China Timber Resources Group Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock code: 269

Annual Report | 2007

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Fung Tsun Pong *(Chairman)*
Mr. Lau Sing Hung, Stephen *(Chief Executive Officer)*
Mr. Tsang Kam Ching, David *(Finance Director)*
Mr. Chow Ki Shui, Louie

Independent Non-Executive Directors

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

Company Secretary

Miss Ngan Wai Kam, Sharon

Audit Committee

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

Auditors

CCIF CPA Limited

Legal Advisor

Louis K.Y. Pau & Company

Principal Banker

The Bank of East Asia, Limited

Registered Office

The Office of Caledonian Bank & Trust Limited
Caledonian House
George Town
Grand Cayman
Cayman Islands

Principal Place of Business

Room 1606, Office Tower
Convention Plaza
Wanchai
Hong Kong

Share Registrars and Transfer Office in Hong Kong

Progressive Registration Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Central
Hong Kong

Stock Code at Hong Kong Stock Exchange

269

Contact Details

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To all shareholders,

I am pleased to present the 2007 Annual Report and the audited financial statements of China Timber Resources Group Limited (Formerly known as Seapower Resources International Limited) and its subsidiaries (together the "Group"), 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$4.38 million respectively to the Group's consolidated turnover. The cost of sales 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 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 total 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 deposit, cash and bank balances of HK$9.12 million (2006: HK$31.97 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 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 Note 35 to the financial statements of this Annual Report.

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 cash 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$0.09 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 forestry business opportunities in other jurisdictions that will diversify its business and promise lucrative growth potential.

Acknowledgements

I wish to take this opportunity to extend my appreciation to all shareholders for their support and to thank Directors for their guidance and the staff members for their dedication and hard work during the past year.

Lau Sing Hung, Stephen
Chief Executive Officer

Hong Kong, 25 July 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.

Principal Activities

The Company is an investment holding company.

The activities of the Company's subsidiaries as at 31 March 2007 are set out in note 40 to the financial statements. The Group is principally engaged in cold storage warehousing and logistics management services in the first half of this financial year and, from September 2006 onwards, in timber logging and trading businesses.

Change of Company Name

Pursuant to a special resolution passed by the shareholders in the extraordinary general meeting held on 26 April 2007, the Company had changed its name from "Seapower Resources International Limited" to "China Timber Resources Group Limited" and adopted the new Chinese name "中國木業資源集團有限公司" for identification purpose only to replace "凱暉國際實業有限公司" to reflect the change in the business focus of the Group. The Certificate of Incorporation on Change of Name issued by the Registrar of Companies of Cayman Islands has certified that the Company's name was changed and registered with effect from 11 May 2007.

Segment Information

Details of the segment information are set out in note 15 to the financial statements.

Results and Appropriations

The results of the Group are set out in the consolidated income statement on page 21 of the annual report and in the accompanying notes to the financial statements.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2007.

Share Premium and Reserves

Movements in the share premium and reserves of the Group and the Company during the year are set out on pages 24 to 25 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 17 to the financial statements.

Properties

Particulars of properties of the Group as at 31 March 2007 are set out on page 80 of the annual report.

Subsidiaries

Particulars of the subsidiaries of the Group as at 31 March 2007 are set out on in note 40 to the financial statements.

Borrowings

Bank and other borrowings repayable within one year or on demand are classified as current liabilities. Repayment analyses of bank and other borrowings as at 31 March 2007 are set out in note 29 to the financial statements.

Share Capital

Details of the movements in the Company's share capital are set out in note 32 to the financial statements.

Major Customers and Suppliers

For the year ended 31 March 2007, the aggregate turnover and purchases attributable to the five largest customers of the Group represented 58% and 54% of the total turnover and purchases of the Group, respectively.

Connected Transactions

The related party transactions in note 39 to the financial statements have been disclosed in accordance with the Statement of Standard Accounting Practice "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") ("Listing Rules").

Five Year Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 78 of the annual report. This summary does not form part of the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

Issue of Equity Securities

On 10 April 2006, the Company entered into an agreement with, amongst others, Mr. Peter Chan to acquire 51% equity interest of Jaling for a total consideration of HK$154,000,000, HK$115,000,000 of which should be settled by issue of new securities. The acquisition was completed on 21 September 2006 and 234,375,000, 195,312,500 and 93,545,369 new shares (a total of 523,232,869 new shares) were issued to Mr. Peter Chan at the prices of HK$0.128, HK$0.128 and HK$0.321 on 21 September 2006, 29 December 2006 and 29 June 2007 respectively.

On 5 June 2006, the Company issued and allotted a total of 60,156,250 new shares to Total Gain Investment Limited at an issue price of HK$0.128 per share for settlement of a consultancy fee of HK$7,700,000 under an agency agreement dated 19 December 2005.

On 14 July 2006, the Company issued a total of 960,000,000 unlisted warrants 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, represents a premium of approximately 9.76% to the closing price of HK$0.082 per Share as quoted on SEHK on 14 July 2006, being the day on which the terms of issue were fixed. Upon full exercise of all the warrants, the Company will receive an additional fund of HK$86.4 million.

On 29 November 2006, the Company issued a total of 34,000,000 new shares to Mr. Lau Yat Wah at the issue price of HK$0.0882 per share (a total consideration of HK$3,000,000), representing a discount of approximately 9.07% to the closing price of HK$0.097 as quoted on SEHK on 16 November 2006, being the day on which the terms of issue were fixed, pursuant to a subscription agreement dated 17 November 2006.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Fung Tsun Pong	
Mr. Lau Sing Hung, Stephen	(appointed on 1 June 2007)
Mr. Tsang Kam Ching, David	
Mr. Chow Ki Shui, Louie	(appointed on 1 June 2007)

Directors *(continued)*

Independent Non-executive Directors:

Mr. Yip Tak On	
Mr. Jing Baoli	
Mr. Bao Liang Ming	(appointed on 1 February 2007)
Mr. Liu Ka Lim, Louis	(resigned on 1 February 2007)

In accordance with Article 117 of the Company's Articles of Association, the directors of the Company, including the executive and independent non-executive directors, are subject to retirement by rotation and, being eligible, may offer themselves for re-election. In addition, Article 100 of the Articles of Association provides that any Director appointed by the board of directors shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Yip Tak On, Mr. Lau Sing Hung, Stephen, Mr. Chow Ki Shui, Louie and Mr. Bao Liang Ming shall retire at the forthcoming annual general meeting, and being eligible, shall offers themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors (the "INEDs") as regards their independence to the Company and considers that each of the INEDs is independent to the Company.

Biographical Details of Directors

Executive Directors

Mr. Fung Tsun Pong, aged 47, joined the Company as an executive director on 22 September 2004. Mr. Fung has over 20 years of experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

Mr. Lau Sing Hung, Stephen, aged 57, has been appointed as an executive director of the Company since 1 June 2007. Mr. Lau has been a fellow of the Institute of Chartered Accountants in England and Wales since 1976 as well as a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Lau joined Arthur Andersen & Co in 1976 and assisted it in opening its first office in China in early eighties. Mr. Lau became a partner of Arthur Young in 1984 and Ernst & Young in 1990 when Arthur Young and Ernst Whinney merged to become Ernst & Young. Mr. Lau had served as Chairman of the Tax Department, member of the Management Committee, General Manager of Ernst Young Hua Ming, Managing Partner China North, Office Managing Partner of Beijing Office, Dalian Office and Wuhan Office. Mr. Lau retired from Ernst & Young on 31 December 2006.

Mr. Tsang Kam Ching, David, aged 50, joined the Company as an executive director on 17 February 2004. Mr. Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking and corporate finance business. He is currently a responsible officer registered under the SFO for Type 1 (securities dealing) and type 6 (corporate finance) activities. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors *(continued)*

Executive Directors *(continued)*

Mr. Chow Ki Shui, Louie, aged 44, has been appointed as an executive director of the Company since 1 June 2007. Mr. Chow graduated from Xiamen University in 1984 with a bachelor degree of Science. Mr. Chow had worked as a Senior Consultant in Mitsui & Co. (HK) Ltd., and a partner in WI Harper Management Consulting Company, which is a venture capital investment company based in San Francisco, USA. In 1998, Mr. Chow co-founded Sino Capital Education Foundation, a non-profit organization to sponsor college student research programs and to assist children in poverty back to school. Mr. Chow is now a partner of Sino Capital Holdings Ltd. and is a co-founder of StemCyte, Inc., one of the largest umbilical cord blood banks in the world.

Independent Non-executive Directors

Mr. Yip Tak On, aged 61, joined the Company as an independent non-executive director on 22 September 2004. Mr. Yip is a fellow member of ACCA, HKICPA, Taxation Institute of Hong Kong, and a full member of Hong Kong Securities Institute. Mr. Yip has founded his own Certified Public Accountants firm for more than 20 years and is the managing director of Yip Leung & So Limited. Mr. Yip is also the treasurer of International Chamber of Commerce — Hong Kong China Business Council and the Chairman of a charitable institution, the Neighborhood Advice-Action Council. Mr. Yip has not held other directorships in listed companies in the last three years.

Mr. Jing Baoli, aged 42, has been appointed as an independent non-executive director of the Company since 28 February 2006. Mr. Jing was graduated from Beijing University Law School with a Bachelor Degree in laws in 1987 and acquired a Master Degree in laws from Lanzhou University in 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province and worked in various positions till 1997. In 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and starting from 1999, he became an attorney-at-law of Beijing Shuang Cheng Law Firm.

Mr. Bao Liang Ming, aged 51, has been appointed as an independent and non-executive director of the Company since 1 February 2007. Mr. Bao has vast executive and management experience. He has held various directorships in state-owned enterprises in Tianjin and Beijing of the People's Republic of China.

Directors' Service Contracts

None of the existing Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Emolument, the Five Highest Paid Employees and the Group's Emolument Policy

Details of the Directors' emolument and of the five highest paid employees in the Group are set out in notes 10 and 11 to the financial statements.

The Group ensures that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration strategy.

Directors' Emolument, the Five Highest Paid Employees and the Group's Emolument Policy *(continued)*

The Directors' remuneration is determined by the Company with reference to their responsibilities to undertake, the Company's performance and profitability, remuneration benchmark, prevailing market conditions and recommendation of the Remuneration Committee of the Company.

Directors' Interest and Short Positions in Shares, Underlying Shares, and Debentures

Save as disclosed below, as at 31 March 2007, according to the register of interest kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) where required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules, to be notified to the Company and SEHK.

Long positions in shares and underlying shares of the Company

Name of director	No. of shares	No. of underlying shares (option)	Total	Percentage of Issued share capital
Mr. Fung Tsun Pong *(Note a)*	1,055,5000,000 (interest of controlled corporation)	6,662,449 (personal interest)	1,062,162,449	14.91%
Mr. Tsang Kam Ching David *(Note b)*	Nil	66,624,499 (personal interest)	66,624,499	0.93%

Note:

a. Mr. Fung Tsun Pong wholly owns Ocean Gain Limited ("OGL") which was interested in 1,055,500,000 shares in the Company, representing approximately 14.81% in the issued shares of the Company. OGL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders". On 9 June 2006, Mr. Fung was granted a share option, pursuant to the Share Option Scheme of the Company adopted on 16 July 2004, to subscribe for 6,662,449 new shares, representing approximately 0.1% in the then issued shares of the Company, exercisable for a period of three years and at a price of HK$0.078 per share.

b. On 9 June 2006, Mr. Tsang Kam Ching David was granted a share option, pursuant to the Share Option Scheme of the Company adopted on 16 July 2004, to subscribe for 66,624,499 new shares, representing approximately 1% in the then issued shares of the Company, exercisable for a period of three years and at a price of HK$0.078 per share.

Directors' Interest and Short Positions in Shares, Underlying Shares, and Debentures
(continued)

Save as disclosed above, none of the Directors of the Company and their associates had any interest in the shares and/or underlying shares of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the SEHK pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein as at 31 March 2007.

Directors' Interests in Contracts of Significance

Save as disclosed in the annual report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares

Save as disclosed under the paragraphs headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders

Save as disclosed below, as at 31 March 2007, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

Long position in shares of the Company

Name of shareholders	Capacity	Number of shares	Percentage of issued shares
Ocean Gain Limited *(Note a)*	Beneficial owner	1,055,5000,000	14.81
Richest Billion Limited *(Note b)*	Beneficial owner	1,045,000,000	14.66
Allkeen Investments Limited *(Note c)*	Beneficial owner	1,000,000,000	14.03
Huang Weiling	Beneficial owner	895,064,514	12.56
Peter Chan *(Note d)*	Beneficial owner	859,375,000	12.06

Substantial Shareholders

Long position in shares of the Company

Notes:

(a) Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive director of the Company.

(b) Richest Billion Limited is wholly-owned by Miss Li Shi Miao.

(c) Alleen Investments Limited is wholly-owned by Miss Wong Yat Ping.

(d) 859,375,000 shares disclosed by Peter Chan includes 390,625,000 issued shares and the estimated maximum of 468,750,000 new shares to be issued to Peter Chan as consideration shares pursuant to the agreement for the acquisition of Jaling dated 10 April 2006.

Share Options Scheme

The Share Option Scheme of the Company was adopted on 16 July 2004 and shall remain in force for 10 years from the adoption date unless otherwise terminated or amended. On 10 August 2004, the Listing Committee of SEHK granting approval for the listing of, and permission to deal in, any shares of the Company which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme. Particulars of the Share Option Scheme are set out in note 34 to the consolidated financial statements.

For the year ended 31 March 2007, the number of shares in respect of which options were granted under the Share Option Scheme was 128,286,948 (the "Options"), representing 1.80% of the shares of the company in issue, of which 6,662,449 and 66,624,499 were granted to Mr. Fung Tsun Pong and Mr. Tsang Kam Ching, David respectively, both being executive directors of the Company and the remaining 55,000,000 options were granted to employees. All the Options were granted on 9 June 2006, exercisable within a period of 3 years till 8 June 2009, at the price of HK$0.078 per Share and none of the Options has been exercised, cancelled or lapsed during the year ended 31 March 2007.

The total number of ordinary shares available for issue under the Share Option Scheme since it was adopted and as at 31st March, 2007 was 478,882,257 shares including the Options granted but not yet exercised for the year ended 31 March 2007.

Public Float of the Listed Securities

Based on the publicly available information to the Company and within the knowledge of the Board, none of the directors of the Company, up to the date of this report, is aware of any information which would indicate the Company has not maintained sufficient public float of its shares in the market.

Management Contract

No contract concerning the management and administrative of the whole or any substantial part of the business of the Company.

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 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 written terms of reference which describe the authority and duties of the Audit Committee have been prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKSA. The Audit Committee provides an important link between the Board and the Company's auditors in matters within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises all INEDs of the Company, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming. Further information of the Audit Committee is set out in the Corporate Governance Report on page 17 to this Annual Report.

Remuneration Committee

Detailed information related to the remuneration committee is set out in the Corporate Governance Report on page 17 of this Annual Report.

Auditors

CCIF CPA Limited retire and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

Lau Sing Hung, Stephen
Chief Executive Officer

Hong Kong, 25 July 2007

China Timber Resources Group Limited is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of corporate governance to enhance shareholder value and safe guarding shareholder interests. Save as disclosed hereinbelow, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2007.

The purpose of this report is to provide shareholders with information on the major principles and corporate governance practices adopted by the Company. Save as disclosed below, throughout the year ended 31 March 2007, the Company has complied with the CG Code.

The Board of Directors

The principal duty of the Board is to ensure that the Company is properly managed in the best interest of the shareholders of the Company.

The Board is chaired by Mr. Fung Tsun Pong (the "Chairman"). As at the 31 March 2007, there were five directors of the Company (the "Directors"), of which two were executive Directors, namely the Chairman and Mr. Tsang Kam Ching, David, the then Chief Executive Officer ("CEO") and three were independent non-executive Directors namely, Mr. Yip Tak On, Mr. Liu Ka Lim (resigned on 1 February 2007)/Mr. Bao Liang Ming (appointed on 1 February 2007) and Mr. Jing Bao Li. Other details of the Directors are given on pages 8 to 10 of this Annual Report.

The Board, led by the Chairman, formulates and approves overall business objectives and strategic policies. Matters like, annual budgets, financial statements, significant changes in accounting policy, material contracts, major financing arrangements, risk management strategy and policies, supervision of the management and performance of the Company, are all reserved for the Board. The Chairman provides leadership for the Board to ensure that the Board acts in the best interests of the Company and that Board meetings are planned and conducted effectively.

On the other hand, the CEO and its management team are responsible for the day-to-day operations of the Group, implementing business plans and internal control measures and carrying out corporate governance practices. To ensure a balance of power and authority, the role of the Chairman is separate from that of the CEO and the position of the Chairman and CEO are held by separate individuals. Such division of responsibilities helps to reinforce their independence and accountability. The functions of the Board and the powers delegated to the CEO are reviewed periodically to ensure that they remain appropriate.

All Directors are provided upon reasonable request made to the Board with means, at the Company's expense, to take independent professional advice in furtherance of their duties if necessary. The independent non-executive Directors (the "INEDs") serve the important function of providing a balance of skills and experience to the Board and safeguarding the interests of shareholders and the Company as a whole. Each of the INEDs has entered into a service agreement with the Company for an initial term of two years unless terminated by notice of in writing prior to the expiry of the term.

The Board regularly reviews its composition and structure to ensure its expertise and independence are attained and maintained. Any Director appointed by the Board to fill a casual vacancy is subject to election of shareholders at the first general meeting after his appointment and all Directors are subject to retirement by rotation in accordance with the Company's articles of association and, being eligible, may offer themselves for re-election.

The Board of Directors *(continued)*

All Directors disclose to the Board on their first appointment their interests as director or otherwise in other companies or organisations and such declarations of interests are updated annually. When the Board considers that any Director is having a conflict of interest in a matter to be considered by the Board, the Board will request such Director to fully disclose and declare his interest and require her to abstain from voting.

The Board has established the following committees: the Remuneration Committee and the Audit Committee with the participation of all the INEDs. In addition, the Board has also adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Board of Directors held 8 meetings during the fiscal year and the attendance of Directors were set forth below:

	Name of Directors	**Attended/Eligible to attend**
Executive Directors	Fung Tsun Pong *(Chairman)*	8/8
	Tsang Kam Ching, David	8/8
Independent Non-executive Directors	Yip Tak On	6/8
	Liu Ka Lim, Louis	3/6
	Jing Bao Li	4/8
	Bao Liang Ming	0/2

In addition to 8 ordinary board meetings held during the fiscal year, the Board, held two regular board meetings with written notice of the meeting despatched to all Directors at least 14 days before the meeting and an agenda with all supporting documents no less than 3 days prior to the meeting. The regular board meetings have achieved active participation of all Directors. The Directors note that the CG Code requires the Board to hold at least four regular board meetings a year at approximately quarterly intervals. However, in view of the scale and the relatively simple principal business structure of the Company, the Directors consider it to be appropriate and cost effective.

Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter twice annually, one month before the date of the board meeting to approve the Company's interim and annual results, with a reminder that the Director cannot deal in the securities and derivatives of the Company until after the results announcement has been published.

Securities Transactions *(continued)*

Under the Securities Code, Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the board at a board meeting or alternatively, another executive director and receive a dated written acknowledgement before any dealing. The Company has made specific enquiries on Director's dealings in the securities of the Company and all Directors have confirmed that they have complied with the required standard set out in the Securities Code throughout the year.

Directors' interests as at 31 March 2007 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on page 11 of this Annual Report.

Remuneration Committee

The Remuneration Committee was set up on 26 September 2005 to determine policy on executive directors and senior management's remuneration and fixing remuneration packages. The Committee comprises Mr. Tsang Kam Ching, David, an executive Director and all the three INEDs. The Committee has considered in detail the remuneration packages of staff of the Company at various levels, including executive Directors. In order to be able to attract and retain staff of suitable calibre, the Company provides a competitive remuneration package. This comprises salary provident fund, leave passage and discretionary bonus. The remuneration policy has contributed considerably to the maintenance of a stable, motivated and high-calibre management team in the Company.

The remuneration policy and the levels of remuneration paid to executive Directors of the Company were reviewed by the Remuneration Committee every year.

No Director takes part in any discussion about his own remuneration. The remuneration of INEDs is determined by the Board in consideration of their responsibility involved. Each of the INEDs are appointed for a fixed term of service and entitled to an annual director's fee of HK$120,000.

The Remuneration Committee held 1 meeting during this fiscal year, which was attended by all the INEDs.

Audit Committee

The terms of reference of the Audit Committee was amended on 26 September 2005 to bring them in line with the CG Code. The Audit Committee is responsible to the Board and consists of all the three INEDs from time to time. The current members are Mr. Yip Tak On, Mr. Jing Bao Li and Mr. Bao Liang Ming. The Committee reviewed the completeness and accuracy of the Company's financial statements, annual reports and accounts and half-year reports and provided assurance to the Board that these comply with accounting policies, standards and practices, stock exchange and legal requirements. The Committee also reviewed the adequacy and effectiveness of the financial controls, internal control and risk management systems. It also made recommendation to the board of Directors on the appointment and removal of external auditors and their terms of engagement as well as monitor the external auditor's independence and effectiveness and recommended appropriate actions required

Audit Committee *(continued)*

The Audit Committee held 2 meetings during the fiscal year, the attendances of which were as follows: Yip Tak On (2/2), Liu Ka Lim (1/2) and Jing Bao Li (2/2).

Internal Control

The Board is responsible for the system of internal control and for reviewing its effectiveness. During this fiscal year, the Directors has conducted a review on the effectiveness of the system of internal control of the Company, including but not limited to, financial, operational and compliance controls and risk management functions, and considered that the internal control systems effective and adequate and the Company has complied with the code provisions on internal control of the CG Code in view of the business nature and complexity and the management structure of the Company.

Detailed control guidelines have been set and made available to all employees of the Company regarding handling and dissemination of price sensitive information.

Systems and procedures are in place to identify, control and report on major risks, including business, legal, financial, and reputational risks. Exposures to these risks are monitored by the Board with the assistance of its external professional advisers.

External Auditors

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. In this fiscal year, the total remuneration paid to the external auditors was HK$400,000 for audit service and advice.

Investor Relations

The Company continues to enhance relationships and communication with its investors. Extensive information about the Company's performance and activities is provided in the Annual Report and the Interim Report which are sent to shareholders.

All shareholders are encouraged to attend the Annual General Meeting to discuss matters relating to the Company. Any inquiries from shareholders can be addressed to any of the Board.

Shareholders may request an extraordinary general meeting to be convened in accordance with Article 73 of the Articles of Association of the Company, which provides that members holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

To the Shareholders of
China Timber Resources Group Limited
(Formerly known as Seapower Resources International Limited)
(incorporated in the cayman islands with limited liability)

We have audited the consolidated financial statements of China Timber Resources Group Limited (formerly known as Seapower Resources International Limited) ("the Company") and its subsidiaries (together, the "Group") set out on pages 21 to 77, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our audit opinion, we draw attention to Note 2 (a) to the financial statements in relation to the going concern basis adopted for the preparation of the financial statements by the Directors of the Company who are satisfied that 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, after having taken into account of the share placement agreement dated 13 June 2007, as set out in Note 41(b) to the financial statements, pursuant to which the Group has subsequently raised funds of approximately HK$349.6 million on 27 June 2007 as general working capital.

CCIF CPA Limited
Certified Public Accountants

Leung Chun Wa
Practising Certificate Number P04963

Hong Kong, 25 July 2007

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
TURNOVER	5	**10,380**	4,129
COST OF SALES		**(4,065)**	(3,955)
GROSS PROFIT		**6,315**	174
OTHER REVENUE	5	**463**	128
OTHER INCOME	6	**4,203**	2,187
GAIN ON FAIR VALUE CHANGE OF INVESTMENT PROPERTY	16	**1,845**	—
SELLING AND ADMINISTRATIVE EXPENSES		**(26,801)**	(15,660)
LOSS FROM OPERATIONS	7	**(13,975)**	(13,171)
FINANCE COSTS	8	**(426)**	(406)
LOSS BEFORE TAXATION		**(14,401)**	(13,577)
TAXATION	9	**(434)**	—
LOSS FOR THE YEAR		**(14,835)**	(13,577)
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY	12	**(14,245)**	(13,577)
MINORITY INTERESTS		**(590)**	—
		(14,835)	(13,577)
DIVIDENDS	13	**—**	—
LOSS PER SHARE			
BASIC	14	**(0.21 cents)**	(0.21 cents)
DILUTED		**N/A**	N/A

The notes on pages 28 to 77 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment property	16	**29,640**	—
Property, plant and equipment	17	**8,441**	29,311
Prepaid lease payments	18	**3,473**	3,554
Goodwill	19	**160,596**	—
Forest concession rights	20	**8,332**	—
		210,482	32,865
Current assets			
Financial assets at fair value through profit or loss	22	**3,516**	1,683
Derivative financial instruments	23	**1,040**	—
Inventories	24	**3,470**	—
Trade and other receivables	25	**2,629**	955
Prepaid lease payments	18	**81**	81
Short-term fixed deposits	26	**—**	15,000
Cash and bank balances	27	**9,116**	16,966
		19,852	34,685
Current liabilities			
Bank overdrafts		**—**	171
Trade and other payables	28	**99,821**	2,148
Amounts due to derecognised former subsidiaries under liquidation		**490**	490
Amount due to a director of a subsidiary	30	**1,205**	—
Bank loan — due within one year (secured)	29	**—**	555
Taxation payable		**434**	—
		101,950	3,364
Net current (liabilities)/assets		**(82,098)**	31,321
Total assets less current liabilities		**128,384**	64,186
Non-current liabilities			
Bank loan — due after one year (secured)	29	**6,250**	3,528
Deferred tax liabilities	31	**450**	241
		6,700	3,769
TOTAL ASSETS LESS TOTAL LIABILITIES		**121,684**	60,417
CAPITAL AND RESERVES			
Share capital	32	**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

Approved and authorised for issue by the Board of Directors on 25 July 2007

LAU SING HUNG, STEPHEN	**TSANG KAM CHING, DAVID**
Director	*Director*

The notes on pages 28 to 77 form an integral part of these financial statements.

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	17	**617**	670
Interests in subsidiaries	21	**87,154**	9,101
		87,771	9,771
Current assets			
Financial assets at fair value through profit or loss	22	**3,516**	1,683
Derivative financial instruments	23	**1,040**	—
Trade and other receivables	25	**1,379**	578
Short-term fixed deposits	26	**—**	15,000
Cash and bank balances	27	**8,227**	16,592
		14,162	33,853
Current liabilities			
Trade and other payables	28	**1,297**	956
Amounts due to subsidiaries	30	**629**	484
		1,926	1,440
Net current assets		**12,236**	32,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**100,007**	42,184
Equity			
Share capital	32	**71,261**	66,023
Reserves		**28,746**	(23,839)
TOTAL EQUITY		**100,007**	42,184

Approved and authorized for issue by the Board of Directors on 25 July 2007

LAU SING HUNG, STEPHEN
Director

TSANG KAM CHING, DAVID
Director

The notes on pages 28 to 77 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2007

Group

	Attributable to equity holders of the Company											
	Share capital	Share premium	Warrant reserve	Share-based compensation reserve	Capital redemption reserve	Capital reserve	Asset revaluation reserve	Translation reserve	Accumulated loss	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	62,466	432,722	–	–	3,800	20,918	7,965	(1,002)	(506,802)	20,067	–	20,067
Issue of new ordinary shares	3,557	41,762	–	–	–	–	–	–	–	45,319	–	45,319
Exchange differences	–	–	–	–	–	–	–	182	–	182	–	182
Revaluation surplus	–	–	–	–	–	–	8,667	–	–	8,667	–	8,667
Deferred tax arising from revaluation of building	–	–	–	–	–	–	(241)	–	–	(241)	–	(241)
Loss for the year	–	–	–	–	–	–	–	–	(13,577)	(13,577)	–	(13,577)
At 31 March 2006 and 1 April 2006	66,023	474,484	–	–	3,800	20,918	16,391	(820)	(520,379)	60,417	–	60,417
Issue of new ordinary shares	5,238	60,461	–	–	–	–	–	–	–	65,699	–	65,699
Issue of share warrants	–	–	4,000	–	–	–	–	–	–	4,000	–	4,000
Exchange differences	–	–	–	–	–	–	–	428	–	428	–	428
Revaluation surplus	–	–	–	–	–	–	370	–	–	370	–	370
Acquisition of a subsidiary *(Note 33)*	–	–	–	–	–	–	–	–	–	–	1,773	1,773
Deferred tax arising from revaluation of building	–	–	–	–	–	–	(209)	–	–	(209)	–	(209)
Recognition of equity-settled share-based compensation	–	–	–	4,041	–	–	–	–	–	4,041	–	4,041
Loss for the year	–	–	–	–	–	–	–	–	(14,245)	(14,245)	(590)	(14,835)
At 31 March 2007	**71,261**	**534,945**	**4,000**	**4,041**	**3,800**	**20,918**	**16,552**	**(392)**	**(534,624)**	**120,501**	**1,183**	**121,684**

The notes on pages 28 to 77 form an integral part of these financial statements.

Company

	Issued capital	Share premium	Share-based compensation reserve	Warrant reserve	Capital redemption reserve	Contributed surplus	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	62,466	432,722	—	—	3,800	64,314	(554,920)	8,382
Issue of new ordinary shares	3,557	41,762	—	—	—	—	—	45,319
Loss for the year	—	—	—	—	—	—	(11,517)	(11,517)
At 31 March 2006 and 1 April 2006	66,023	474,484	—	—	3,800	64,314	(566,437)	42,184
Issue of new ordinary shares	5,238	60,461	—	—	—	—	—	65,699
Issue of share warrants	—	—	—	4,000	—	—	—	4,000
Recognition of equity-settled share-based compensation	—	—	4,041	—	—	—	—	4,041
Loss for the year	—	—	—	—	—	—	(15,917)	(15,917)
At 31 March 2007	**71,261**	**534,945**	**4,041**	**4,000**	**3,800**	**64,314**	**(582,354)**	**100,007**

Share-based compensation reserve represents the fair value of the outstanding share options granted to executive directors, employees, and any of its subsidiary recognised in accordance with the accounting policy adopted for share based payment.

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong.

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon the exercise of the warrants.

On 14 July 2006, the Company issued 960,000,000 un-listed warrants at an issue price of HK$4,000,000 by private placement. Each warrant entitles the holder to subscribe for one ordinary share at an initial subscription price of HK$0.09 per Subscription Share during the three years period form the date of allocation and issue of the warrants.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

In accordance with the provision of the Company's New Articles of Association, the reserve available for distribution to shareholders of the Company as at 31 March 2007 amounted to HK$24,705,000 (2006: Nil).

The notes on pages 28 to 77 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
LOSS BEFORE TAXATION		**(14,401)**	(13,577)
Adjustments for:			
Interest expenses		**426**	406
Interest income		**(463)**	(128)
Depreciation		**567**	1,699
Share-based compensation *(note 34)*		**4,041**	—
Gain on fair value change of investment property		**(1,845)**	—
Amortization of prepaid lease payments		**81**	81
Amortization of Forest Concession right		**488**	—
Gain on disposal of property, plant and equipment		**—**	(20)
Unrealized loss on financial assets		**—**	9
		3,295	2,047
OPERATING CASH OUT FLOW BEFORE CHANGES IN WORKING CAPITAL		**(11,106)**	(11,530)
Increase in assets at fair value through profit or loss		**(1,833)**	—
Increase in derivative financial instruments		**(1,040)**	—
Increase in inventories		**(3,470)**	—
Decrease in trade and other receivables		**503**	1,446
Increase in amount due to a director of a subsidiary		**1,205**	—
Increase/(decrease) in trade and other payables		**541**	(979)
		(4,094)	467
NET CASH USED IN OPERATIONS		**(15,200)**	(11,063)
Interest paid		**(426)**	(406)
Interest received		**463**	128

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(15,163)**	(11,341)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**—**	518
Purchase of investment property, property, plant and equipment		**(3,901)**	(4,765)
Purchase of land use rights		**—**	(3,716)
Purchase of financial assets		**—**	(1,692)
Acquisition of a subsidiary *(Note 33)*		**(9,988)**	—
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(13,889)**	(9,655)
NET CASH OUTFLOW BEFORE FINANCING		**(29,052)**	(20,996)
FINANCING			
Repayment of bank loan		**(4,083)**	(955)
New bank loan obtained		**6,250**	—
Proceeds from issue of share warrants		**4,000**	—
Proceeds from issue of new ordinary shares *(Note 32(b)(iii))*		**2,999**	45,319
NET CASH INFLOW FROM FINANCING		**9,166**	44,364
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(19,886)**	23,368
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(2,793)**	1,607
CASH AND CASH EQUIVALENTS AT BEGINNING		**31,795**	6,820
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,116**	31,795
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**9,116**	16,966
Short-term bank deposits		**—**	15,000
Bank overdrafts		**—**	(171)
		9,116	31,795

The notes on pages 28 to 77 form an integral part of these financial statements.

1. General Information

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

The Group is principally engaged in cold storage warehousing and logistics management services during the year under review and, commencing from September 2006 onwards, in timber logging and trading businesses.

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

2. 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$82,098,000 as at 31 March 2007.

However, the Group subsequently 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 41(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.

2. Principal Accounting Policies *(continued)*

(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 Hong Kong 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 or 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.

2. Principal Accounting Policies *(continued)*

(c) Basis of preparation *(continued)*

Adoption of new or amended HKFRSs *(continued)*

(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 2007. 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 or 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 profit or loss. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

2. Principal Accounting Policies *(continued)*

(c) Basis of preparation *(continued)*

Adoption of new or amended HKFRSs *(continued)*

(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.

(d) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2007.

2. Principal Accounting Policies *(continued)*

(d) Consolidation *(continued)*

(i) Subsidiaries

Subsidiaries are all entities over which the Group had the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control was transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group during the year. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group was recorded as goodwill. If the cost of acquisition was less than the fair value of the net assets of the subsidiary acquired, the difference was recognised directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(e) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Principal Accounting Policies *(continued)*

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Change in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of the Group entities (one of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2. Principal Accounting Policies *(continued)*

(f) Foreign currency translation *(continued)*

(iii) Group companies *(continued)*

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(g) Property, plant and equipment

Properties comprise mainly buildings. Properties are stated at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All property, plant and equipment are stated at historic cost less depreciation and impairment losses. Historic cost includes expenditure that is directly attributable to the acquisition of the item.

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

Increase in the carrying amount arising on revaluation of properties are credited to the asset revaluation reserve. Decreases that offset previous increase of the same asset are charged against asset revaluation reserve directly, all other decreases are expensed in the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts less their residue values over their estimated useful lives. The principal annual rates used for this purpose are:

Furniture machinery and equipment	20%
Motor vehicles	20%

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset was greater than its estimated recoverable amount.

2. Principal Accounting Policies *(continued)*

(h) Investment property

Investment property is land and buildings held to earn rentals and for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property or at its fair value when it is transferred from "Property, Plant and Equipment".

After initial recognition, the investment property is stated at its fair value based on valuation by an external valuer. Gains or losses from changes in fair value of the investment property are included in the consolidated income statement for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognized in the consolidated income statement.

(i) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions of associated companies is included in investments in associated companies. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Forest Concession Right

Forest concession licences acquired by the Group are stated at cost less accumulated amortisation (see below) and any accumulated impairment losses (see note 2 (j)). These licences give the Group rights to harvest trees in the allocated concession forests in designated areas in Guyana.

The costs of forest concession includes the acreage fees payable to Guyana Forestry Commission, costs of necessary exploratory, geological, geophysical and other research studies incurred prior to obtaining the right.

2. Principal Accounting Policies *(continued)*

(i) Intangible assets *(continued)*

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use.

Forest concessions are amortised over the shorter of their useful lives estimated based on the total proven and probable reserves of the total forestry exploitation volume or contractual period from the date of commencement of commercial exploitation.

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

(i) Property, plant and equipment (other than properties carried at revalued amounts);

(ii) Pre-paid interest in leasehold land classified as "Prepaid lease payments":

(iii) Forest Concession Rights;

(iv) Interests in subsidiaries; and

(v) Goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

2. Principal Accounting Policies *(continued)*

(j) Impairment of assets *(continued)*

— Recognition of impairment losses

An impairment loss is recognized in profit or loss whenever that carrying amount of an assets, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an assets will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognized.

(k) Investments

The Group classified its financial assets in the following categories: other financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and re-evaluated this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives were categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either for trading or are expected to be realized within 12 months of the balance sheet date.

2. Principal Accounting Policies *(continued)*

(k) Investments *(continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as long-term receivables and account receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories. They are included in non-current assets unless the management intends to dispose of the investment with 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date-basis the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

The fair values of quoted investment are based on current bid prices. For unlisted securities are determined by using valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model refined to reflect the issuer's specific circumstances.

The Group reassesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case equity securities classified as available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement-is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2. Principal Accounting Policies *(continued)*

(l) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is calculated using the weighted average costs formula and comprises all costs of purchase, costs of conversion and other cots incurred in bringing the inventories to their present location and condition. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognised as a reduction in the amount of inventories recognised as an expenses in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original teams of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(n) Cash and cash equivalents

Cash and cash equivalent include cash in hand, deposits held at call with banks and fixed deposits with maturity within 3 months or less.

(o) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2. Principal Accounting Policies *(continued)*

(o) Financial liabilities and equity *(continued)*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

(ii) Other financial liabilities

Other financial liabilities including bank and other borrowings, trade payables and other payables are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iv) Equity instruments

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

(p) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

2. Principal Accounting Policies *(continued)*

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue of disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at lease 12 months after the balance sheet date.

(r) Deferred income tax

Deferred income tax was provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arose from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affected neither accounting nor taxable profit or loss. Deferred income tax was determined using tax rates that are enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset was realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit would be available against which the temporary differences could be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference would not reverse in the foreseeable future.

(s) Employee benefits

(i) Retirement benefit cost

The Group operates a defined contribution retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those the Group in an independently administered fund.

2. Principal Accounting Policies *(continued)*

(s) Employee benefits *(continued)*

(ii) Share-based payments

The Group has granted options under the new share option scheme. The fair value of the employee services in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

(u) Revenue recognition

(i) Revenue from sales of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Cold storage service income is recognised pro-rata over the life of the agreement and on an accrual basis.

(iii) Logistics management service income is recognised when the services are rendered.

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

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

2. Principal Accounting Policies *(continued)*

(u) Revenue recognition *(continued)*

(vi) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in profit of loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are expenses in the income statement on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payments is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(w) Borrowing costs

Borrowing costs are recognised in the income statement in which they are incurred.

(x) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group also holds or issues derivative financial for trading purposes.

Derivative financial instruments are recognized initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

2. Principal Accounting Policies *(continued)*

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value, interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(a) Market risks

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(ii) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the available of funding through an adequate amount of committed credit facilities and the ability to close our market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3. Financial Risk Management *(continued)*

(a) Market risks *(continued)*

(v) Natural risk

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilizing different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group made estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. Critical Accounting Estimates and Judgements *(continued)*

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Fair value estimation of share options

The Group estimates the fair value of share options using the Black-Scholes valuation model which involves the use of estimates. Details of the significant inputs to the valuation model are disclosed in Note 34.

(d) Estimated impairment of assets

The Group's management tests annually whether assets (including goodwill and forest concession right) have suffered any impairment, in accordance with the accounting policy stated in note 2(j). The recoverable amounts of cash-generated units have been determined based on value-in-use calculations. These calculations require the use of estimates. Management has not identified any indications that the goodwill and forest concession right have or would have suffered any impairment at the balance sheet date.

(e) Fair value estimation

The fair value of financial assets through profit or loss is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group used a variety of methods and made assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. Turnover and Other Revenue

The Company is an investment holding company. The Group is engaged in the provision of timber logging and trading, cold warehouse rental, warehousing and logistics management services.

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

6. 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

7. Loss from Operations

Loss from operations is stated after charging:

	2007 HK$'000	2006 HK$'000
Depreciation	**567**	1,699
Amortisation of lease payments for land under operating lease	**81**	81
Amortization of forest concession rights	**488**	—
Cost of inventories	**4,065**	—
Royalties	**121**	—
Exchange loss, net	**—**	1,288
Staff costs:	**8,409**	4,395
including		
— Share options granted to directors and employees	**4,041**	—
— MPF scheme contribution	**299**	80

8. Finance Costs

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

9. Taxation

The charge comprises:

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

9. Taxation *(continued)*

The charge 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-taxable/deductible items	**(207)**	1,538
Utilised 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 had been made for profits tax in the last year 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.

10. Directors' Remuneration

The remuneration of every director charged to the consolidated income statement for the year ended 31 March 2007 is set out below:

Name of director	**Fees** *HK$'000*	**Salary** *HK$'000*	**Discretionary bonuses** *HK$'000*	**Share options** *HK$'000*	**Employer's contribution to pension scheme** *HK$'000*	**Total** *HK$'000*
Executive directors						
Fung Tsun Pong	—	688	—	210	24	922
Tsang Kam Ching, David	—	688	—	2,099	24	2,811
Independent non-executive directors						
Yip Tak On	120	—	—	—	—	120
Jing Baoli	120	—	—	—	—	120
Bao Liang Ming	120	—	—	—	—	120
	360	1,376	—	2,309	48	4,093

The remuneration of every director charged to the consolidated income statement for the year ended 31 March 2006 is set out below:

Name of director	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonuses *HK$'000*	Other benefits *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive directors						
Fung Tsun Pong	—	689	—	—	13	702
Tsang Kam Ching, David	—	71	—	—	4	75
Zhao Ming	—	—	—	—	—	—
Chan Chun Hing	—	—	—	—	—	—
Independent non-executive directors						
Liu Ka Lim, Louis	120	—	—	—	—	120
Yip Tak On	120	—	—	—	—	120
Jing Baoli	—	—	—	—	—	—
Wang Ji Cheng	50	—	—	—	—	50
	290	760	—	—	17	1,067

11. Individuals with Highest Emoluments

During the year, the five highest paid individuals included two (2006: one) director, details of whose emoluments are set out above. The emoluments of the three (2006: four) individuals are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**6,003**	2,078
MPF Scheme contributions	**116**	52
	6,119	2,130

The emoluments of the employees are within the following band:

	Number of employees	
	2007	2006
Nil — HK$1,000,000	**3**	4

During the years ended 31 March 2007 and 2006, no emoluments were paid by the Group to the five individuals with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Loss Attributable to Equity Holders of the Company

The consolidated loss attributable to equity shareholders of the Company for the year ended 31 March 2007 includes a loss of approximately HK$15,917,000 (2006: Loss of HK$11,517,000) which has been dealt with in the financial statements of the Company.

13. Dividends

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

14. 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 and at the balance sheet date would have an anti-dilutive effect on the basic loss per share.

15. Segment Information

(a) Business Segments

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 warehouse rental, warehousing and logistics management services

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

15. Segment Information *(continued)*

(a) Business Segment *(continued)*

Segment information by business is presented as follows:

For the year ended 31 March 2007

	Timber logging 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

15. Segment Information *(continued)*

(a) Business Segment *(continued)*

For the year ended 31 March 2006

	Timber logging 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

15. Segment Information *(continued)*

(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

16. Investment Property

	2007	2006
	HK$'000	*HK$'000*
Valuation:		
At 1 April	**—**	—
Reclassified from Property, Plant and Equipment	**24,589**	—
Fair value gain	**1,845**	—
Exchange difference	**3,206**	—
At 31 March	**29,640**	—

The investment property is held in freehold land outside Hong Kong.

16. Investment Property *(continued)*

In last year, the cold storage warehouse with a net book value of HK$22,900,000 was held under freehold for own operation of cold warehousing outside Hong Kong. Due to the change in mode of operation at the beginning of the current year, the cold storage warehouse has been reclassified as investment property for rental purpose.

The Group's investment property was revalued at 31 March 2007 by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. Due to the lack of an established market upon which to base comparable transactions on actual sales of comparable properties, the investment property has been valued on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimatization." The gain from the change in fair value estimated by the valuer on 31 March 2007 amounted to HK$1,845,000 has been credited to the consolidated income statement for the year ended 31 March 2007 (2006: Nil).

17. Property, Plant and Equipment

Group

	Cold storage Warehouse		Building		Furniture, machinery and equipment		Motor vehicles		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost or valuation										
At 1 April	**22,900**	18,681	**4,190**	–	**9,117**	9,546	**642**	697	**36,849**	28,924
Reclassified to investment property	**(22,900)**	–	**–**	–	**(6,967)**	–	**–**	–	**(29,867)**	–
Exchange adjustments	**–**	(1,483)	**–**	–	**24**	(589)	**89**	(55)	**113**	(2,127)
Additions	**–**	–	**–**	3,460	**3,751**	1,305	**150**	–	**3,901**	4,765
Surplus on revaluation	**–**	5,702	**370**	730	**–**	–	**–**	–	**370**	6,432
Disposals	**–**	–	**–**	–	**–**	(1,145)	**–**	–	**–**	(1,145)
At 31 March	**–**	22,900	**4,560**	4,190	**5,925**	9,117	**881**	642	**11,366**	36,849
Analysis of cost or valuation										
At cost	**–**	–	**–**	–	**5,925**	9,117	**881**	642	**6,806**	9,759
At valuation	**–**	22,900	**4,560**	4,190	**–**	–	**–**	–	**4,560**	27,090
	–	22,900	**4,560**	4,190	**5,925**	9,117	**881**	642	**11,366**	36,849
Accumulated depreciation and amortization or impairment										
At 1 April	**–**	1,517	**–**	–	**6,960**	7,359	**578**	547	**7,538**	9,423
Written back on reclassification to investment property	**–**	–	**–**	–	**(5,278)**	–	**–**	–	**(5,278)**	–
Exchange adjustments	**–**	(157)	**–**	–	**16**	(498)	**82**	(47)	**98**	(702)
Charge for the year	**–**	875	**–**	–	**484**	746	**83**	78	**567**	1,699
Written back on revaluation	**–**	(2,235)	**–**	–	**–**	–	**–**	–	**–**	(2,235)
Eliminated on disposals	**–**	–	**–**	–	**–**	(647)	**–**	–	**–**	(647)
At 31 March	**–**	–	**–**	–	**2,182**	6,960	**743**	578	**2,925**	7,538
Net book value										
At 31 March	**–**	22,900	**4,560**	4,190	**3,743**	2,157	**138**	64	**8,441**	29,311

17. Property, Plant and Equipment *(continued)*

Company

	Furniture, machinery and equipment	
	2007	2006
	HK$'000	*HK$'000*
At 1 April		
Cost	**1,049**	924
Additions	**172**	125
At 31 March	**1,221**	1,049
Accumulated depreciation		
At 1 April	**379**	185
Charge for the year	**225**	194
At 31 March	**604**	379
Net book value		
At 31 March	**617**	670

18. Prepaid Lease Payments

The Group's prepaid lease payments represent land use rights in the PRC under medium term lease.

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 April	**3,635**	—
Addition	**—**	3,716
Amortization	**(81)**	(81)
At 31 March	**3,554**	3,635
Classified as current portion	**(81)**	(81)
Classified as non-current portion	**3,473**	3,554

19. Goodwill

	HK$'000
Cost:	
Arising on acquisition of Jaling Forest Industries Inc. ("Jaling") (note 33) and at 31 March 2007	160,596
Accumulated impairment losses:	
Impairment losses recognized for the year and at 31 March 2007	—
Carrying amount:	
At 31 March 2007	160,596

Goodwill arose in the business combination as set out in note 33 to financial statement, is attributable to the benefits of expected revenue growth and future market development. Goodwill arising from business combination is wholly allocated to the timber logging and processing business segment for impairment testing. An independent valuer, LCH (Asia-Pacific) Surveyors Limited ("LCH"), has been appointed to conduct the impairment testing on goodwill at 31 March 2007. The recoverable amounts of goodwill are determined based on value in use calculation. The key assumptions for the value in use calculation are based upon the discount rates, and budgeted profit margin and turnover during the forecast period. The budgeted profit margin, turnover and growth rates are based on judgment of the management about their ability to harvest and to generate economic income stream through the sale of the logs to their customers. The projections (including profit margin, revenue and the growth rates) are based on the management's view of the most likely action to be taken by Jaling in the operation of the business with reference to past performance and future expectations for future market development. The management expects the profit margin of timber logging business at 54.6% on budgeted revenue in the forecast period. The valuer has adopted the Weighted Average Cost of Capital ("WACC") Model in the estimation of the discount rate. In estimating the WACC in the valuer's valuation, the valuer has adopted a market-derived WACC of similar publicly traded companies in the Stock Exchange of Hong Kong, they can form a reliable representative industry of forestry business.

The Group prepares cash flow forecasts based on the management's view of the most likely action to be taken by Jaling in the operation of the business. The rate used by the valuer to discount the cash flow forecasts of the timber logging business is 12.58% (pre-tax discount rate).

For the estimation of long term growth rate, the valuer has taken the growth of similar companies , the forest industry, the local and the global economy as a whole. The valuer has adopted a long term growth rate of 2 per cent in his computation.

The directors of the Company are of the opinion that based on the valuation performed by the valuer at 31 March 2007, the recoverable amount of the goodwill arising from the acquisition of Jaling exceeds its carrying amount in the consolidated balance sheet at 31 March 2007, and therefore no impairment loss is recognised.

20. Forest Concession Rights

The Forest Concession Rights in Guyana is stated at cost less accumulated amortisation and any accumulated impairment losses. The costs of Forest Concession Right includes the acreage fees payable to Guyana Forestry Commission, costs of necessary exploration, geological, geophysical and other research studies incurred prior to obtaining the rights.

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 April	**—**	—
Acquisition of a subsidiary *(Note 33)*	**9,000**	—
At 31 March	**9,000**	—
Accumulated amortization		
Acquisition of a subsidiary *(Note 33)*	**(180)**	—
Charge for the year	**(488)**	—
At 31 March	**(668)**	—
Net book value at 31 March	**8,332**	—

During the year, the Group acquired 51% equity interest in Jaling Forest Industries Inc. ("Jaling") as referred to note 33 to the financial statments. On 22 August 2003 Jaling was granted a State Forest Exploratory Permit (1/2003) by the Commissioner of Forests, Guyana Forestry Commission, to carry out exploratory work on an area of 167,000 hectares (approximately 412,000 acres) for a period of 3 years. Pursuant to the Timber Sales Agreement (TSA 02/2005) dated 25 January 2005, Jaling was granted with an exclusive timber concession right by the Commissioner of Guyana Forestry Commission for a period of 25 years, commencing on 25 January 2005 and until 24 January 2030 (both dates inclusive) to occupy, cut and remove timber from an area of approximately 136,900 hectares (approximately 338,000 acres) in the State Forest of Guyana, South America ("the Forest"), which include a block located on the left bank of Whana River, Guyana — Venezuela border, right bank of Whannamaparu River and left bank of Barima River and another block located on the left bank of Sebai River, right bank of Waiumu River and right bank of India River ("Forest Concession Right"). Under these exploratory permit and concession right, the Company shall pay a total acreage fee of approximately HK$9,000,000 charged on all forestry area as prescribed by the Forest Act and Regulations of Guyana. In addition, based on a letter dated 23 November 2004 issued by the Commissioner of Forests, Guyana Forestry Commission, Guyana Forestry Commission has committed in principle to find an additional area in the proximity of the current concession which would compensate more or less to the area that was exercised and bring the total concession acreage as close as possible to the original 167,000 hectares (approximately 412,000 acres) at terms same as the Forest Concession Right. Based on a letter from Guyana Forestry Commission dated 19 January 2006, the Guyana Forestry Commission has approved to grant two more additional areas at Baramita and Sebai reservations to Jaling, however, the relevant concession right has not yet been issued to the Company as at 31 March 2007 and up to date of this report. Jaling has completed the necessary exploratory studies to obtain the Forest Concession Right during the Relevant Periods.

20. Forest Concession Rights *(continued)*

The recoverable amount of the forest concession rights are determined based on the value in use calculations for which the key assumptions are the discount rates, budgeted profit margin and turnover during the forecast period, which are same as those applied for testing the recoverable amount of goodwill as referred to Note 19. The estimated recoverable amount of the forest concession rights exceeds their carrying amount at the balance sheet date and therefore, no impairment loss is recognised.

21. Interest in Subsidiaries

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries	**474,007**	395,954
	474,017	395,964
Less: Impairment losses recognized	**(386,863)**	(386,863)
	87,154	9,101

Particulars of the Company's subsidiaries as at 31 March 2007 are set out in Note 40 to the financial statements.

The amounts due from subsidiaries are unsecured, interest free and not repayable within the next twelve months from the balance sheet date. The Directors of the Company considered that the carrying value of the interest in subsidiaries net of the impairment losses recognised approximate to their fair value at the balance sheet date.

22. Financial Assets at Fair Value Through Profit or Loss

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
Trading securities		
— Listed equity securities in Hong Kong	**3,516**	1,683
Market value of listed securities	**3,516**	1,683

23. Derivative Financial Instruments

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
Held for trading		
— Hong Kong Hang Seng Index future contracts	**1,040**	—

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the quoted market prices for equivalent instruments at the balance sheet date.

24. Inventories

	Group	
	2007	2006
	HK$'000	*HK$'000*
Timber logs	**3,470**	—

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately HK$4,065,000 (2006: Nil).

25. 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 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	**—**	—

26. Short-term Fixed Deposits

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
Short-term bank deposits	**—**	15,000

The effective interest rate of short-term fixed deposits was 3.82% per annum. The deposits had an average maturity of 32 days and were eligible for immediate cancellation without receiving any interest for the last deposit period.

27. Cash and Bank Balances

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**9,116**	16,966	**8,227**	16,592
	9,116	16,966	**8,227**	16,592

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollars	**265**	—	**—**	—
Hong Kong Dollars	**8,495**	16,598	**8,227**	16,592
Australian Dollars	**349**	368	**—**	—
Guyana Dollars	**7**	—	**—**	—
	9,116	16,966	**8,227**	16,592

28. 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 Dollars	**7,838**	—	**—**	—
Hong Kong Dollars	**91,643**	1,854	**1,297**	956
Australian Dollars	**340**	294	**—**	—
	99,821	2,148	**1,297**	956

29. Bank Loan

	Group	
	2007	2006
	HK$'000	*HK$'000*
Bank loan — secured	**6,250**	4,083
The bank loan is repayable as follows:		
Within one year or on demand	**—**	555
More than one year, but not exceeding two years	**6,250**	555
More than two year, but not exceeding five years	**—**	1,664
Over five years	**—**	1,309
	6,250	4,083
Less: Amount due within one year or on demand and shown under current liabilities	**—**	(555)
Amount due after one year	**6,250**	3,528

30. Amounts Due to a Director of a Subsidiary/Subsidiaries

The amounts due to a director (Mr. Chan Chiu Hung, Danny) of a subsidiary/subsidiaries are unsecured, interest free and repayable within the next twelve months from the balance sheet date.

31. Deferred Tax Liabilities

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 April	**241**	—
Deferred taxation charged directly to reserves	**209**	241
At 31 March	**450**	241

31. Deferred Tax Liabilities *(continued)*

The movement in deferred tax assets and liabilities during the year was as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 April	**241**	—
Revaluation of properties	**209**	241
At 31 March	**450**	241

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$55,098,000 (2006: HK$51,247,000) to be carried forward for offset against future taxable income. The tax losses may be carried forward indefinitely.

At the balance sheet date, temporary differences associated with the revaluation on overseas properties of HK$17,506,000 (2006: HK$15,661,000) for which deferred tax liabilities have not been recognised. No liability has been recognised in respect of these differences because the Group's overseas subsidiaries had sufficient tax losses carried forward to offset the liability.

32. Share Capital

	Note	**No. of shares**	**Value** *HK$'000*
Authorised:			
At 31 March 2007 and at 31 March 2006 ordinary shares of HK$0.01 each		10,000,000,000	100,000
Issued and fully paid:			
At 1 April 2005 ordinary shares of HK$0.01 each		6,246,587,084	62,466
Issue of new ordinary shares	*(a)*	355,706,583	3,557
At 31 March 2006 ordinary share of HK$0.01 each		6,602,293,667	66,023
Issue of new ordinary shares	*(b)*	523,843,750	5,238
At 31 March 2007 ordinary share of HK$0.01 each		7,126,137,417	71,261

32. Share Capital *(continued)*

(a) On 29 June 2005, 106,400,000 ordinary shares of HK$0.01 each were issued at HK$0.115. The proceeds were used as additional working capital for the Group.

On 3 November 2005, 53,994,083 ordinary shares of HK$0.01 each were issued at HK$0.13 as consideration for the acquisition of land and buildings in the PRC under a sale and purchase agreement dated 19 August 2005. Details of which were disclosed in the announcement of the Company dated 22 August 2005.

On 24 March 2006, 195,312,500 ordinary shares of HK$0.01 each were issued at HK$0.128 as consideration for the acquisition of 51% equity interest in 河南阜源石油化工有公司. Details of which were disclosed in the announcement of the Company dated 12 January 2006.

(b) (i) On 5 June 2006, 60,156,250 new ordinary shares of HK$0.01 each were issued at HK$0.128 each per the subscription agreements dated 16 May 2006 to an independent third party in full settlement of consultancy fee of HK$7,700,000 incurred in relation to the acquisition of Jaling *(Note 33)*.

(ii) On 21 September 2006, 234,375,000 new ordinary shares of HK$0.01 each were issued at HK$0.128 per share amounting to HK$30,000,000 as partial settlement of the consideration for the acquisition of 51% equity interest in Jaling.

(iii) On 29 November 2006, 34,000,000 new ordinary shares of HK$0.01 each were issued at HK$0.0882 per share to an independent third party to provide additional general working capital of the Company for its daily operations.

(iv) On 5 January 2007, 195,312,500 ordinary shares were issued at HK$0.128 each for net cash proceeds of HK$25 million, which was intended to be used as partial cash settlement consideration for acquiring 51% equity interest in Jaling.

All these new ordinary shares rank pari passu in all respects with the existing shares of the Company .

33. Business Combination

On 21 September 2006, the Group acquired 51% of the issued share capital of Jaling, engaged in felling and processing of timber lot export, for a cash and share consideration of HK$154,000,000, which gave rise to a goodwill amounted to HK$160,596,000.

Set forth below is a calculation of goodwill:

	HK$'000
Purchase consideration:	
Cash	39,000
New ordinary shares	115,000
Total purchase consideration *(note (a))*	154,000
Direct cost relating to the acquisition *(Note 32(b)(i))*	7,700
Less: Fair value of net assets acquired *(note (c))*	(1,104)
Goodwill	160,596

The goodwill is attributable to the anticipated profitability of the forestry business of Jaling.

(a) The consideration of HK$154,000,000 is satisfied to HK$39,000,000 in cash and HK$115,000,000 by issue of consideration shares of the Company at the issuing price equal to the average price of the last 15 days prior to the issue but not less than HK$0.128 per consideration share ("Consideration Share").

The direct cost relating to the acquisition of HK$7,700,000 was settled by the issue of new shares as referred to Note 32(b)(i) to the financial statements.

(b) At 31 March 2007, the consideration not yet settled includes HK$29,000,000 payable in cash and HK$60,000,000 to be settled by issue of Consideration Shares of the Company at the average price of the last 15 days prior to the issue but not less than HK$0.128 per share.

(c) The major components of assets and liabilities arising from the acquisition are as follows:

	HK$'000
Fair value of net assets acquired:	
Cash and cash equivalents	12
Forest concession right, HK$9,000,000 less amortisation of HK$180,000	8,820
Other receivables	2,177
Other payables	(8,132)
	2,877
Minority interest	(1,773)
Net assets acquired	1,104

The carrying value of the assets and liabilities acquired approximate to their fair value at the acquisition date.

33. Business Combination *(continued)*

Net cash outflow of cash on acquisition of subsidiaries:

	HK$'000
Cash paid	10,000
Cash and cash equivalents of the subsidiary acquired	(12)
	9,988

As disclosed in Note 32(b)(ii) and (iv), HK$55,000,000 out of the total purchase consideration payable of HK$154,000,000 were settled by way of issue of 429,687,500 new ordinary shares of HK$0.01 each of the Company at the issue price of HK$0.128 per share on 21 September 2006 and 5 January 2007.

The acquired business contributed approximately HK$4,397,000 to the Group's turnover and approximately HK$1,279,000 to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

34. Share Option Scheme

The Share Option Scheme adopted on 30 September 1999 was terminated and replaced by a New Share Option Scheme on 16 July 2004. The New Share Option Scheme shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

The exercise price of the options shall be determined by the Directors of the Company, but may at least the highest of (i) the Sock Exchange closing price of the Company's shares on the date of the grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of an ordinary share. The maximum number of shares in respect of which options may be granted under the New Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

As at 31 March 2007, the number of shares in respect of which options was granted and not exercised under the Share Option Scheme was 128,286,948, representing 1.8% 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 following table shows the movement of the Company's share options during the year ended 31 March 2007.

34. Share Option Scheme *(continued)*

Employee

Date of share options granted	Outstanding at the beginning of the year	Number of share options granted and fully accepted during the year	Number of share options exercised during the year	Number of share options outstanding at the end of the year	Exercise price *(HK$)*	Exercise period
9 June 2006	—	128,286,948	—	128,286,948	0.078	9 June 2006 to 8 June 2009

In assessing the theoretical aggregate value of the share options granted and fully accepted during the year, the Black-Scholes option pricing model which was performed by an independent valuer, Greater China Appraisal Limited, has been used. In current year, an amount of share options expenses of HK$4,041,000 has been recognised and charged to the consolidated income statement for the year ended 31 March 2007 (2006: Nil).

Share options granted and fully accepted during the year ended 31 March 2007:

Date of Granted	:	9 June 2006
Vesting Period	:	N/A
Exercise Period	:	9 June 2006 to 8 June 2009
Exercise Price	:	HK$0.078 per share

	Number of share options granted at 9 June 2006	Share options value at 9 June 2006	Number of share options at 31 March 2007
Grantee:			
Employee	128,286,948	4,014,000	128,286,948

Notes:

(1) The closing price of the ordinary Shares of the Company on the date when the options were granted was HK$0.078.

34. Share Option Scheme *(continued)*

Notes: (continued)

(2) According to the Black-Scholes model, the theoretical aggregate value of the options was estimated at HK$4,041,000 as at 9 June 2006 (when the options were granted) with the following variables and assumptions:

— Risk Free Interest Rate	:	4.445%, being the approximate yield of the 4-year Exchange Fund Note traded on 6 June 2006
— Expected Volatility	:	68.836%, being the annualized standard deviations of the continuously compounded rates of return on the share prices of three other comparable listed Hong Kong companies with similar business operations.
— Expected Life of the Options	:	3 years from the date of granting
— Share Price at grant date	:	HK$0.078
— Expected Dividends	:	Nil

(3) Options forfeited, if any, before the expiry of the options will be treated as lapsed options which will be added back to the number of ordinary Shares available to be issued under the relevant share option scheme.

35. Retirement Benefit Schemes

With effect from 1 December 2000, the Group has also joined a MPF Scheme for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme.

The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

36. Operating Lease Commitments

The Group leases its office and staff quarter under non-cancelled operating lease arrangements with remaining lease terms ranging from one to two years.

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**455**	882
In the second to fifth years, inclusive	**—**	130
	455	1,012

37. Contingent Liabilities

The Group's operations are regulated by various laws and regulations in Guyana. Guyana laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become more stringent in future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations of existing conditions attached to the licences whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at and up to the date of this report. The directors are also not aware of any violation to existing conditions attached to the Group's timber concession right, or subject to any significant costs, expenses, penalties and liabilities.

38. Pledge of Assets

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

39. Related Party Transactions

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Consultancy fee paid to Chan Chiu Hung, Danny	**150**	—	**—**	—

Mr. Chan Chiu Hung, Danny is a director of Jaling. A monthly consultancy fee of HK$50,000 is payable for his services rendered to Jaling after the Group acquired 51% issued share capital of Jaling, Mr. Chan Chiu Hung, Danny beneficially owns the remaining 49% issued capital of Jaling at 31 March 2007.

40. Particulars of Subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital held by the Company*/ subsidiaries %	Percentage of issued share capital attributable to the Group %	Principal activities
Allied National Ltd.	British Virgin Islands/ Hong Kong	US$1 share	100 *	100	Investment holding
Australian Service Cold Storage (N.S.W.) Pty Ltd.	Australia	A$2,500,002 shares	100	100	Dormant
iPowerB2B.com Limited	Hong Kong	HK$2 shares	100	100	Investment holding
iPower Holdings Limited	British Virgin Islands/ Hong Kong	US$45,000 shares	100 *	100	Investment holding
iPower Warehousing Management System Limited	British Virgin Islands/ Hong Kong	US$1 share	100	100	Warehousing management system holding

40. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital held by the Company*/ subsidiaries %	Percentage of issued share capital attributable to the Group %	Principal activities
Pentagon Profits Limited	British Virgin Islands/ PRC	US$1 share	100 *	100	Dormant
Seapower China Investments Limited	Hong Kong/ PRC	HK$2 shares	100	100	Logistics management services
Seapower Developments (Indonesia) Limited	British Virgin Islands/ Indonesia	US$1 share	100 *	100	Dormant
Seapower Resources Australia Pty Ltd	Australia	A$7,00,002 shares	100	100	Investment holding
Seapower Resources Investments Pty Ltd.	Australia	A$2,000,002 shares	100	100	Investment holding
Seapower Resources Gosford Pty Ltd.	Australia	A$4,200,002 shares	100	100	Cold storage warehousing
Seapower Secretaries Limited	Hong Kong	HK$100 shares	100 *	100	Provision secretarial services
Topcrown Investments Limited	Hong Kong	HK$10,000 shares	100 *	100	Management services
Triumph Kind Investment Limited	Hong Kong	HK$1 share	100	100	Investment in property
Wide Forest Limited	Hong Kong	HK$1 share	100	100	Investment holding
Seapower Investment (China) Limited	Hong Kong	HK$10,000 shares	100	100	Investment holding

40. Particulars of Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share	Percentage of issued share capital held by the Company*/ subsidiaries %	Percentage of issued share capital attributable to the Group %	Principal activities
Jaling Forest Industries Inc	Guyana	G$500,000 shares	100	51	Timber logs
W&J Forest Resources Development Limited	Hong Kong	HK$10,000 shares	100	25.5	Timber trading
Glory Success Investment Limited	Hong Kong	HK$10 shares	100	70	Trading
Vastrich Corporation Limited	Hong Kong	HK$1 share	100	100	Investment holding
Triumph Max Investment Limited	Hong Kong	HK$1 share	100	100	Investment holding

41. Post Balance Sheet Events

(a) On 5 July 2007, the Directors of the Company resolved to exercise the Garner Forest 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 the Vastrich Corporation Limited ("Vanstrich"), a wholly-owned subsidiary of the Company, the Option Shares, representing 51% equity interest of Garner Forest Inc ("Garner"), at a consideration of HK$60 million payable by the Vastrich in cash.

Upon completion of the acquisition of the Option Shares, Vastrich will acquire 2,450 ordinary shares of G$20 each fully paid in the capital of Garner being legally and/or beneficially owned by Mr Danny Chan, representing the remaining 49% of the issue share capital of Garner. The consideration payable in cash by Vanstrich is HK$50 million (subject to adjustment).

The total consideration for acquiring 100% issued capital of Garner will be HK$110 million.

(b) Pursuant to the 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 proceed of approximately HK$349.6 million was subsequently raised on 27 June 2007, which will be used as general working capital of the Group.

42. Capital Commitment

	2007 HK$'000	2006 HK$'000
Contracted but not provided for	**26,500**	26,500

This represents capital commitment for the capital contribution for 51% equity interest in the enlarged paid-up capital of the Henan Fu Yuan Petroleum and Chemical Engineering Company Limited (河南阜源石油化工有限公司) ("Fuyuan"), a private company incorporated in PRC, under the acquisition agreement signed on 7 January 2006. Further details are set out in the Company's circular dated 26 May 2006.

At the balance sheet date, the Group is still in negotiations with the relevant authorities and the seller for obtaining the necessary approvals to complete the transaction.

43. Comparative Figures

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

	For the year ended 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	16,881	9,996	9,521	4,129	**10,380**
Loss from operations	(14,243)	(8,359)	(7,521)	(13,171)	**(13,975)**
Finance costs	(45,948)	(23,572)	(476)	(406)	**(426)**
Other non-operating losses and expenses	—	—	—	—	**—**
Gain on disposal of subsidiaries	—	706,083	—	—	**—**
Gain arising from debts discharged under Schemes of Arrangement	—	632,718	—	—	**—**
(Loss)/gain on disposal of leasehold properties	9,341	—	—	—	**—**
Loss arising from liquidation of subsidiaries	—	—	—	—	**—**
Loss on disposal of investment properties	—	—	—	—	**—**
Provision for impairment loss of properties held for development	—	—	—	—	**—**
Share of results of associates and jointly controlled entities	—	—	—	—	**—**
(Loss)/profit before taxation	(50,850)	1,306,870	(7,997)	(13,577)	**(14,401)**
Taxation — credit/(charge)	3,200	(7,809)	185	—	**(434)**
(Loss)/profit before minority interests	(47,650)	1,299,061	(7,812)	(13,577)	**(14,835)**
Minority interests	—	18	—	—	**590**
(Loss)/profit for the year	(47,650)	1,299,079	(7,812)	(13,577)	**(14,245)**

	At 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	43,398	28,533	28,722	67,550	**230,334**
Total liabilities	(1,346,979)	(15,187)	(8,655)	(7,133)	**(108,650)**
Minority interests	(509)	—	—	—	**(1,183)**
Shareholders' funds	(1,304,090)	13,346	20,067	60,417	**120,501**

Particulars of major properties held by the Group as at 31 March 2007 are as follows:

Name/Location	Lease expiry	Approximate gross floor area	Attributable interest to the Group
		(sq.ft.)	*%*
PROPERTIES HELD FOR THE GROUP'S OWN USE			
1. Leasehold building and prepaid lease payments			
Level 7, Xinruike Building, Futian Trade Zone, Futian District, Shenzhen, PRC	2051	29,461	100
PROPERTY HELD FOR RENTAL PURPOSE			
1. Cold storage warehouse — Investment Property			
Central Coast Cold Storage Lots 11 &120 Racecourse Road West Gosford, New South Wales Australia	Freehold	124,009	100