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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 2011

The board (the “Board”) of directors (the “Directors”) of China Timber Resources Group Limited (the “Company”) announces the annual consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2011 together with comparative figures for the last year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000 (Restated)
Turnover	5	13,332	21,171
Cost of sales		(16,485)	(19,528)
Gross (loss)/profit		(3,153)	1,643
Gain on change in fair value of investment property		1,157	148
(Loss)/gain on change in fair value less costs to sell of biological assets		(22,458)	4,869
Change in fair value of derivative financial instrument		(67,726)	29,820
Other income and other gains or losses	6	6,054	6,983
Realised gain on financial assets at fair value through profit or loss		—	729
Selling and administrative expenses		(71,208)	(71,478)
Finance costs	7	(184)	(9,633)
Loss before income tax expense	8	(157,518)	(36,919)
Income tax expense	9	(12)	248
Loss for the year		(157,530)	(36,671)
Loss attributable to:			
Owners of the Company		(153,670)	(33,119)
Non-controlling interests		(3,860)	(3,552)
		(157,530)	(36,671)
		HK cents	HK cents
Loss per share attributable to owners of the Company	11		
— Basic		(1.026)	(0.31)
— Diluted		(1.026)	(0.49)

* for identification only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Loss for the year	(157,530)	(36,671)
Other comprehensive income:		
Exchange differences on translation of financial statements of foreign operations	<u>49,245</u>	<u>3,164</u>
Other comprehensive income for the year, net of tax	<u>49,245</u>	<u>3,164</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(108,285)</u>	<u>(33,507)</u>
Total comprehensive income attributable to		
Owners of the Company	(103,599)	(30,645)
Non-controlling interests	<u>(4,686)</u>	<u>(2,862)</u>
	<u>(108,285)</u>	<u>(33,507)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000 (Restated)
Non-current assets			
Investment property		49,800	44,900
Property, plant and equipment		134,260	131,492
Other properties under development		194,341	170,680
Prepaid lease payments		32,977	32,211
Biological assets		95,781	94,014
Forest concession rights		521,643	528,545
Long term prepayments		9,004	35,261
Derivative financial instrument		213,094	411,498
Total non-current assets		1,250,900	1,448,601
Current assets			
Properties under development for sale		1,077,653	911,560
Inventories		135,232	128,646
Trade and other receivables	<i>12</i>	51,908	29,078
Prepaid lease payments		657	704
Cash and cash equivalents		591,575	19,759
Total current assets		1,857,025	1,089,747
Total assets		3,107,925	2,538,348
Current liabilities			
Trade and other payables	<i>13</i>	92,722	50,778
Promissory note		284,797	59,930
Deferred government grant		9,277	8,915
Amount due to a joint venture partner		59,270	—
Amount due to a director		12,446	2,000
Borrowings		6,164	5,696
Total current liabilities		464,676	127,319
Net current assets		1,392,349	962,428
Total assets less current liabilities		2,643,249	2,411,029

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Non-current liabilities		
Deferred tax liabilities	1,574	1,574
Deferred government grant	116,407	111,871
Convertible bond	263,112	361,205
Promissory note	—	177,332
Acreage fees payable	11,020	11,083
Total non-current liabilities	<u>392,113</u>	<u>663,065</u>
Total liabilities	<u>856,789</u>	<u>790,384</u>
Net assets	<u><u>2,251,136</u></u>	<u><u>1,747,964</u></u>
Capital and reserves attributable to owners of the Company		
Share capital	198,429	144,129
Reserves	<u>2,037,509</u>	<u>1,583,951</u>
Equity attributable to owners of the Company	2,235,938	1,728,080
Non-controlling interests	<u>15,198</u>	<u>19,884</u>
Total equity	<u><u>2,251,136</u></u>	<u><u>1,747,964</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 “SEHK”). The address of the registered office is the office of Caledonian Bank & Trust Limited, Caledonian House, George Town, Grand Cayman, Cayman Islands. Its principle place of business is located at Room 1801-07, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Group are forest operation and management, timber logging and trading, timber processing, sale of timber products, plantation and trading of seedlings, cold storage warehouse rental, property development and asset management.

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

(a) Adoption of new/revised HKFRSs — effective 1 April 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group’s financial statements.

HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) — Leases

HKAS 17 (amendment), ‘Leases’, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “prepaid lease payments”, and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the People’s Republic of China (the “PRC”) remained as operating lease. As a result of the reassessment, the Group has not reclassified any leasehold land from operating lease to finance lease.

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 — Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

The adoption of the requirements of HK Interpretation 5 has no impact to the financial statements.

(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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ^{1&2}
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ¹
HKAS 24 (Revised)	Related Party Disclosures ²
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets ³
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets ⁴
HKFRS 9	Financial Instruments ⁵

- ¹ Effective for annual periods beginning on or after 1 July 2010
- ² Effective for annual periods beginning on or after 1 January 2011
- ³ Effective for annual periods beginning on or after 1 July 2011
- ⁴ Effective for annual periods beginning on or after 1 January 2012
- ⁵ Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition 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.

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 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.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sales. 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.

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. PRINCIPAL ACCOUNTING POLICIES

(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

The financial statements have been prepared under historical cost basis except for investment property, buildings included in property, plant and equipment, derivative financial instruments, and biological assets, which are measured at revalued amounts, fair values or fair value less costs to sell.

(c) Changes in accounting policies

During the year, the Group changed its accounting policy for land use rights which is held for development and subsequent sale or use in production of goods or services or for administrative purposes.

Land use rights which are held for development and subsequent sale meet the definition of both inventories under HKAS 2 “Inventories” and leasehold land under HKAS 17 “Leases”. Previously, land use rights held for development and subsequent sale were classified as prepaid leases payments and were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land during the development phase was capitalised as part of the construction costs of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in profit or loss. Subsequent to the change in accounting policy, land use rights which is held for development and subsequent sale are classified as inventories and included in “properties under development for sale” in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Also, the directors considered that payments for land use rights constitute an element of costs for self-constructed or jointly-constructed property, plant and equipment. Subsequent to the change in accounting policy, land use rights held for development and subsequent use in production of goods or services or administrative purposes are included in “other properties under development” in accordance with HKAS 16 and measured at cost less any accumulated impairment losses, if any. No provision for amortisation is made on other properties under development until such time as the relevant assets are completed and are available for intended use.

Management believes that the new classification of land use rights results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects management’s intention regarding the use of the land use rights and results in a presentation consistent with the industry practices.

The change in accounting policy has been accounted for retrospectively in accordance with HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and the consolidated financial statements have been restated by reversing the amortisation charged in prior years. The effect on the consolidated financial statements is as follows:

	As at 31 March	
	2011	2010
	HK\$'000	HK\$'000
Increase in other properties under development — non-current	194,341	170,680
Increase in properties under development for sale — current	—	911,560
Decrease in prepaid lease payment — non-current	174,665	1,050,077
Increase in retained profits	19,188	32,104
Increase in translation reserve	488	59
	<u> </u>	<u> </u>
	For the year ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
Decrease in selling and administrative expenses	19,188	32,104
Decrease in loss attributable to owners of the Company	19,188	32,104
Decrease in loss per share (basic and diluted)	0.13 cents	0.3 cents
	<u> </u>	<u> </u>

The 2010 comparatives have been restated in these financial statements to effect the above adjustments. Under HKAS 1 “Presentation of Financial Statements”, this restatement would ordinarily require the presentation of a consolidated statement of financial position as at 1 April 2009. However, as the restatement would have no effect on the previously published consolidated statement of financial position as at that date, the directors do not consider that this would provide any additional information and, in consequence, have not presented it in these financial statements.

4. SEGMENT INFORMATION

The Group has four reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

- Timber logging and trading — sales of timber logs from forest concession, tree plantation area and outside suppliers, and sales of seedlings
- Other timber operation — the manufacture and sale of furniture and handicrafts and sales of refined tea oil
- Property development and asset management
- Cold storage warehouse leasing

Segment assets exclude derivative financial instrument and cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, promissory note and convertible bond and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(a) Reportable Segment

There was no inter-segment sale or transfer during the year (2010: HK\$ Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' loss that is used by the chief operating decision makers for assessment of segment performance.

For the year ended 31 March 2011

	Timber logging and trading <i>HK\$'000</i>	Other timber operation <i>HK\$'000</i>	Property development and asset management <i>HK\$'000</i>	Cold storage warehouse leasing <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
Revenue from external customers	3,224	9,349	—	759	13,332
Inter-segment revenue	—	—	—	—	—
Reportable segment revenue	<u>3,224</u>	<u>9,349</u>	<u>—</u>	<u>759</u>	<u>13,332</u>
Reportable segment (loss)/profit	<u>(15,506)</u>	<u>(26,221)</u>	<u>(1,911)</u>	<u>15</u>	<u>(43,623)</u>
Reportable segment assets	<u>582,035</u>	<u>307,811</u>	<u>1,259,518</u>	<u>68,734</u>	<u>2,218,098</u>
Reportable segment liabilities	<u>(12,042)</u>	<u>(61,726)</u>	<u>(211,091)</u>	<u>(230)</u>	<u>(285,089)</u>
Other segment information					
Additions of property, plant and equipment	—	5,620	365	—	5,985
Unallocated additions of property, plant and equipment					<u>6,774</u>
Total additions of property, plant and equipment					<u>12,759</u>
Additions of other properties under development	—	—	16,739	—	<u>16,739</u>
Additions of biological assets	21,269	1,757	—	—	<u>23,026</u>
Depreciation and impairment loss of property, plant and equipment	2,532	3,817	54	—	6,403
Unallocated depreciation and impairment loss of property, plant and equipment					<u>4,866</u>
Total depreciation and impairment loss of property, plant and equipment					<u>11,269</u>
Amortisation of prepaid lease payments	—	577	—	—	577
Unallocated amortisation of prepaid lease payments					<u>80</u>
Total amortisation of prepaid lease payments					<u>657</u>

	Timber logging and trading <i>HK\$'000</i>	Other timber operation <i>HK\$'000</i>	Property development and asset management <i>HK\$'000</i>	Cold storage warehouse leasing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of forest concession rights	6,896	—	—	—	<u>6,896</u>
Gain on change in fair value of investment property	—	—	—	1,157	<u>1,157</u>
Loss on change in fair value less costs to sell of biological assets	(20,338)	(2,120)	—	—	<u>(22,458)</u>
Write down of inventories, net	—	(5,293)	—	—	<u>(5,293)</u>
Interest income	1	34	123	—	158
Unallocated interest income					<u>3</u>
Total interest income					<u>161</u>
Interest on short term borrowing	184	—	—	—	<u>184</u>
Income tax expense	—	12	—	—	<u>12</u>

For the year ended 31 March 2010

	Timber logging and trading <i>HK\$'000</i>	Other timber operation <i>HK\$'000</i>	Property development and asset management <i>HK\$'000</i> (Restated)	Cold storage warehouse leasing <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
REVENUE					
Revenue from external customers	14,383	6,106	—	682	21,171
Inter-segment revenue	—	—	—	—	—
Reportable segment revenue	<u>14,383</u>	<u>6,106</u>	<u>—</u>	<u>682</u>	<u>21,171</u>
Reportable segment loss	<u>(17,370)</u>	<u>(18,859)</u>	<u>—</u>	<u>(59)</u>	<u>(36,288)</u>
Reportable segment assets	<u>817,218</u>	<u>80,971</u>	<u>1,084,392</u>	<u>44,900</u>	<u>2,027,481</u>
Reportable segment liabilities	<u>(41,514)</u>	<u>(15,555)</u>	<u>(113,907)</u>	<u>(198)</u>	<u>(171,174)</u>
Other segment information					
Additions of property, plant and Equipment	1,005	29,132	—	—	30,137
Unallocated additions of property, plant and equipment					<u>14,275</u>
Total additions of property, plant and equipment					<u>44,412</u>
Additions to other properties under development	—	—	170,785	—	<u>170,785</u>
Additions of biological assets	6,724	11,923	—	—	<u>18,647</u>
Depreciation and impairment loss of property, plant and equipment	3,869	2,263	1	1	6,134
Unallocated depreciation and impairment loss of property, plant and equipment					<u>4,277</u>
Total depreciation and impairment loss of property, plant and equipment					<u>10,411</u>
Amortisation of prepaid lease payments	623	—	—	—	623
Unallocated amortisation of prepaid lease payments					<u>81</u>
Total amortisation of prepaid lease payments					<u>704</u>

	Timber logging and trading <i>HK\$'000</i>	Other timber operation <i>HK\$'000</i>	Property development and asset management <i>HK\$'000</i>	Cold storage warehouse leasing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of forest concession rights	2,214	—	—	—	<u>2,214</u>
Gain on change in fair value of investment property	—	—	—	148	<u>148</u>
Gain on change in fair value less costs to sell of biological assets	4,869	—	—	—	<u>4,869</u>
Write down of inventories, net	—	(1,059)	—	—	<u>(1,059)</u>
Interest income	59	85	—	—	144
Unallocated interest income					<u>19</u>
Total interest income					<u>163</u>
Over provision of income tax expense	(248)	—	—	—	<u>(248)</u>

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

	2011 HK\$'000	2010 HK\$'000 (Restated)
Reportable segment loss before income tax expense	(43,623)	(36,288)
Gain on change in fair value of investment property	1,157	148
(Loss)/gain on change in fair value less costs to sell of biological assets	(22,458)	4,869
Change in fair value of derivative financial instrument	(67,726)	29,820
Other income and other gains or losses	5,511	6,592
Realised gain on financial assets at fair value through profit or loss	—	729
Unallocated corporate expenses	(30,195)	(33,156)
Finance costs	(184)	(9,633)
Consolidated loss before income tax expense	<u>(157,518)</u>	<u>(36,919)</u>
	2011 HK\$'000	2010 HK\$'000 (Restated)
Assets:		
Reportable segment assets	2,218,098	2,027,481
Derivative financial instrument	213,094	411,498
Cash and cash equivalents	591,575	19,759
Unallocated corporate assets	85,158	79,610
Consolidated total assets	<u>3,107,925</u>	<u>2,538,348</u>
Liabilities:		
Reportable segment liabilities	285,089	171,174
Deferred tax liabilities	1,574	1,574
Promissory note	284,797	237,262
Convertible bond	263,112	361,205
Unallocated corporate liabilities	22,217	19,169
Consolidated total liabilities	<u>856,789</u>	<u>790,384</u>

(c) Geographical information

The Group operates in four principal geographical areas — the People's Republic of China (excluding Hong Kong) (the "PRC"), Hong Kong, Australia and Guyana.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000 (Restated)
PRC	11,966	8,355	435,510	430,136
Hong Kong	—	3,191	13,369	14,016
Australia	759	682	49,800	44,900
Guyana	607	8,943	539,127	548,051
	<u>13,332</u>	<u>21,171</u>	<u>1,037,806</u>	<u>1,037,103</u>

(d) Information about major customers

The Group's customer base is not diversified and there were four (2010: two) customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from one (2010: one) customer in the timber logging and trading segment was approximately HK\$1,702,000 (2010: HK\$5,536,000) and revenues from three (2010: one) customers from other timber operation segment was approximately HK\$6,193,000 (2010: HK\$4,134,000).

5. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold and rental income earned by the Group. The amounts of each significant category of revenue recognised during the year are as follows:

	2011 HK\$'000	2010 HK\$'000
Income from timber logging and trading	607	11,855
Sales of seedlings	2,617	2,528
Sales of furniture and handicrafts	7,552	5,125
Sales of tea oil	1,797	981
Gross rental income from cold storage warehouse (before direct outgoings of HK\$98,000 (2010: HK\$49,000))	<u>759</u>	<u>682</u>
	<u>13,332</u>	<u>21,171</u>

6. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest income	161	163
Exchange gain, net	5,041	6,453
(Loss)/gain on deregistration of a subsidiary	(27)	225
Gain on disposal of property, plant and equipment	163	—
Others	716	142
	<u>6,054</u>	<u>6,983</u>

7. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on short term borrowings wholly repayable within five years	184	—
Interest expenses on convertible bond maturing within five years	47,839	5,853
Interest expenses on promissory note maturing within five years (<i>note i</i>)	47,535	3,780
Total borrowing cost	95,558	9,633
Less: Amount capitalised (<i>note ii</i>)	(95,374)	—
	<u>184</u>	<u>9,633</u>

Notes:

- i. During the year, the Group defaulted on payment of the principal and interest of the promissory note. Interest expense for the current year comprised of imputed interest up to the date of default, coupon interest thereafter and early recognition of remaining imputed interest to maturity date resulting from default of payment.
- ii. Borrowing costs capitalised during the year arose on specific borrowings to expenditure on qualifying assets.

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Auditor's remuneration	1,230	1,200
Depreciation of property, plant and equipment (<i>Note i</i>)	11,269	10,411
Amortisation of forest concession rights included in selling and administrative expenses	6,896	2,214
Amortisation of prepaid lease payments (<i>Note ii</i>)	657	704
Cost of inventories and timber harvested:		
— Upon sales	11,192	18,469
— Write down of inventories	5,293	1,059
Staff cost (excluding director's remuneration):		
— Salaries and allowances (<i>Note iii</i>)	15,648	25,437
— Defined contribution pension cost	286	357
	<u>11,269</u>	<u>10,411</u>

Note (i): An analysis of the Group's depreciation of property, plant and equipment is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Amounts included in biological assets	180	157
Amounts included in cost of sales	506	291
Amounts included in selling and administrative expenses	10,583	9,963
	<u>11,269</u>	<u>10,411</u>

Note (ii): An analysis of the Group's amortisation of prepaid lease payments is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Amounts included in biological assets	536	582
Amounts included in selling and administrative expenses	121	122
	<u>657</u>	<u>704</u>

Note (iii): Salaries and allowances of HK\$1,032,000 (2010: HK\$2,025,000) has been included in the cost of sales on the face of the consolidated income statement.

9. INCOME TAX EXPENSE

The income tax expense comprises:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PRC enterprise income tax		
— current year	12	—
— over provision, in respect of prior years	—	(248)
Income tax expense	<u>12</u>	<u>(248)</u>

The income tax expense for the year can be reconciled to the loss per the consolidated income statement as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Loss before income tax expense	<u>(157,518)</u>	<u>(36,919)</u>
Tax calculated at 16.5%	(25,990)	(6,092)
Over provision in prior years	—	(248)
Net effect of non-taxable/deductible items	21,085	(4,510)
Net effect of tax losses and temporary differences not recognised	8,165	14,086
Tax effect on tax exemption granted by PRC tax authority	(260)	(369)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>(2,988)</u>	<u>(3,115)</u>
Income tax expense	<u>12</u>	<u>(248)</u>

The statutory tax rate for Hong Kong profits tax is 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2011 and 2010.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2010: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 31 March 2011 and 2010.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2010: 30%). No provision for Australian income tax has been made as the subsidiaries in Australia sustained losses for taxation purposes for the years ended 31 March 2011 and 2010.

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 PRC enterprise income tax commencing from 1 January 2008. Two subsidiaries of the Group, namely 樹人木業(大埔)有限公司 and 樹人苗木組培(大埔)有限公司 are qualified as forestry operation enterprise by the local tax authorities and so they are fully exempted from PRC enterprise income tax.

For the year ended 31 March 2011, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (2010: 25%).

10. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 March 2011 (2010: HK\$Nil).

11. LOSS PER SHARE

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

Loss attributable to owners of the Company

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Loss for the purposes of basic loss per share	(153,670)	(33,119)
Interest on convertible bond	—	5,853
Fair value loss/(gain) on the derivative financial instrument	67,726	(29,820)
	<u>(85,944)</u>	<u>(57,086)</u>
Loss for the purposes of diluted loss per share	<u>(85,944)</u>	<u>(57,086)</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	14,971,055	10,734,514
Adjustment for convertible bond	8,281,781	839,285
	<u>23,252,836</u>	<u>11,573,799</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>23,252,836</u>	<u>11,573,799</u>
	<i>HK cents</i>	<i>HK cents</i> (Restated)
Loss per share attributable to owners of the Company		
— Basic	<u>(1.026)</u>	<u>(0.31)</u>
— Diluted (exclude anti-dilutive)	<u>(1.026)</u>	<u>(0.49)</u>

For the year ended 31 March 2011 and 2010, the computation of diluted loss per share does not assume the exercise of the Company's outstanding warrants as the exercise price of those warrants is higher than the average market price for shares for 2011 and 2010.

12. TRADE AND OTHER RECEIVABLES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Trade receivables	2,796	2,903
Other receivables	18,378	5,566
Deposits paid	6,568	2,285
Prepayments	24,166	18,324
	<u>51,908</u>	<u>29,078</u>

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 or more 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.

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
Outstanding balances aged:		
0 to 30 days	794	2,015
31 to 60 days	14	451
61 to 180 days	659	52
Over 180 days	1,329	385
	<u>2,796</u>	<u>2,903</u>

At 31 March 2011 and 2010, 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 at the end of reporting period.

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
Renminbi ("RMB")	1,550	85
United States Dollars ("USD")	1,246	2,818
	<u>2,796</u>	<u>2,903</u>

13. TRADE AND OTHER PAYABLES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Trade payables	3,402	2,256
Other payables and accruals	75,505	39,872
Deposit received from customers	8,707	3,542
Purchase consideration payable	5,108	5,108
	<u>92,722</u>	<u>50,778</u>

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
Outstanding balances aged:		
0 to 30 days	302	1,543
31 to 60 days	450	—
61 to 180 days	507	698
Over 180 days	2,143	15
	<u>3,402</u>	<u>2,256</u>

Trade and other payables were denominated in the following currencies:

	Group	
	2011	2010
	HK\$'000	HK\$'000
HKD	23,411	30,283
RMB	67,003	18,345
USD	2,079	1,946
Australian Dollars	229	204
	<u>92,722</u>	<u>50,778</u>

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2011

BUSINESS REVIEW

For the year ended 31 March 2011, the Group has started to gradually shift its focus to transportation and expressway operation from forest operation and management, timber logging and trading, timber processing, sale of timber products, plantation and trading of seedlings, property development and asset management.

The financial year ended 31 March 2011 was a turning point for the Group as it has witnessed our expedition into a new frontier of transportation and expressway operation. Despite a continual challenging market environment, the Group persistently looking for investment opportunities to build up the breadth and depth of our operation which the Group foresees will bear fruits in the near future.

Further, the Group's property development operation in Yichang city of Hubei Province was in steady progress. On 16 August 2010, the Group's property development arm Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) ("Yichang Xinshougang") entered into a joint development agreement with an independent third party Dafang Properties Development Co. Ltd. ("Dafang Properties") for the development of several complex commercial and residential properties, including Yichang Three Gorges International Convention Centre, the Three Gorges State Guest House and the Three Gorges State Guest Garden Commercial Property (collectively the "Yichang Project"). Yichang Xinshougang has contributed a parcel of land while Dafang Properties has provided funding for all necessary development and construction costs for the Yichang Project. Pre-sale of residential properties commenced in mid-June 2011 and distributable profit from sales is to be shared by the Group and Dafang Properties on a 60: 40 basis.

FINANCIAL REVIEW

For the year ended 31 March 2011, turnover of the Group recorded a substantial decrease of 37% to approximately HK\$13.33 million (2010: HK\$21.17 million) which is mainly attributable to a significant decrease of income generated from timber logging and trading (including sales of seedlings) which was HK\$3.22 million (2010: HK\$14.38 million) resulting from a significant cut down in timber logging, an adjustment made due to market uncertainty. The turnover comprised four business segments, namely income from timber logging and trading, other timber operation, property development and asset management, and cold storage warehouse leasing which respectively contributed approximately HK\$3.22 million, HK\$9.35 million, HK\$0 million, and HK\$0.76 million (2010: HK\$14.38 million, HK\$6.11 million, HK\$0 million and HK\$0.68 million) to the Group's consolidated income.

Detailed segment turnover and contribution to loss before income tax expense of the Group are shown in note 4 of the Notes to the Financial Statements herein. Cost of sales for the year was approximately HK\$16.49 million (2010: HK\$19.53 million). As a result, the Group recorded a gross loss of approximately HK\$3.15 million which was contrary to a gross profit of approximately HK\$1.64 million in last financial year.

Net loss for the year was approximately HK\$157.53 million (2010 (Restated): HK\$36.67 million) and loss per share attributable to shareholders of the Company (“Shareholders”) was HK1.026 cents per basic share (2010 (Restated): HK0.31 cents) and HK1.026 cents per diluted share (2010 (Restated): HK0.49 cents).

The loss was mainly attributable to the losses recorded on a change in fair value less costs to sell of biological assets in China which was approximately HK\$22.46 million (2010: gain of HK\$4.87 million) and a change in fair value of the derivative financial instrument which was approximately HK\$67.73 million (2010: gain of HK\$29.82 million) i.e. a total of approximately HK\$90.19 million loss in book value. The selling and administrative expenses was HK\$71.21 million, slightly decreased from that of previous year (2010 (Restated): HK\$71.48 million).

The Board considers that the changes in fair value of the derivative financial instrument and the biological assets in China are non-cash items which do not have any impact on the operating cash flows of the Group.

Further, the Group’s cash and cash equivalents stood at approximately HK\$591.58 million as at 31 March 2011 (2010: HK\$19.76 million). The increase in cash and cash equivalents was due to the completion of placing of 1,800,000,000 new shares of the Company at a placing price of HK\$0.30 per ordinary share, raising approximately HK\$534 million net proceeds in January 2011.

As at 31 March 2011, gearing ratio of the Group was 27.6% (2010 (Restated): 31.3%).

The Board did not recommend any final dividend for the year ended 31 March 2011 (2010: NIL).

LIQUIDITY REVIEW

As at 31 March 2011, the Group’s total assets less current liabilities amounted to approximately HK\$2,643 million compared to approximately HK\$2,411 million (Restated) as at 31 March 2010, representing an increase of about 9.6%. Total assets were approximately HK\$3,107 million (2010 (Restated): HK\$2,538 million) which comprised total non-current assets of approximately HK\$1,250 million (2010 (Restated): HK\$1,448 million) and total current assets of approximately HK\$1,857 million (2010 (Restated): HK\$1,089 million). The current assets of the Company include properties under development for sale which were valued at approximately HK\$1,077 million (2010 (Restated): HK\$912 million).

The Group's current liabilities increased from HK\$127.32 million in 2010 to HK\$464.68 million in 2011, mainly attributable by a promissory note of approximately HK\$284.80 million, trade and other payables of approximately HK\$92.72 million, amount due to a joint venture partner of approximately HK\$59.27 million and an amount due to a director of approximately HK\$12.45 million. The said director's loan is unsecured, interest free and repayable on demand.

The said promissory note with a principal amount of HK\$280 million was issued to China Alliance International Holding Group Limited, a substantial shareholder of the Company, in connection with the acquisition of Yichang Xinshougang, details of which was disclosed in an announcement dated 21 May 2009 by the Company. As per the default clause of the promissory note, if the Group failed to repay as per repayment schedule, the note holder is entitled to demand immediate payment of principal and accrued interest. No payment for principal and accrued interest was made by the Group since 8 May 2010, the first repayment date. As a result, a total of approximately HK\$284.80 million was recorded under current liabilities as at 31 March 2011 (2010: HK\$59.93 million). Details of the information can be found in note 30 of the Notes to the Financial Statements of the Company's annual report for the year ended 31 March 2011 ("the 2011 Annual Report") to be despatched in due course.

The Group's capital commitments outstanding as at 31 March 2011 was approximately HK\$188.80 million, of which HK\$184.72 million, representing almost 98%, was for development of the Yichang Project.

As at 31 March 2011, the Group had an outstanding borrowing of HK\$6.16 million (2010: HK\$5.70 million).

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 appreciation in Australian dollars has resulted in a net exchange gain. Save as aforesaid, the Board considered foreign exchange risk is minimal. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimise any potential foreign exchange exposure risk to be arisen in the future.

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.

Details of the Group's financial risk management are set out in note 45 of the Notes to the Financial Statements of the 2011 Annual Report.

MATERIAL EVENTS AND PROSPECT

Joint development of Yichang Project

On 16 August 2010, Yichang Xinshougang entered into a joint development agreement with Dafang Properties in respect of the Yichang Project. Pursuant to the agreement, Dafang Properties shall provide Yichang Xinshougang the funds to meet all necessary development and construction costs of the Yichang Project (estimated ranging from RMB800 million to RMB1,000 million (approximately HK\$916 million to HK\$1,145 million)) in exchange for an entitlement to share 35-40% of the economic benefit of the Yichang Project.

The development of the Yichang Project is capital intensive. The Directors considered that joint development with Dafang Properties allowed the Group to minimise its risk in securing sufficient financing at commercially viable and favourable terms while still holding the majority economic benefit from the Yichang Project.

The Yichang Project is in steady progress and pre-sale of residential properties has been started in mid-June 2011 and thus will contribute to the turnover of the Group in the coming financial year.

Transforming into transportation and expressway operation

Commencing in January 2011, the Group embarked on a new business in toll road and expressway operation in Inner Mongolia by investing into Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited (“內蒙古准興重載高速公路有限責任公司”) (“Zhunxing”) which has an exclusive right to build and operate the first heavy-duty toll expressway designed for coal transportation in the Inner Mongolia Autonomous Region for 30 years (excluding the construction period). The toll road will run from the Jungar Banner which is a major coal production area located south of Hohhot in the Ordos, toward the north east for 265 km to Xinghe County which is a major logistic hub for coal distribution in northern China.

The expressway, currently under construction and expected to open for traffic in January 2013, is designed to sustain 100-ton trucks whereas most other expressways in China can only allow 50-ton trucks.

In a nutshell, on 21 April 2011, the Company, through its subsidiary, entered into the first capital injection agreement with Zhunxing for the acquisition of its 11% equity interest at the consideration of RMB500 million (approximately HK\$602 million) (the “First Capital Injection Agreement”). The said acquisition was completed on 9 May 2011 and Zhunxing has been transformed into a Sino-foreign joint venture. On 26 May 2011, the Company, through its subsidiary, further entered into a second capital injection agreement with Zhunxing for the acquisition of its 40% equity interest at the consideration of RMB1,818 million (approximately HK\$2,190 million). Upon completion of the second capital injection agreement, the Group will be in control of 51% equity interest in Zhunxing and Zhunxing will become a subsidiary of the Company. Details of the transaction are disclosed in the announcement of the Company dated 26 May 2011.

In addition, the Group has been granted an option but not obliged to acquire a total of 66% equity interest in Zhunxing under the First Capital Injection Agreement. In order to capture the economic benefits of the expressway operation, the Group may further invest in Zhunxing in the future and will keep the Shareholders informed of the progress.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 235 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2011. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on 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

On 21 January 2011, the Company allotted and issued 1,800,000,000 new shares to not less than six placees who are third parties independent from the Company through placing agent Guotai Junan Securities (Hong Kong) Limited at a placing price of HK\$0.30 per ordinary share, raising approximately HK\$534 million net proceeds, of which approximately HK\$450 million was injected into Zhunxing as registered capital. The placing shares were allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting held on 30 August 2010.

For the year ended 31 March 2011, the Company issued 287,141,477 new shares at HK\$0.23 per share due to exercise of warrants issued by the Company on 8 February 2010 and 3,342,857,141 new shares upon conversion of convertible bonds issued by the Company on 9 February 2010 at the conversion price of HK\$0.056 per share.

CONTINGENT LIABILITIES

The Group's operations are regulated by various laws and regulations in Guyana. Guyana laws and regulations for the protection of the environment and wild life have generally become more stringent in recent years. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group. The Directors are not aware of any environmental liabilities as at the end of the reporting period and up to the date of this Announcement. The Directors are also not aware of any violation to existing conditions attached to the Group's timber concession rights, or subject to any significant costs, expenses, penalties and liabilities.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2011 (2010: Nil).

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 Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Directors have 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 the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee, comprising all independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming, is responsible for reviewing the Group's accounting practice and policies, the external audit, internal control and risk evaluation.

The Group's annual results for the year ended 31 March 2011 have been reviewed by the Audit Committee.

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 all independent non-executive Directors, Mr. Yip Tak On, Mr. Jing Baoli 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 Listing Rules, except that the Board 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 2011 Annual Report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraph 46 of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course and at the website of the Company at <http://www.ctrg.com.hk>. Our 2011 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
China Timber Resources Group Limited
Cao Zhong
Chairman

Hong Kong, 28 June 2011

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Cao Zhong, Mr. Fung Tsun Pong and Mr. Tsang Kam Ching, David; a non-executive Director, namely Mr. Neil Bush and three independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming.