圳市南山區京基百納廣場) took place in August 2008. The flagship store focuses on the wholesale and retail of a full line of high-class Chinese style furniture made of top quality hard woods, in particular, rosewood, greenheart, jatoba, purpleheart and massaranduba which are originated from our forest. The flagship store is supported by the Group's furniture manufacture Centre in Yang Jiang and a team of furniture designers and staff in Shenzhen, thus the Group is well equipped to offer tailor-made service to customers.

The classic Chinese style office furniture sold by our flagship store was awarded The Best Outward Appearance Design at the 23rd China Guangzhou International Furniture Expo in March 2009.

With unique advantages in the industry, including self supply of timber from both Guyana and China, timber processing and furniture manufacture base in Yang Jiang and an experienced furniture design team in Shenzhen, the Group is able to enjoy low production and sales costs and maximum investment efficiency.

Furniture Manufacture Centre in Yang Jiang, Guangdong

The Group has established a furniture manufacture base in Yang Jiang, Guangdong Province which mainly produces high grade classic Chinese style red wood furniture, hard wood furniture and handicrafts.

Tea-oil processing base in Meizhou, Guangdong

興寧樹人木業有限公司 was incorporated in Meizhou County, Guangdong Province for the establishment of a tea-oil tree base occupying a total of 300,000 Chinese Mu land with a tea-oil processing center which is expected to commence production in August 2009 and to produce approximately 30,000 tons tea-oil each year.

Tea-oil tree is one of the four main trees that could produce edible oil and tea-oil contains more than 90% unsaturated fatty acid which is good for health. Tea-oil tree products include oil-tea seed, virgin oil (毛油), extra fine tea-oil and other by-products, all of which have high commercial value. In September 2007, the State Council promulgated "The Opinion in relation to Promoting the Production and Development of Oil Materials"《關於促進油料生產發展的意見》and in September 2008, the State Forestry Administration announced "State Tea-Oil Industry Development Plan (2008-2015)《全國油茶產業發展規劃(2008-2015)》, both are targeted to advance and promote large scale tea-oil industry development in China for the purpose of stabilising the supply of edible oil by providing preferential government treatment to tea-oil processing corporation and subsidisation in tea-oil tree plantation.

Sapling Incubation Centre in Da Bu County and Plantation

The Group's Sapling Incubation Centre situated in Da Bu County's forestry area mainly carries out plant tissue cultivation, mass sapling and mass production of fine tree species with high commercial value. The Centre focuses on cultivating valuable tree species such as Acacia melanoxylon and Camphor tree to meet the Group's replantation requirements and for sales. By the end of 2008, the centre had cultivated over 20,000,000 saplings including 5,000,000 acacia melanoxylon and 8,000,000 camphor.

Property development in YiChang

The Company expects that subject to shareholders approval and fulfillment of other conditions precedent, completion of the acquisition of Yichang Xinshougang Property Development Company Limited* (宜昌新首鋼房地產開發有限公司) will take place in the fourth quarter of the year. Upon completion, the Company will commence development of a Yichang Three Gorges International Exhibition Centre (宜昌三峽國際會展中心) with a five-stars hotel and the Three Gorges Guobin Garden Commercial Property (三峽國賓花園商品房) comprising of commercial as well as residential properties by stages.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 420 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2009. 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.

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

CAPITAL RAISING AND EXPENDITURE

During the year ended 31 March 2009, the Group did not carry out any equity fund raising activities.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: HK$0.1 cent per share totaling HK$10,137,000).

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 Group's annual results for the year ended 31 March 2009 have been reviewed by the Audit Committee of the Company.

REMUNERATION COMMITTEE

To comply with the Code on Corporate Governance Practices, a remuneration committee was established with specific written terms of reference which deal clearly with its authority and duties. The remuneration committee comprises three independent non-executive directors, Mr. Yip Tak On, Mr. Jing Bao Li and Mr. Bao Liang Ming and an executive director, Mr. Tsang Kam Ching, David.

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, except that 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 2009 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.ctrg.com.hk. An Annual Report for the year ended 31 March 2009 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.

By Order of the Board
China Timber Resources Group Limited
Tsang Kam Ching, David
Director

Hong Kong, 16 July 2009

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.