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CHINA TIMBER RESOURCES GROUP LIMITED
(中國木業資源集團有限公司*)
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 269)

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
IN RELATION TO
THE PROPOSED ACQUISITION OF 44% INTEREST IN
JALING FOREST INDUSTRIES INC.;**
AND
(2) RESUMPTION OF TRADING

Financial adviser to China Timber Resources Group Limited



THE ACQUISITION AGREEMENT

On 16 August 2007, after trading hours, the Purchaser entered into the Acquisition Agreement with Mr. Liu to acquire a 44% equity interest of Jaling. The consideration for the Sale Shares payable by the Purchaser is HK\$130 million, which was arrived at after arm's length negotiation between the parties involved. The Consideration will be satisfied by issue of the Consideration Shares under a specific mandate. Following Completion, the Company will own a 95% equity interest of Jaling.

IMPLICATION UNDER THE LISTING RULES

The Acquisition constitutes a connected transaction and a very substantial acquisition for the Company under the Listing Rules and will be subject to and conditional on, amongst other things, the approval of the Independent Shareholders by poll at the EGM. Pursuant to the Listing Rules, Mr. Liu and his associates, are required to abstain from voting on the resolutions in respect of the Acquisition to be proposed at the EGM. Mr. Liu confirmed that, as at the date of this announcement, Mr. Liu and his associates do not hold any Shares.

* For identification purpose only.

An independent board committee will be appointed to make recommendations to the Independent Shareholders in respect of the terms of the Acquisition and the voting on the resolutions to approve the Acquisition and issue of the Consideration Shares under a specific mandate at the EGM. An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders in this regard. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

A circular containing, amongst other things, details of the Acquisition, an accountants' report of Jaling, an updated survey and valuation report to be issued by an independent valuer appointed by the Purchaser, a letter from the independent board committee of the Company and the opinion from the independent financial adviser, together with a notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 17 August 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 August 2007.

THE ACQUISITION AGREEMENT

- Date : 16 August 2007
- Purchaser : Wide Forest Limited, a wholly-owned subsidiary of the Company, incorporated in Hong Kong with limited liability
- Vendor : Mr. Liu Feng Lei, the legal and beneficial owner of 44% equity interest of Jaling

Asset to be acquired

The Sale Shares, being 220,000 ordinary shares of G\$1.00 each fully paid in the capital of Jaling being legally and beneficially owned by Mr. Liu, representing 44% of the issued share capital of Jaling. Mr. Liu has confirmed with the Company that his original purchase price was RMB110 million (or about HK\$113.3 million).

Consideration

The Consideration of HK\$130 million was determined after arm's length negotiation between the parties involved with reference to the 51% Acquisition and the attributable gross fair value of about US\$158 million (or about HK\$1,232 million) based on the 2006 Valuation Report, which values the forest occupied by Jaling with a gross fair value of approximately US\$310 million (or about HK\$2,418 million). Upon Completion, the Purchaser would be entitled to an additional 44% interest over the forest which, with reference to the 2006 Valuation Report, has an attributable gross fair value of approximately US\$136.4 million (or about

HK\$1,064 million). The 2006 Valuation Report was prepared using the market approach, which considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. The approach does not discount the major costs incurred in estimating the value. It is the gross value of the product. As such, the Directors have taken into account the various factors in determining the Consideration including substantial costs arising out of harvesting, processing, export, management and other operating expenses.

The Consideration will be settled by the issue of the Consideration Shares under a specific mandate. The issue price of HK\$0.253 per Consideration Share was calculated based on a discount of 7.5% to the average closing price for the past 5 trading days immediately preceding the date of the Acquisition Agreement. The issue price of HK\$0.253 per Consideration Share represents a premium of approximately 5.86% to the closing price of HK\$0.239 per Share on 16 August 2007, being the last trading day prior to suspension of trading in the Shares pending the issue of this announcement. The Consideration Shares also represent approximately 6% of the existing issued share capital and 5.65% of the issued share capital of the Company as enlarged by the Consideration Shares. As at the date of this announcement, 48,489,983 Shares are available for issue under the general mandate granted at the annual general meeting of the Company held on 31 August 2006.

The Consideration Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment.

The following table sets out the shareholding structure of the Company immediately before and after the Acquisition:

	As at the date of this announcement		Immediately after Completion	
	<i>Number of shares</i>	<i>%</i>	<i>Number of shares</i>	<i>%</i>
Ocean Gain Limited (<i>Note 1</i>)	1,055,500,000	12.29%	1,055,500,000	11.60%
Richest Billion Limited (<i>Note 2</i>)	1,045,000,000	12.17%	1,045,000,000	11.48%
Allkeen Investments Limited (<i>Note 3</i>)	1,000,000,000	11.64%	1,000,000,000	10.99%
Mr. Liu (<i>Note 4</i>)	0	0.00%	513,833,992	5.65%
General public	<u>5,487,469,734</u>	<u>63.90%</u>	<u>5,487,469,734</u>	<u>60.29%</u>
Sub-total of all public shareholders	<u>5,487,469,734</u>	<u>63.90%</u>	<u>6,001,303,726</u>	<u>65.94%</u>
Total	<u><u>8,587,969,734</u></u>	<u><u>100%</u></u>	<u><u>9,101,803,726</u></u>	<u><u>100%</u></u>

Notes:

- Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive Director.

2. Richest Billion Limited is wholly-owned by Ms. Li Shi Miao, an independent third party who hold no position or role in the Company.
3. Allkeen Investment Limited is wholly-owned by Ms. Wong Yat Ping, an independent third party who hold no position or role in the Company.
4. Mr. Liu is independent of all the substantial shareholders of the Company and their ultimate beneficial owners and it is intended that Mr. Liu will hold no position or role in the Company upon Completion.

The purchase method of accounting will be adopted for the Acquisition which is the same accounting treatment for the 51% Acquisition. The excess of the Consideration over the unaudited fair value of the Group's share of the net identifiable assets of Jaling at the Completion Date will be accounted for as goodwill. The goodwill will be carried at cost less accumulated impairment losses and tested annually for impairment.

Conditions precedent

The Completion is conditional upon:

- (a) the Purchaser to obtain a legal opinion to be issued by a Guyana lawyer certifying that Mr. Liu is the registered legal and beneficial owner of the Sale Shares free from all encumbrances;
- (b) requisite approval and consents having granted by the regulatory and governmental authorities in Hong Kong and Guyana for the sale and purchase of the Sale Shares (if applicable);
- (c) any requirement imposed on the Company or its subsidiary by the Stock Exchange or the Listing Rules in connection with the matters contemplated under the Acquisition Agreement having been complied with (including, without limitation, any disclosure requirement of the Company);
- (d) approval by the Shareholders, being given for the Acquisition Agreement and the issue and allotment of the Consideration Shares;
- (e) the Listing Committee of the Stock Exchange granting its approval for the listing of, and permission to deal in, all the Consideration Shares and, where such approval is granted subject to certain conditions being fulfilled, such conditions being reasonably satisfactory to the Company; and
- (f) the warranties remaining true and accurate in all respects as at the date of the Acquisition Agreement and on the Completion Date.

Save for conditions precedent (c) to (e), the Purchaser may waive any or all of the above conditions. The Company was advised by its Guyana lawyer that the Acquisition do not require approval from the Guyana Government. If any of the above conditions precedent shall not have been fulfilled or waived on or before 30 November 2007 or such later date as the Purchaser may notify Mr. Liu in writing, the Acquisition Agreement shall be terminated and become null and void.

Completion

Completion shall take place on or before 4:00 p.m. on the Completion Date, or at such other time as shall be mutually agreed in writing. Upon Completion, Jaling will remain as an indirect non wholly-owned subsidiary of the Company and Mr. Liu will hold approximately 5.65% of the issued share capital of the Company as enlarged by the Consideration Shares and become a substantial shareholder of the Company as defined under Part XV of the Securities and Futures Ordinance. The Directors are of the view that there will not be any changes in the Board upon Completion.

Information on Jaling

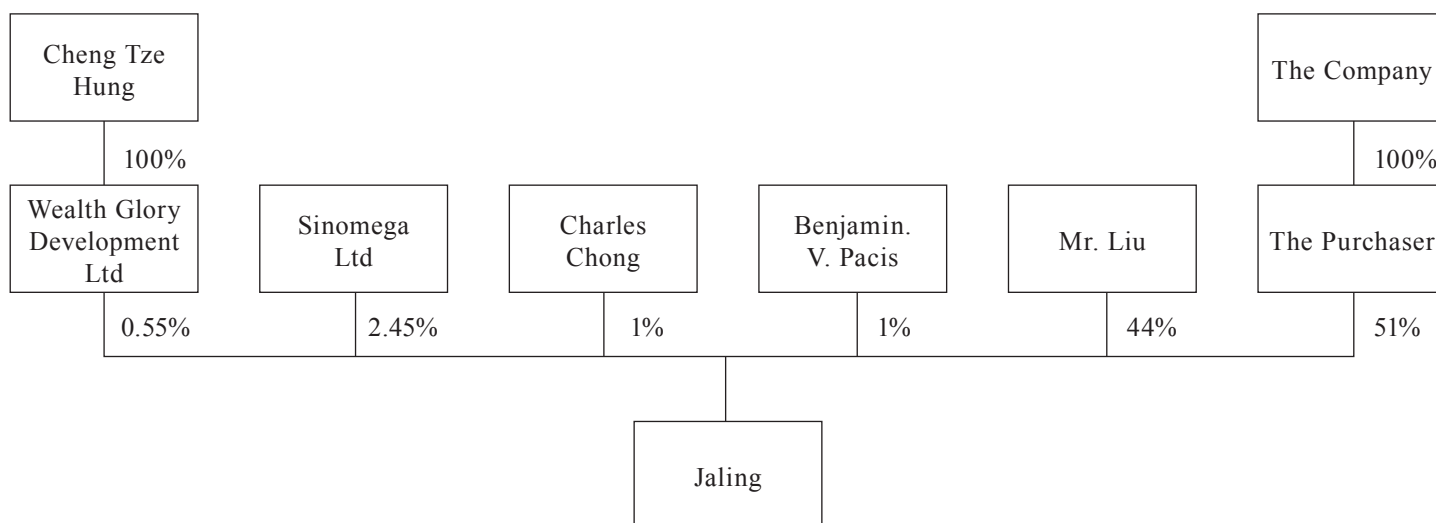
Jaling was incorporated in Guyana, South America, in January 2002, as a private company with limited liability, having an authorised share capital of G\$500,000 divided into 500,000 shares of G\$1.00 each, all of which have been issued and fully paid.

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 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 – 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. Under these exploratory permit and concession right, the Company shall pay a total acreage fee of approximately HK\$9 million 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 identical to the aforesaid concession right. Based on a letter from Guyana Forestry Commission dated 19 January 2006, the Guyana Forestry Commission has approved the grant of two more additional areas at Baramita and Sebai reservations to Jaling.

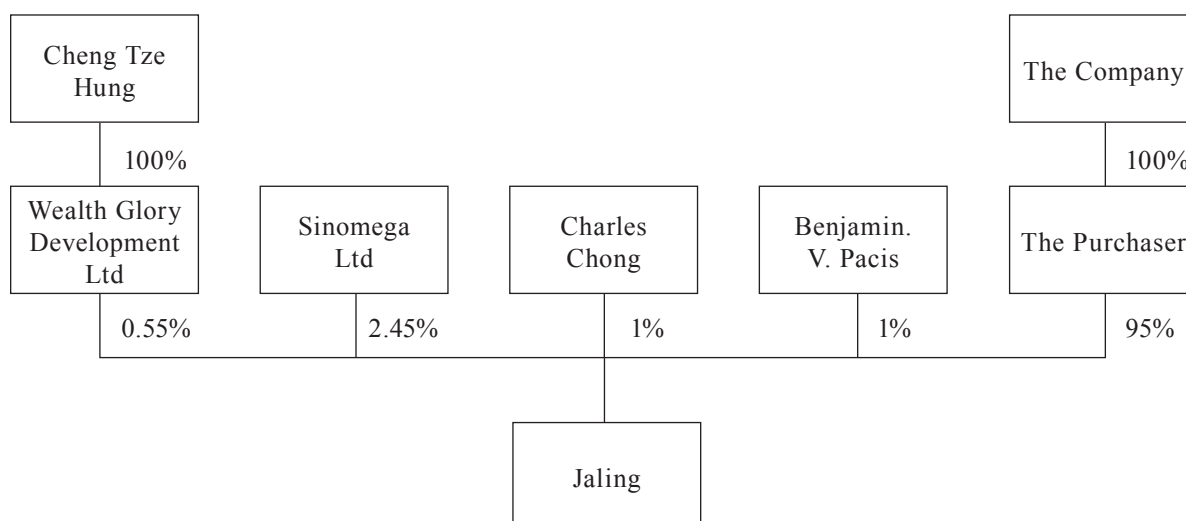
The Group acquired a 51% equity interest of Jaling and Jaling became a non-wholly owned subsidiary of the Company since 21 September 2006. With reference to the 2007 annual report of the Company prepared based on HKFRS, Jaling has commenced its business activities and had a turnover of HK\$4.4 million and a profit of HK\$0.92 million for the financial year ended 31 March 2007. Furthermore, Jaling had an audited net asset value of HK\$1.8 million as at 31 March 2007.

Shareholding structures of Jaling immediately before and after the Acquisition are as follows:

Immediately before the Acquisition



Immediately after completion of the Acquisition



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in forest operation and management, logging and timber processing and trading. In addition, the Group is also engaged in operation of cold storage warehousing and logistics management services. It is the current intention of the Directors that the Group, as it considers appropriate, will cease to operate its cold storage warehousing and logistics management services businesses and focus its efforts on the forestry business. However, the Group currently has no fixed timeframe to cease the other operations. The Directors will ensure compliance with the listing Rules from time to time, and will make further announcement as and when necessary. The Directors are in the opinion that the acquisition of the additional equity interest of Jaling would enable the Company to capture the majority stake of the revenue generated from the operation of Jaling. As at the date of this announcement, the Company has no intention to acquire the remaining 5% equity interest of Jaling.

The Directors (including the independent non-executive Directors) consider that the Acquisition would enlarge the revenue basis of the Group and the Acquisition is fair and reasonable and on normal commercial terms. Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Mr. Liu is a substantial shareholder of Jaling and therefore, a connected person as defined under the Listing Rules. Pursuant to the Listing Rules, the Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under the Listing Rules and will be subject to, and conditional on, amongst other things, the approval of the Independent Shareholders by poll at the EGM. Furthermore, Mr. Liu and his associates are required to abstain from voting on the resolutions in respect of the Acquisition to be proposed at the EGM. Mr. Liu confirmed that, as at the date of this announcement, Mr. Liu and his associates do not hold any Shares and they do not have any prior transactions or relationship with the Group that require aggregation under Rules 14.22 and 14A.25 of the Listing Rules. In particular, it shall be noted that the Acquisition is independent from the acquisition of Garner Forest Industries Inc., disclosed in the announcement of the Company dated 12 July 2007. Furthermore, Mr. Liu confirmed that he is not associates of Mr. Danny Chan and Mr. Peter Chan as defined under the Listing Rules.

An independent board committee will be appointed to make recommendations to the Independent Shareholders in respect of the terms of the Acquisition and the voting on the resolutions to approve the Acquisition at the EGM. An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, amongst other things, details of the Acquisition, an accountants' report of Jaling, an updated survey and valuation report to be issued by an independent valuer appointed by the Purchaser (on such date which will not be more than three months before the despatch date of the circular of the Company regarding the Acquisition), a letter from the independent board committee of the Company and the opinion from the independent financial adviser, together with a notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 17 August 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 August 2007.

GENERAL

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

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.

DEFINITION

The following defined terms are used in this announcement:

“2006 Valuation Report”	a survey and valuation report dated 1 September 2006 prepared by an independent valuer, LCH (Asia-Pacific) Surveyors Limited stating that the forest occupied by Jaling has a gross fair value of approximately US\$310 million (or about HK\$2,418 million)
“51% Acquisition”	the acquisition of 51% equity interest in Jaling by the Purchaser in September 2006 for a total consideration of HK\$154 million
“Acquisition”	the acquisition of the Sale Shares
“Acquisition Agreement”	the conditional agreement dated 16 August 2007 entered into among the Company, the Purchaser and Mr. Liu in respect of the acquisition of a 44% equity interest in Jaling by the Purchaser
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and Sunday) on which commercial banks in Hong Kong are open for business
“Company”	China Timber Resources Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement
“Completion Date”	the date which the Purchaser determines to be the third Business Day after the date on which all the conditions of the Acquisition Agreement shall have been fulfilled or waived, or such other date as the parties to the Acquisition Agreement shall agree, on which Completion shall occur
“Consideration”	a sum of HK\$130 million to be settled by issue of new Shares pursuant to the Acquisition Agreement
“Consideration Shares”	513,833,992 new Shares to be issued and allotted to Mr. Liu
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider the ordinary resolution(s) to be proposed to approve, amongst other things, the Acquisition and issue of the Consideration Shares under a specific mandate

“Group”	the Company and its subsidiaries
“Guyana”	the Co-operative Republic of Guyana
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Liu and his associates
“Issue Price”	the issue price of HK\$0.253 per Consideration Share, calculated based on a discount of 7.5% to the average closing price for the past 5 trading dates immediately preceding the date of the Acquisition Agreement
“Jaling”	Jaling Forest Industries Inc., a non-wholly owned subsidiary of the Company incorporated in Guyana, South America, with limited liability
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Feng Lei, the legal and beneficial owner of 44% equity interest of Jaling, who holds no post in the Group
“Purchaser”	Wide Forest Limited, a wholly-owned subsidiary of the Company, incorporated in Hong Kong with limited liability
“PRC”	the People’s Republic of China
“Sale Shares”	220,000 ordinary shares of G\$1.00 each fully paid in the capital of Jaling being legally owned by Mr. Liu, representing 44% of the issued share capital of Jaling
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“G\$”	Guyanese dollar(s), the lawful currency of Guyana, South America, and the exchange rate for the purpose of this announcement is G\$1 = HK\$0.0436
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Reminbi, the lawful currency of the PRC and the exchange rate for the purpose of this announcement is RMB1 = HK\$1.02

“US\$” United States dollar(s), the lawful currency of the United States of America, and the exchange rate for the purpose of this announcement is US\$1 = HK\$7.8

“%” per cent.

By order of the Board
CHINA TIMBER RESOURCES GROUP LIMITED
David Tsang
Executive Director

22 August 2007, Hong Kong