**CHINA TIMBER RESOURCES GROUP LIMITED**
**(中國木業資源集團有限公司*)**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 269)**

# ANNOUNCEMENT FOR THE INTERIM RESULTS for the 6 months ended 30 September 2008

## 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**<br>***HK$'000***<br>**(unaudited)** | 2007<br>*HK$'000*<br>(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 |

* *For identification only*

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | **30 September 2008** *HK$'000* **(Unaudited)** | 31 March 2008 *HK$'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| 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 |
| | | **776,526** | 736,610 |
| **CURRENT ASSETS** | | | |
| 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 |
| | | **382,221** | 456,471 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *12* | **32,426** | 30,478 |
| Short term borrowing | | **6,211** | 6,073 |
| Tax payable | | **—** | 84 |
| | | **38,637** | 36,635 |
| **NET CURRENT ASSETS** | | **343,584** | 419,836 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,120,110** | 1,156,446 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **1,574** | 1,574 |
| Acreage fees payable | | **5,147** | 5,147 |
| | | **6,721** | 6,721 |
| **NET ASSETS** | | **1,113,389** | 1,149,725 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **101,370** | 101,370 |
| Reserves | | **985,737** | 1,021,516 |
| Equity attributable to equity holders of the Company | | **1,087,107** | 1,122,886 |
| Minority interests | | **26,282** | 26,839 |
| **TOTAL EQUITY** | | **1,113,389** | 1,149,725 |

## 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

Segment information by business is presented as follows:

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

| | **Timber logging and trading** *HK$'000* | **Warehousing** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| **REVENUE** | | | |
| 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)** |
| **Loss for the period** | | | **(34,291)** |

**For the six months ended 30 September 2007**

| | Timber logging and trading *HK$'000* | Warehousing *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **REVENUE** | | | |
| 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 | | | — |
| **Loss for the period** | | | (14,884) |

### *(b) Geographical Segments*

**For the six months ended 30 September 2008 and 2007**

| | **Hong Kong and PRC** *HK$'000* | | **Guyana** *HK$'000* | | **Australia** *HK$'000* | | **Consolidated** *HK$'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.

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

## 4. Loss before taxation

| | **30 September 2008** *HK$'000* **(Unaudited)** | 30 September 2007 *HK$'000* (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 |
| | **13,859** | 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.

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%).

| | **30 September 2008** | 30 September 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current year provision | | |
| Hong Kong | **—** | — |
| Mainland China | **185** | — |
| Total tax charge for the period | **185** | — |

**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

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

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

## 11. Trade and Other Receivables

| | **30 September 2008** *HK$'000* **(Unaudited)** | 31 March 2008 *HK$'000* (Audited) |
|---|---|---|
| Trade receivables | **2,053** | — |
| Other receivables | **32,456** | 7,144 |
| Deposits paid | **13,650** | 23,344 |
| Prepayments | **172,574** | 45,563 |
| | **220,733** | 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:

| | **30 September 2008** *HK$'000* **(Unaudited)** | 31 March 2008 *HK$'000* (Audited) |
|---|---|---|
| 0 — 30 days | **2,053** | — |

Trade receivables were denominated in the following currencies:

| | **30 September 2008** *HK$'000* **(Unaudited)** | 31 March 2008 *HK$'000* (Audited) |
|---|---|---|
| Renminbi | **2,053** | — |

## 12. Trade and Other Payables

| | **30 September 2008** *HK$'000* **(Unaudited)** | 31 March 2008 *HK$'000* (Audited) |
|---|---|---|
| Trade payables | **—** | — |
| Other payables and accruals | **32,426** | 30,478 |
| | **32,426** | 30,478 |

Trade and other payable were denominated in the following currencies:

| | 30 September 2008 HK$'000 (Unaudited) | 31 March 2008 HK$'000 (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 |
| | **32,426** | 30,478 |

## 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. (1,600$m^2$) 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.

## 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 announcement.

## 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.

By Order of the Board
**CHINA TIMBER RESOURCES GROUP LIMITED**
**Tsang Kam Ching, David**
*Director*

Hong Kong, 11 December 2008

*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.*