



China Timber Resources Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 269

Interim Report 2008



## 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

#### **Audit Committee**

Mr. Yip Tak On (*Chairman*)  
Mr. Jing Baoli  
Mr. Bao Liang Ming

#### **Remuneration Committee**

Mr. Yip Tak On (*Chairman*)  
Mr. Jing Baoli  
Mr. Bao Liang Ming  
Mr. Tsang Kam Ching, David

### COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

### AUDITORS

Shu Lun Pan Horwath Hong Kong  
CPA Limited

### LEGAL ADVISOR

Louis K.Y. Pau & Company

### PRINCIPAL BANKERS

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 & TRANSFER OFFICE IN HONG KONG

Progressive Registration Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Stock Code at Hong Kong Stock Exchange

269

### Contact Details

Telephone no. : (852) 3176 7100  
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### Company Website

[www.ctrg.com.hk](http://www.ctrg.com.hk)

## 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 2008 and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2008.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Turnover	3	3,225	398
Cost of sales		(1,963)	—
Gross profit		1,262	398
Interest income		557	2,302
Gain on change in fair value of biological assets less estimated point-of-sale costs		27,983	—
Other revenue and gains	3	432	4,403
Unrealised loss on financial assets at fair value through profit or loss		(26,140)	(1,215)
Selling and administrative expenses		(38,200)	(20,772)
Loss before taxation	4	(34,106)	(14,884)
Income tax	5	(185)	—
Loss for the period		(34,291)	(14,884)
Attributable to:			
Equity holders of the Company		(33,585)	(14,450)
Minority interests		(706)	(434)
		(34,291)	(14,884)
Dividends	6	—	—
Loss per share	7		
— Basic		(0.33 cents)	(0.18 cents)
— Diluted		N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 September 2008</b>	31 March 2008
	Notes	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Investment property		48,676	50,000
Property, plant and equipment	8	67,269	63,092
Prepaid lease payments		26,284	26,285
Biological assets		57,215	22,606
Forest concession rights	9	533,811	533,811
Long term prepayments		43,271	40,816
		<b>776,526</b>	<b>736,610</b>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	10	29,264	1,786
Inventories		37,313	38,715
Tax recoverable		31	—
Trade and other receivables	11	220,733	76,051
Prepaid lease payments		81	81
Cash and bank balances		94,799	339,838
		<b>382,221</b>	<b>456,471</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	32,426	30,478
Short term borrowing		6,211	6,073
Tax payable		—	84
		<b>38,637</b>	<b>36,635</b>
<b>NET CURRENT ASSETS</b>		<b>343,584</b>	<b>419,836</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,120,110</b>	<b>1,156,446</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		1,574	1,574
Acreege fees payable		5,147	5,147
		<b>6,721</b>	<b>6,721</b>
<b>NET ASSETS</b>		<b>1,113,389</b>	<b>1,149,725</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	101,370	101,370
Reserves		985,737	1,021,516
Equity attributable to equity holders of the Company		<b>1,087,107</b>	<b>1,122,886</b>
Minority interests		26,282	26,839
<b>TOTAL EQUITY</b>		<b>1,113,389</b>	<b>1,149,725</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the six months ended 30 September 2008

	Attributable to equity holders of the company											Minority interests	Total equity
	Share capital	Share premium	Warrant reserve	Share-based compensation reserve	Capital redemption reserve	Capital reserve	Asset revaluation reserve	Forest concession right revaluation reserve	Translation reserve	(Accumulated losses)/ Retained earnings	Total		
	HK\$'000	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 2007													
As previously reported	71,261	534,945	4,000	4,041	3,800	20,918	16,552	—	(392)	(534,624)	120,501	1,183	121,684
Adjustment for share premium overstated in previous year (note 17)	—	(24,204)	—	—	—	—	—	—	—	—	(24,204)	—	(24,204)
	71,261	510,741	4,000	4,041	3,800	20,918	16,552	—	(392)	(534,624)	96,297	1,183	97,480
Issue of new ordinary shares	935	26,192	—	—	—	—	—	—	—	—	27,127	—	27,127
Placement of shares	12,500	350,000	—	—	—	—	—	—	—	—	362,500	—	362,500
Exercise of share option	1,163	8,044	—	(3,726)	—	—	—	—	—	—	5,501	—	5,501
Acquisition of minority interest in subsidiary	—	—	—	—	—	—	—	—	—	—	—	6,970	6,970
Exchange differences	—	—	—	—	—	—	—	—	1,495	—	1,495	—	1,495
Net loss for the period	—	—	—	—	—	—	—	—	—	(14,450)	(14,450)	(434)	(14,884)
At 30 September 2007	85,679	894,977	4,000	315	3,800	20,918	16,552	—	1,093	(549,074)	478,460	7,719	466,179
At 1 April 2008	101,370	—	4,000	655	3,800	20,918	23,868	76,213	8,944	883,018	1,122,886	26,839	1,149,725
2007 final dividend at \$0.001 per share	—	—	—	—	—	—	—	—	—	(10,137)	(10,137)	—	(10,137)
Exchange differences	—	—	—	—	—	—	—	—	7,943	—	7,943	149	8,092
Net loss for the period	—	—	—	—	—	—	—	—	—	(33,585)	(33,585)	(706)	(34,291)
At 30 September 2008	101,370	—	4,000	655	3,800	20,918	23,868	76,213	16,787	839,296	1,087,107	26,282	1,113,389

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 September</b>	
	<b>2008</b> <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(234,541)</b>	(111,989)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(14,193)</b>	(4,749)
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>	<b>(9,999)</b>	352,788
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(258,733)</b>	236,050
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>13,694</b>	(1,294)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>339,838</b>	9,116
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>94,799</b>	243,872
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:</b>		
Cash and bank balances	<b>94,799</b>	243,872

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of presentation 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 2008 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants as discussed below.

HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has assessed the impact of the adoption of the above new and revised HKFRSs and concluded that there was no significant impact on the Group’s results and financial position.



The Group has not early applied the following new standards and revised HKFRSs, that have been issued but are not yet effective in the period covered by these interim condensed consolidated financial statements:

HKFRS 2 Amendments	Share-based Payment — Vesting Conditions and Cancellations (1)
HKFRS 3 (Revised)	Business Combinations (2)
HKFRS 8	Operating segments (1)
HKAS 1 (Revised)	Presentation of Financial Statement (1)
HKAS 23 (Revised)	Borrowing Costs (1)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (2)
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation (1)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (3)
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate (1)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (4)
HKFRSs (Amendments)	Improvement to HKFRSs (5)

- (1) Effective for annual periods beginning on or after 1 January 2009
- (2) Effective for annual periods beginning on or after 1 July 2009
- (3) Effective for annual periods beginning on or after 1 July 2008
- (4) Effective for annual periods beginning on or after 1 October 2008
- (5) Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

## 2. Segment information

### (a) *Business Segment*

For the six months ended 30 September 2008 and 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 — cold storage warehouse rental, warehousing management services

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Segment information by business is presented as follows:

**For the six months ended 30 September 2008**

	Timber logging and trading	Warehousing	Total
	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>			
Turnover	2,757	468	3,225
Segment result	(1,117)	(1,897)	(3,014)
Unallocated interest income			481
Unallocated expenses			(31,860)
Unallocated other income			287
Loss before tax			(34,106)
Income tax			(185)
<b>Loss for the period</b>			<b>(34,291)</b>

For the six months ended 30 September 2007

	Timber logging and trading	Warehousing	Total
	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>			
Turnover	—	398	398
Segment result	(3,183)	(2,794)	(5,977)
Unallocated interest income			2,285
Unallocated expenses			(15,190)
Unallocated other income			3,998
Loss before tax			(14,884)
Income tax			—
<b>Loss for the period</b>			<b>(14,884)</b>

(b) *Geographical Segments*

For the six months ended 30 September 2008 and 2007

	Hong Kong and PRC		Guyana		Australia		Consolidated	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	2008	2007	2008	2007	2008	2007	2008	2007
Turnover	2,757	—	—	—	468	398	3,225	398
Other revenue	938	6,697	25	7	26	1	989	6,705
Total revenue	3,695	6,697	25	7	494	399	4,214	7,103
SEGMENT RESULTS	(25,608)	(8,899)	(6,786)	(3,177)	(1,897)	(2,808)	(34,291)	(14,884)

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.

	<b>30 September 2008</b>	30 September 2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Turnover		
Timber logging and trading	2,757	—
Rental income	468	398
	<b>3,225</b>	398
Other revenue		
Sundry income	432	4,403
	<b>3,657</b>	4,801

**4. Loss before taxation**

	<b>30 September 2008</b>	30 September 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of prepaid lease payment	40	40
Amortisation of forestry concession right	—	180
Depreciation of property, plant and equipment	3,074	2,280
Staff costs (excluding directors' emoluments)		
salaries and allowances	13,762	7,277
contributions to retirement benefits schemes	97	83
	<b>13,859</b>	7,360

**5. Income tax**

There is no assessable profit arising in Hong Kong during the Period (six months ended 30 September 2007: nil). Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

On 25 April 2008, the Government of the Hong Kong Special Administrative Region ("HKSAR") approved the Hong Kong profits tax rate to be reduced from 17.5% to 16.5% from the year of assessment 2008/2009 onwards. The change in the Hong Kong profits tax rate will directly affect the Group's effective tax rate prospectively from 2008. According to HKAS 12 "Income Tax", deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and the Group's deferred tax have been adjusted accordingly. The effect on the change of tax rate is not material to the Group for the period ended 30 September 2008.

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For the six months ended 30 September 2008, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC ranged from 15% to 33% (six months ended 30 September 2007: 15% to 33%).

	<b>30 September 2008</b>	30 September 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current year provision		
Hong Kong	—	—
Mainland China	185	—
<b>Total tax charge for the period</b>	<b>185</b>	—

### 6. Dividend

No dividend has been paid or declared by the Company for the six months ended 30 September 2008 and 2007.

### 7. Loss per share

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$33,585,000 (six months ended 30 September 2007: HK\$14,450,000) and the weighted average number of 10,137,064,686 ordinary shares (six months ended 30 September 2007: 7,876,099,187 shares) in issue during the year.

The diluted loss per share for the six months ended 30 September 2008 and 2007 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 recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to HK\$11,738,000 (six months ended 30 September 2007: HK\$4,719,000) and there is no disposal of any property, plant and equipment (six months ended 30 September 2007: nil).

**9. Forest concession right**

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
<b>Cost:</b>		
At 1 April	534,479	269,700
Acquisition of a subsidiary	—	264,779
At 31 March 2008 and at 30 September 2008	<b>534,479</b>	534,479
<b>Accumulated amortisation:</b>		
At 1 April	668	668
Amortisation for the period	—	—
At 31 March 2008 and at 30 September 2008	<b>668</b>	668
<b>Net carrying amount:</b>		
At 31 March 2008 and at 30 September 2008	<b>533,811</b>	533,811

The forest concession rights, are purchased as part of business combinations during the years ended 31 March 2007 and 2008, are initially recognised at their fair values on acquisition with reference to the cash paid and quoted market price of the shares of the Company issued for the business combinations.

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. 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. At subsequent balance sheet dates, forest concession rights are measured using the cost model.

Amortisation is provided to write off the cost of the forest concession rights using the units of production method based on the proven and probable timber resources.

No amortisation was charged for the period ended 30 September 2008 as there was no logging of trees. The amortisation charge for prior period was included in selling and administrative expenses.

**10. Financial assets at fair value through profit or loss**

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trading securities		
Listed equity securities in Hong Kong	8,656	1,786
Listed equity securities in Mainland China	20,608	—
	<b>29,264</b>	1,786
Market value of listed securities	<b>29,264</b>	1,786

**11. Trade and other receivables**

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	2,053	—
Other receivables	32,456	7,144
Deposits paid	13,650	23,344
Prepayments	172,574	45,563
	<b>220,733</b>	76,051

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:

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
0 — 30 days	2,053	—

Trade receivables were denominated in the following currencies:

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Renminbi	2,053	—

## 12. Trade and other payables

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	—	—
Other payables and accruals	32,426	30,478
	<b>32,426</b>	<b>30,478</b>

Trade and other payable were denominated in the following currencies:

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong Dollars	11,114	2,100
Renminbi	10,351	21,085
United States Dollars	10,939	7,268
Australian Dollars	22	24
Guyanese Dollars	—	1
	<b>32,426</b>	<b>30,478</b>



**13. Share capital**

	<b>No. of shares</b>	<b>Amount</b> <i>HK\$'000</i>
Authorised:		
At 31 March 2008 and at 30 September 2008		
Ordinary shares of HK\$0.01 each	20,000,000,000	200,000
Issued and fully paid:		
At 1 April 2007	7,126,137,417	71,261
Issue of new ordinary shares for business combinations	732,640,321	7,326
Exercise of share options	128,286,948	1,283
Issue of new shares on share placement	2,150,000,000	21,500
At 31 March 2008 and at 30 September 2008	10,137,064,686	101,370

**14. Share options scheme**

The Share Option Scheme adopted on 16 July 2004 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 Share Option Scheme shall not exceed 10 % of the issued share capital of the Company as at the date of adoption and 344,595,309 as at 30 September 2008.

The following table shows the movement of the Company's share options during the six months period ended 30 September 2008.

### 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
24 October 2007	6,000,000	—	6,000,000	0.35	24 October 2007 to 24 October 2008

## 15. Operating lease commitments

The Group leases its office and staff quarter under non-cancellable 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:

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Within one year	1,596	1,458
In the second to fifth years, inclusive	1,142	1,443
	<b>2,738</b>	2,901

## 16. Capital commitments

Capital commitments outstanding at 30 September 2008 and 31 March 2008 not provided for in the financial statements were as follows:

	<b>30 September 2008</b>	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Contracted but not provided for		
— acquisition of plantation assets ( <i>note</i> )	100,031	100,031
— acquisition of property, plant and equipment and land use rights	173,189	174,795
	<b>273,220</b>	274,826

*Note:*

On 15 October 2007, 樹人木業(大埔)有限公司, a wholly owned subsidiary of the Company, entered into the Binding Agreement, 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, for a consideration of not more than approximately HK\$166,719,000, of which deposit of approximately HK\$66,688,000 had been paid and the remaining balance of approximately HK\$100,031,000 had not been provided for.

## 17. Re-statement of comparative financial information

As stated in Note 48 of the 2008 Annual Report of the Company, the provisional fair values on acquisition cost of Jaling Forest Industries Inc. incurred during the year ended 31 March 2007 were finalised in the year ended 31 March 2008 in accordance with the requirements of HKFRS3 "Business Combinations". As a result, adjustments of \$24,204,000 and \$3,435,000 were made to share premium and other payables respectively. Details of the basis of adjustments were disclosed in the 2008 Annual Report of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Review of the Business Development**

For the six months ended 30 September 2008, the Group was mainly engaged in forest operation and management, logging, timber processing and trading, and cold storage warehousing management.

The turnover contributed by timber logging and trading represented over 86% of the overall turnover of the Group for the period. In addition, the Group still intends to cease its operation in cold storage warehousing management services business when opportunity arises due to continuous decrease of its rental income.

The directors of the Company do not recommend the payment of an interim dividend for the period (six months ended 30 September 2007: Nil).

### **Financial Review and Liquidity**

For the six months ended 30 September 2008, the turnover of the Group amounted to HK\$3,225,000 which represents more than 7 times increase as compared to HK\$398,000 for the corresponding period last year. However, loss for the period also experienced a significant increase to HK\$34,291,000 from HK\$14,884,000 for the corresponding period last year. The increase in loss is mainly contributable to (i) loss of approximately HK\$26 million arising from the unrealized loss in the fair value changes in the listed securities held for trading by the Group as a result of the recent rapid downturn in the financial market; and (ii) increase in start up costs for expansion of timber processing, sale and distribution network in mainland China. As a result, loss per share for the period rose to HK\$0.33 cents (30 September 2007: HK\$0.18 cents).

As at 30 September 2008, the current and non-current liabilities of the Group amounted to approximately HK\$38.6 million (31 March 2008: HK\$36.6 million) and HK\$6.7 million (31 March 2008: HK\$6.7 million) respectively. The amount of net current assets decreased to approximately HK\$343.58 million (31 March 2008: HK\$419.84 million), which was mainly due to the increase in trade and other payables during the period. The Group had cash and cash equivalents of approximately HK\$95 million (31 March 2008: HK\$340 million), representing a significant drop which was a result of increased investment in the Group's forests, both in Guyana and China, and the establishment of a timber processing base in the Mainland. The current ratio of the Group, measured as total current assets to total current liabilities, was 9.9, reflecting the 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. The risk of foreign exchange fluctuation was not significant to the Group as at 30 September 2008 due to the fixed exchange rate between the US dollar and Hong Kong dollars and foreign exchange control in China. 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 2008, the Group held financial assets of a fair value of approximately HK\$29.3 million. However, the Group did not engage in the use of any financial instruments for hedging purposes and had no exposure to any foreign currency contract and derivative financial instruments.

### **Capital Structure and Gearing**

As at 30 September 2008, there were 10,137,064,686 shares in issue and the equity of the Group attributable to shareholders amounted to approximately HK\$1,087 million. The gearing ratio of the Group, measured as total liabilities to total assets, was 3.91% as at 30 September 2008 (31 March 2008: 3.6%).

## Material Event

The grand opening of the Company's 17,000 sq. ft. (1,600m<sup>2</sup>) flag shop trading in the name of 紫御•尚品 located in Kingkey Banner Center, Nanshan District of Shenzhen (深圳市南山區京基百納廣場) took place in August 2008. The flag shop focuses on the wholesale and retail of a full line of Chinese style furniture made of, in particular, rosewood, green heart, jatoba, purple heart and bullet wood which are originated from our forest. The flag shop is supported by a team of furniture designers and staff whom enable the Company to offer tailor-made service to customers. With unique advantages in the industry, including self supply of timber from both Guyana and China, timber processing base and furniture design team, the Group is able to enjoy low production and sales costs and maximum investment efficiency.

## Prospect and Future Plan

The PRC market continues to be the most important market for our timber sale. Despite the economic downturn of the US and European markets, it is expected that the PRC will continue to enjoy mild growth in the gross domestic product in the year of 2009. In addition, the PRC government has announced its RMB4 trillion economic stimulus plan to boost the internal demand for goods and services by investing in construction of infrastructure. Thus, at this stage the Company does not see the global economic recession will curb the development of the timber sector in China, but expects the Group to benefit from the growth of the PRC market and its increased spending on infrastructure which would inevitably increase the demand for timber and related wood products. The Company believes that the timber sector is a growing sector in China setting the platform for bright and sustainable development of the Group.

Given the uncertainty of the global economy, the Group has adopted prudent but proactive business strategy and we hope to mitigate the effect of the global financial crisis by strengthening our development in the PRC market.

## CAPITAL COMMITMENT

As at 30 September 2008, the Group had a capital commitment of approximately HK\$273,220,000 in relation to the acquisition of plantation assets, property, plant, equipment and land use rights.

## CHARGES ON ASSETS

As at 30 September 2008, there were no charges on assets of the Group.

## CONTINGENT LIABILITIES

As at 30 September 2008, the Group did not have any material contingent liabilities.

## EMPLOYEES

The Group has approximately 203 employees in Hong Kong, PRC, Guyana and Australia as at 30 September 2008. 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.

As at 30 September 2008, 6,000,000 share options had been granted under the Share Option Scheme and are exercisable at HK\$0.35 per share on or before 24 October 2008 but not exercised.

## 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 2008.

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

Save as disclosed below, as at 30 September 2008, 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		Total	Percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
Mr. Fung Tsun Pong (note)	1,047,262,449	1,055,500,000	NIL	NIL	2,102,762,449	20.74
Lau Sing Hung, Stephen	14,000,000	NIL	NIL	NIL	14,000,000	0.14
Mr. Tsang Kam Ching, David	66,624,499	NIL	NIL	NIL	66,624,499	0.65
Chow Ki Shui, Louie	1,000,000	NIL	NIL	NIL	1,000,000	0.009

Note: 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 10.41% 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".

## 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 2008:

### 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	1,055,500,000	10.41
Allkeen Investments Limited (note b)	Beneficial owner	1,016,000,000	10.02
Peter Chan	Beneficial Owner	609,431,329	6.01
Liu Feng Lei	Beneficial owner	513,833,992	5.06

*Notes:*

- a. Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive director of the Company.
- b. Allkeen Investments Limited is wholly-owned by Mr. Huang Wei Guang.

Save as disclosed above, as at 30 September 2008, 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 2008 Annual Report, none of the Directors is aware of any 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 2008.

## 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](http://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.