



China Timber Resources Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:269



Interim Report
2007

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

Shu Lun Pan Horwath Hong Kong 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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INTERIM RESULTS

The board of directors (the "Board") of China Timber Resources Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September

	Notes	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	3	398	1,754
Cost of sales		—	(2,683)
Gross profit/(loss)		398	(929)
Other revenue	3	6,705	366
Selling and administrative expenses		(21,987)	(13,238)
Loss from operations	4	(14,884)	(13,801)
Finance costs		—	(201)
Loss before taxation		(14,884)	(14,002)
Taxation	5	—	—
Loss for the period		(14,884)	(14,002)
Attributable to:			
Equity holders of the Company		(14,450)	(14,002)
Minority interests		(434)	—
		(14,884)	(14,002)
Dividend	6	—	—
Loss per share for loss attributable to equity holders of the Company	7		
— Basic		(0.18 cents)	(0.21 cents)
— Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September	31 March
		2007	2007
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Investment property		33,534	29,640
Property, plant and equipment	8	9,587	8,441
Prepaid lease payments		3,433	3,473
Goodwill		160,601	160,596
Forest concession rights	9	8,152	8,332
		215,307	210,482
CURRENT ASSETS			
Financial assets at fair value through profit or loss	10	1,441	3,516
Derivative financial instruments		—	1,040
Inventories		10,256	3,470
Trade and other receivables	11	90,102	2,629
Prepaid lease payments		81	81
Short-term fixed deposits		175,407	—
Cash and bank balances		68,465	9,116
		345,752	19,852
CURRENT LIABILITIES			
Trade and other payables		61,241	99,821
Amounts due to derecognised former subsidiaries under liquidation		490	490
Amount due to a director of a subsidiary		1,205	1,205
Tax payable		445	434
		63,381	101,950
NET CURRENT ASSETS/(LIABILITIES)		282,371	(82,098)

China Timber Resources Group Limited

INTERIM REPORT 2007

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		497,678	128,384
Non-current liabilities			
Bank loan — due after one year (secured)	12	—	6,250
Deferred tax liabilities		450	450
		450	6,700
NET ASSETS		497,228	121,684
CAPITAL AND RESERVES			
Share capital	13	85,879	71,261
Reserves		403,630	49,240
Total equity attributable to equity holders of the Company		489,509	120,501
Minority interests		7,719	1,183
TOTAL EQUITY		497,228	121,684

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September

	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 losses	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 2006	66,023	474,484	—	—	3,800	20,918	16,391	(820)	(520,379)	60,417	—	60,417
Issue of new ordinary shares	2,945	34,755	—	—	—	—	—	—	—	37,700	—	37,700
Issue of share warrants	—	4,000	—	—	—	—	—	—	—	4,000	—	4,000
Exchange differences	—	—	—	—	—	—	—	1,010	—	1,010	—	1,010
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	1,773	1,773
Recognition of equity-settled share-based compensation	—	—	—	4,041	—	—	—	—	—	4,041	—	4,041
Net loss for the period	—	—	—	—	—	—	—	—	(14,002)	(14,002)	—	(14,002)
At 30 September 2006	68,968	513,239	—	4,041	3,800	20,918	16,391	190	(534,381)	93,166	1,773	94,939
At 1 April 2007	71,261	534,945	4,000	4,041	3,800	20,918	16,552	(392)	(534,624)	120,501	1,183	121,684
Issue of new ordinary shares	935	21,999	—	—	—	—	—	—	—	22,934	—	22,934
Exercise of share option	1,183	11,770	—	(3,726)	—	—	—	—	—	9,227	—	9,227
Placement of shares	12,500	337,312	—	—	—	—	—	—	—	349,812	—	349,812
Acquisition of minority interest in subsidiary	—	—	—	—	—	—	—	—	—	—	6,970	6,970
Exchange differences	—	—	—	—	—	—	—	1,485	—	1,485	—	1,485
Net loss for the period	—	—	—	—	—	—	—	—	(14,450)	(14,450)	(434)	(14,884)
At 30 September 2007	85,879	906,026	4,000	315	3,800	20,918	16,552	1,093	(549,074)	489,509	7,719	497,228

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(111,989)	(9,282)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(4,749)	(20,058)
NET CASH INFLOW FROM FINANCING ACTIVITIES	352,788	12,912
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	236,050	(16,428)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,294)	(870)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,116	31,795
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	243,872	14,497
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Short-term fixed deposits	175,407	—
Cash and bank balances	68,465	14,497
	243,872	14,497

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The interim financial statements are unaudited, condensed and have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 March 2007.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 March 2008.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transaction

The adoption of the above new standards, amendments to standards and interpretations does not result in substantial changes to the Group’s accounting policies.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs (1)
HKFRS 8	Operating Segments (1)
HK(IFRIC) — Int 12	Service Concession Arrangements (2)
HK(IFRIC) — Int 13	Customer Loyalty Programmes (3)
HK(IFRIC) — Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (2)

- (1) Effective for annual periods beginning on or after 1 January 2009
- (2) Effective for annual periods beginning on or after 1 January 2008
- (3) Effective for annual periods beginning on or after 1 July 2008

2. Segment information

(a) Business segment

For the six months ended 30 September 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 six months ended 30 September 2006, the Group was engaged in only one business segment, which was warehousing and logistics.

Segment information by business is presented as follows:

For the six months ended 30 September 2007

	Timber logging and trading <i>HK\$'000</i>	Warehousing and logistics <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE			
External revenue	—	398	398
Other revenue	7	17	24
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Total revenue	7	415	422
Segment result	(3,183)	(2,794)	(5,977)
Unallocated other revenue			6,681
Unallocated expenses			(15,588)
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Loss for the period			(14,884)
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OTHER INFORMATION			
Segment assets	22,435	30,890	53,325
Unallocated			507,734
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Total assets			561,059
Segment liabilities	84,548	23	84,571
Unallocated			2,194
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Total liabilities			86,765
Capital expenditure	1,264	—	1,264
Unallocated			3,455
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Total capital expenditure			4,719
Depreciation and amortisation	281	1,400	1,681
Unallocated			599
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Total depreciation and amortisation			2,280

No separate analysis of segment information by business was prepared by the Group for the six months ended 30 September 2006 as the Group had only one segment which was warehousing and logistics.

(b) Geographical Segments

For the six months ended 30 September 2007

	Hong Kong and PRC		Guyana		Australia		Consolidated	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	2007	2006	2007	2006	2007	2006	2007	2006
REVENUE								
External revenue	—	—	—	—	398	1,754	398	1,754
Other revenue	6,697	358	7	—	1	8	6,705	366
Total revenue	6,697	358	7	—	399	1,762	7,103	2,120
SEGMENT								
RESULTS	(8,899)	(11,855)	(3,177)	—	(2,808)	(1,946)	(14,884)	(13,801)

3. 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.

	30 September 2007 HK\$'000 (Unaudited)	30 September 2006 HK\$'000 (Unaudited)
Turnover		
Cold warehouse rental	398	1,754
Other revenue		
Bank interest income	2,302	345
Sundry income	4,403	21
	6,705	366
	7,103	2,120

4. Loss from operations

	30 September 2007 HK\$'000 (Unaudited)	30 September 2006 HK\$'000 (Unaudited)
Amortisation of prepaid lease payment	40	40
Amortisation of forestry concession right	180	—
Depreciation of property, plant and equipment	2,280	1,615
Staff costs (excluding directors' emoluments)		
salaries and allowances	7,277	1,224
equity-settled share-based compensation	—	4,041
contributions to retirement benefits schemes	83	66
	7,360	5,331

5. Taxation

No provision for Hong Kong Profits Tax and taxation in overseas countries, in which the Group operates, have been made in the financial statement as the Group did not have any assessable profit derived in the respective jurisdictions for both periods.

The Group and the Company did not have any other significant unprovided deferred taxation in respect of timing differences arising during the period or as at the balance sheet date.

6. Dividend

No dividend has been paid or declared by the Company for the six months ended 30 September 2007 and 2006.

7. Loss per share

The calculation of the basic loss per share is based on the Group's loss attributable to the equity holders of the Company for the period of approximately HK\$14,450,000 (six months ended 30 September 2006: HK\$14,002,000) and the weighted average number of 7,902,452,209 ordinary shares (six months ended 30 September 2006: 6,655,171,058 shares) in issue during the period.

The diluted loss per share for the six months ended 30 September 2007 and 2006 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options and warrants would decrease the loss per share of the Group for the period and is regarded as anti-dilutive.

8. Property, plant and equipment

No impairment losses were recognized in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to HK\$4,719,000 (six months ended 30 September 2006: HK\$937,000) and there was no disposal of any property, plant and equipment (six months ended 30 September 2006: nil).

9. Forest concession right

The Forest Concession Rights in Guyana is stated at cost less accumulated amortization and any accumulated impairment losses.

The costs of Forest Concession Right include the acreage fees payable to Guyana Forestry Commission, costs of necessary exploration, geological, geophysical and other research studies incurred prior to obtaining the rights.

The Forest Concession Right is amortised on a straight line basis 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. In the opinion of the directors of the Company, no impairment is required on the carrying value of the right at the balance sheet date.

10. Financial assets at fair value through profit or loss

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Trading securities		
Listed equity securities in Hong Kong	1,441	3,516
Market value of listed securities	1,441	3,516

11. Trade and other receivables

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Trade receivables	296	1,149
Other receivables	23,478	77
Deposits paid	65,797	837
Prepayments	531	566
	90,102	2,629

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:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
0 — 30 days	—	713
31 — 60 days	—	426
61 — 180 days	—	10
Over 180 days	296	—
	296	1,149

Trade receivables were denominated in the following currencies:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Australian Dollars	—	853
Guyana Dollars	296	296
	296	1,149

12. Interest bearing borrowings

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Bank loan — secured	—	6,250

The bank loan is repayable as follows:

More than one year, but not exceeding two years	—	6,250
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13. Share capital

	<i>Note</i>	No. of shares	Amount HK\$'000
Authorized:			
At 31 March 2007 and at 30 September 2007			
Ordinary shares of HK\$0.01 each		10,000,000,000	100,000
Issued and fully paid:			
At 1 April 2006		6,602,293,667	66,023
Issue of new ordinary shares	(a)	523,843,750	5,238
At 31 March 2007 and at 1 April 2007		7,126,137,417	71,261
Issue of new ordinary shares	(a)	93,545,369	935
Exercise of share options	(b)	118,286,948	1,183
Placement of shares	(c)	1,250,000,000	12,500
At 30 September 2007		8,587,969,734	85,879

Note:

- (a) 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 for settlement of consultation fee.

On 21 September 2006, 29 December 2006 and 29 June 2007, 234,375,000, 195,312,500 and 93,545,369 new ordinary shares of HK\$0.01 each were issued at HK\$0.128, HK\$0.128 and HK\$0.32 per share respectively as settlement of part of the consideration for the acquisition of 51% equity interest in Jaling Forest Industries Inc. Details of which were disclosed in the circular of the Company dated 1 September 2006.

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.

- (b) On 7 May 2007, 118,286,948 new ordinary shares of HK\$0.01 each were issued at HK\$0.078 per share as several employees exercised the share options granted under the Share Option Scheme.
- (c) On 27 June 2007, 1,250,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.29 per share pursuant a placing agreement entered into with a placing agent.

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

14. Share options scheme

The Share Option Scheme adopted on 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 Stock Exchange closing price of the Company's share 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.

The following table shows the movement of the Company's share options during the six months period ended 30 September 2007.

Employee

Date of share options granted	Outstanding at the beginning of the period	Number of share options exercised during the period	Number of share options outstanding at the end of the period	Exercise price (HK\$)	Exercise period
9 June 2006	128,286,948	(118,286,948)	10,000,000	0.078	9 June 2006 to 8 June 2009

15. 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.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Within one year	1,297	455
In the second to fifth years, inclusive	756	—
	2,053	455

16. Capital commitment

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Contracted but not provided for	—	26,500

This represented 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. The agreement has lapsed on 6 September 2007. Details are set out in the Company's announcement dated 6 September 2007.

17. Pledge of assets

At the balance sheet date, the following assets of the Group have been pledged to secure credit facilities granted to and utilized by the Group

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Investment properties	—	29,640

18. Subsequent events

(a) On 18 October 2007, all resolutions relating to the acquisitions of 44% shareholding in Jaling Forest Industries Inc. and Garner Forest Industries Inc. were duly passed by the independent shareholders at the Extraordinary General Meeting held on 18 October 2007. Details are set out in the Company's announcement dated 18 October 2007.

(b) On 15 October 2007, 樹人木業(大埔)有限公司, a wholly owned subsidiary of the Company, entered into a legally binding agreement with the People's Government of Da Bu County, an independent third party of the Company, engaging it to arrange and procure the acquisition of the Leasehold Interest in not less than 500,000 Chinese Mu of forest land and its biological assets. The total consideration is expected to be not more than RMB150 million. The terms shall be prescribed in the formally signed sale and purchase agreement to be entered into with the leaseholders by the Company.

Details are set out in the Company's announcement dated 17 October 2007.

(c) On 1 November 2007, the Company entered into a top-up placing agreement with a placing agent and two substantial shareholders, pursuant to which the placing agent conditionally agreed to place, on a fully underwritten basis, up to 900,000,000 shares at a placing price of HK\$0.3575 per share to not less than six independent places. The said placing was completed at 6 November 2007.

On the same day, the Company entered into a subscription agreement with the two substantial shareholders as subscribers, pursuant to which the subscribers conditionally agreed to subscribe up to 900,000,000 new shares at the placing price of HK\$0.3575 per share.

Details are set out in the Company's announcement dated 1 November 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the Business Development

For the six months ended 30 September 2007, the Group was mainly engaged in the operation of its core business of forest operation and management, timber logging, processing and trading, cold storage warehousing and logistics management services.

The Group intends to cease its operation in cold storage warehousing and logistics management services business due to decrease in demand for its warehousing facilities and to focus its efforts on the forestry business in view of continuous increase in global demand for timbers particularly in the PRC. The Group recorded an unaudited turnover of approximately HK\$398,000 for the six months ended 30 September 2007 representing approximately 78% decrease compared with the corresponding period of 2006 as the Company was in the transitional period of reorganizing its logging teams in and arranging shipments of logging and sawmill equipment to Guyana after termination of the joint venture partnership with an independent logging contractor.

The directors of the Company do not recommend the payment of an interim dividend for the period (six months ended 30 September 2006: Nil).

Liquidity and Financial Review

As at 30 September 2007, the current and non-current liabilities of the Group amounted to approximately HK\$63 million (31 March 2007: HK\$102 million) and approximately HK\$450,000 (31 March 2007: HK\$6.7 million) respectively. The amount of net current assets increased to approximately HK\$282 million (31 March 2007: net liabilities HK\$82 million), which was mainly due to the completion of placement of shares in June 2007. The Group had cash and cash equivalents balance of approximately HK\$243.9 million, representing a 26 flows compared with the 2007 financial year-end level. The current ratio of the Group, measured as total current assets to total current liabilities, was 5.4, reflecting a healthy liquidity of the Group.

Most of the Group's continuing business transactions, assets and liabilities are denominated in Hong Kong dollars, Renminbi and US dollars, thus the risk of foreign exchange fluctuation was not significant to the Group as at 30 September 2007. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimize any potential foreign exchange exposure risk to arise in the future.

As at 30 September 2007, the Group held financial assets of a fair value of approximately HK\$1.4 million. However, the Group did not arrange any forward currency contract or foreign currency contract for hedging purposes and did not have foreign currency net investments being hedged by foreign currency borrowings and other hedging instruments.

Capital Structure and Gearing

As at 30 September 2007, there were 8,587,969,734 shares in issue and the equity of the Group attributable to shareholders amounted to approximately HK\$497 million. The gearing ratio of the Group, measured as total liabilities to total assets, was 15.46% as at 30 September 2007 (31 March 2007:47%). The significant decrease of gearing ratio shows the healthy financial position of the Group.

Material transactions

On 27 June 2007, the Company successfully placed 1,250,000,000 new shares and raised a total of approximately HK\$349.6 million fund which has strengthened the Company's capital base and working capital position. Part of the fund raised was used to finance the acquisition of Garner Forest Industries Inc ("Garner").

On 5 July 2007, a wholly owned subsidiary of the Company entered into an agreement and exercised a share option at a total cost of HK\$110 million to acquire a 100% equity interest in Garner, a holder of an exclusive timber concession right over approximately 92,737 hectares of forest for a period of twenty-five years in Guyana. In addition, on 16 August 2007, Wide Forest Ltd, a wholly-owned subsidiary of the Company executed a share acquisition agreement to purchase a further 44% equity interest in Jaling Forest Industries Inc. ("Jaling") at a consideration of HK\$130 million which was fully settled by issue of new shares. Both acquisitions were completed on 24 October 2007 and enlarged the Group's ownership of tropical rain forest areas to approximately 260,000 hectares with timber reserve of an estimated market value of approximately US\$527 million (HK\$4,100 million).

On 15 October 2007, 樹人木業(大埔)有限公司 (Shu Ren Wood (Da Bu) Limited), a wholly foreign owned subsidiary of the Company incorporated in the PRC, reached a mutual agreement with the People's Government of Da Bu County engaging it to arrange and procure an acquisition of leasehold interests in not less than 500,000

Chinese Mu of forest land and its biological assets in Da Bu County, Guangdong Province, the PRC, for a term of 50 years. The arrangement with Da Bu County government marks a formal launch of the Company's investment in the forestry business and timber industry in China.

On 6 November 2007, the Company further placed, on a fully underwritten basis, 900,000,000 shares at a placing price of HK\$0.3575 per share raising a total of approximately HK\$316 million fund for the purposes of financing the acquisition of forest land in the PRC and investment in timber processing facilities.

Prospect and Future Plan

In view of strong and healthy financial position of the Group, the Group has set its primary target at expanding the logging and sawmills capacity of Jaling and Garner, setting up a timber processing base in Guangdong Province and increasing its forest land reserve in Southern China. In addition, the Company is pursuing opportunities for acquisition of major forestry companies of significant size in the PRC with a vision to become a major player and leader in the forestry industry of the PRC.

CAPITAL COMMITMENT

As at 30 September 2007, the Group had no capital commitment.

CHARGES ON ASSETS

As at 30 September 2007, there were no charges on assets of the Group.

CONTINGENT LIABILITIES

As at 30 September 2007, the Group did not have any material contingent liabilities.

EMPLOYEES

The Group has approximately 41 employees in Hong Kong, PRC, Guyana and Australia as at 30 September 2007. The Group ensures that the pay scales of its employees are rewarded on a performance rated basis within the general framework of the Group's remuneration policy.

SHARE OPTION 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 7 May 2007, a total of 118,286,948 new ordinary shares of HK\$0.01 each were issued at HK\$0.078 per share to several employees upon their exercise of share options granted on 9 June 2006 under the Share Option Scheme. As at 30 September 2007, the number of shares in respect of which options had been granted and not exercised under the Share Option Scheme was 10,000,000, representing approximately 0.1% of the shares of the Company in issue.

SALE AND PURCHASE OF SHARES

There was no purchase, sale or redemption of shares in the Company made by the Company or any of its subsidiaries during the six months ended 30 September 2007.

ISSUE OF EQUITY SECURITIES

On 27 June 2007, the Company successfully placed 1,250,000,000 new shares at HK\$0.29 each and raised a total of approximately HK\$349.6 million fund which has strengthened the Company's capital base and working capital position.

On 7 May 2007, a total of 118,286,948 new shares of HK\$0.01 each were issued at HK\$0.078 per share under the Share Option Scheme.

On 29 June 2007, the Company issued 93,545,369 new shares at HK\$0.32 per share to Mr. Peter Chan under a special mandate granted to the Directors at a general meeting of the Company held on 18 September 2006 as settlement of HK\$30,000,000.00, being part of the consideration for the purchase of a 51% shareholding in Jaling pursuant to an acquisition agreement dated 10 April 2006.

On 24 October 2007, the Company issued 513,833,992 new shares at HK\$ 0.253 per share to Mr. Liu Feng Lei under a special mandate granted to the Directors at a general meeting of the Company held on 18 October 2007 as settlement of HK\$130,000,000, being consideration payable by the Company for the acquisition of a 44% equity interest in Jaling.

On 14 November 2007, the Company issued a total of 900,000,000 shares at HK\$0.3575 per share to two substantial shareholders under a general mandate granted to the Directors at the annual general meeting of the Company held on 23 August 2007 pursuant to a Top-up Placing Agreement and a subscription agreement dated 1 November 2007.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Save as disclosed below, as at 30th September 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) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

Long positions in shares and underlying shares of the company

Name of Director	Number of shares		Number of underlying shares (warrants)		Total	Percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
Mr. Fung Tsun Pong (note a)	855,662,449	1,055,500,000	NIL	NIL	1,911,162,449	22.25
Lau Sing Hung, Stephen	10,000,000	NIL	NIL	NIL	10,000,000	0.12
Mr. Tsang Kam Ching, David (note b)	66,624,499	NIL	NIL	NIL	66,624,499	0.78

Notes:

- (a) As at 30 September 2007, Ocean Gain Limited (“OGL”) being wholly owned by Mr. Fung Tsun Pong was interested in 1,055,500,000 shares in the Company, representing approximately 12.29% 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 7 May 2007, 6,662,449 shares were issued to Mr. Fung at HK\$0.078 per share upon his exercise of the share options granted to him by the Company on 9 June 2006.
- (b) On 7 May 2007, 66,624,499 shares were issued to Mr. Tsang at HK\$0.078 per share upon his exercise of the share options granted to him by the Company on 9 June 2006.

SUBSTANTIAL SHAREHOLDERS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the Company’s issued shares and/or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO as at 30 September 2007:

Long position in shares of the company

Name of shareholders	Capacity	Number of Shares	Percentage (%) of issued shares
Richest Billion Limited (note a)	Beneficial owner	645,000,000	7.51
Ocean Gain Limited (note b)	Beneficial owner	1,055,500,000	12.29
Allkeen Investments Limited (note c)	Beneficial owner	1,000,000,000	11.64
Peter Chan (note d)	Beneficial Owner	718,545,369	8.37
Liu Feng Lei (note e)	Beneficial owner	513,833,992	5.98

Notes:

- a. Richest Billion Limited is wholly-owned by Ms. Li Shi Miao.
- b. Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive director of the Company.

- c. Allkeen Investments Limited is wholly-owned by Miss Wong Yat Ping.
- d. Mr. Peter Chan Kok Chiu, son of Mr. Danny Chan, a director of a non-wholly owned subsidiary of the Company.
- e. Mr. Liu Feng Lei was deemed to have acquired an interest in the shares of the Company upon his entering into the share sale and purchase agreement dated 16 August 2007 with the Company pursuant to which the Company should issue 513,833,992 consideration shares to him upon completion of the transaction.

Save as disclosed above, as at 30 September 2007, no other persons had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2007 Annual Report, none of the Directors is aware of information that would reasonably indicate that the Company is not, or was not throughout the period, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

THE MODEL CODE

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed with management the internal controls, financial reporting matters and the unaudited interim financial report for the six months ended 30 September 2007.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established with terms of reference in compliance with Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules and is responsible for the formulation and review of the remuneration policy of the Company, determine the specific remuneration packages of all executive directors and senior management, and approve compensation and performance-based remuneration.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or are considered not significant to the Group's operations, thus no additional disclosure has been made in this report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46 of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited and the Company's website (www.ctrg.com.hk) in due course.

As at the date of this report, 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.