

Report of the Directors

The Board is pleased to submit their report together with the audited accounts of the Group for the year ended 30 April 2005.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 18 October 2004 and approved by the Registrar of Companies in Bermuda and Companies Registry in Hong Kong, the Company has changed its name to "China National Resources Development Holdings Limited" in English and, for identification purpose to "中國資源開發集團有限公司" in Chinese.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are securities trading and investments, property investment and management consultancy.

An analysis of the Group's turnover and contribution to operating loss net of finance costs by principal activities for the year ended 30 April 2005 is set out in note 4 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2005 are set out in the consolidated profit and loss account on page 21.

The Board does not recommend the payment of a final dividend for the year ended 30 April 2005 (2004: Nil). No interim dividend was declared during the year (2004: Nil).

Details of the preference dividend payable during the year are set out in note 11 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Company and the Group during the year are set out in note 13 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in note 21 to the accounts.

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RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers were less than 30% of the Group's sales for the year. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year.

DIRECTORS

The Directors of the Company during the year and as at the date of this report were as follows:

Executive Directors

Mr. Li Qiao Feng (<i>Chairman</i>)	(appointed on 27 October 2004 and appointed as Chairman on 11 April 2005)
Mr. Chen Shengjie (<i>Deputy Chairman</i>)	(appointed on 27 October 2004)
Mr. Tsoi Chi Keung	(appointed on 4 May 2004)
Mr. Li Yi	(appointed on 27 October 2004)
Mr. Zhou Weirong	(resigned on 8 April 2005)
Mr. Tse On Kin	(resigned on 27 October 2004)
Mr. Cheung Yu Shum, Jenkin	(resigned on 14 June 2004)
Mr. Lee Kin Chung, Simon	(resigned on 14 June 2004)

Independent non-executive Directors

Mr. Li Xin	(appointed on 14 June 2004)
Mr. Chen Baoying	(appointed on 14 June 2004)
Mr. Seto Man Fai	(appointed on 16 August 2005)
Mr. Wong Ki Kit	(appointed on 14 June 2004 and resigned on 8 April 2005)
Mr. Cheung Man Yau, Timothy	(resigned on 14 June 2004)
Mr. Shum Ka Hei	(resigned on 14 June 2004)

In accordance with bye-law numbered 86(2) of the Company's bye-laws ("Bye-Laws"), Messrs. Chen Shengjie, Li Yi and Seto Man Fai, being Directors appointed after the 2004 annual general meeting of the Company, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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Pursuant to bye-law numbered 87(2) of the Bye-Laws, Messrs. Tsoi Chi Keung and Chen Baoying shall retire from office as Directors by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company has received, from each of independent non-executive Directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Li Qiao Feng, aged 34, joined the Company as an executive Director on 27 October 2004 and appointed as Chairman of the Company on 11 April 2005. Mr. Li graduated from the Graduate School of Chinese Social Science Academy (中國社會科學院研究院), is a holder of a master degree in currency banking (貨幣銀行). He has over ten years' experience in capital administration and corporate management.

Mr. Chen Shengjie, aged 44, was appointed as the deputy chairman and an executive Director of the Company on 27 October 2004. Mr. Chen graduated from Beijing Finance and Trade College with a bachelor degree in economics. He previously worked for the State Administration of Audit and the Resources Department (物資部門) and has over 7 years' experience in audit and over 10 years' experience in resources re-cycling. He is now the vice chairman of China Resources Recycling Association (中國物資再生協會), vice chairman of the committee of 'China ISO14000 Accreditation', general manager of China Chengtong Resources Recycling Development Utilisation Company (中國誠通資源再生開發利用公司).

Mr. Tsoi Chi Keung, aged 46, was appointed as an executive Director of the Company on 4 May 2004. Mr. Tsoi has over 25 years' experience in Hong Kong-China trade industry.

Mr. Li Yi, aged 29, was appointed as an executive Director of the Company on 27 October 2004. Mr. Li hold a bachelor degree in economics from the Shenyang Li Gong University (沈陽理工大學). He has extensive experience in the operation of international trade.

Mr. Li Xin, aged 44, was appointed as an independent non-executive Director of the Company on 14 June 2004. Mr. Li holds a master degree in Economic from Zhongnan University of Finance and Economics in the People's Republic of China ("PRC"). He has over 10 years' experience in capital management

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Mr. Chen Baoying, aged 76, was appointed as an independent non-executive Director of the Company on 14 June 2004. Mr. Chan graduated from University of International Business & Economics in the PRC, major in international finance and international trade. Mr. Chen has long been engaging in the research work on international finance and trade matters. Mr. Chen was appointed as the deputy director of the Hong Kong and Macau research centre of the Hong Kong and Macau Affairs Office of the State Council (國務院港澳辦公室港澳研究所) since 1986 to supervise the research activities of economic and finance in Hong Kong and Macau and he was retired in 1995.

Mr. Seto Man Fai, aged 37, was appointed as an independent non-executive Director of the Company on 16 August 2005. Mr. Seto currently serves as a company secretary of a main board listed company. Mr. Seto holds a bachelor's degree in accounting from the Chinese University of Hong Kong and is a member of American Institute of Chartered Public Accountants, Chartered Association of Certified Accountants, United Kingdom and Hong Kong Institute of Certified Public Accountants. Mr. Seto has extensive experiences in accounting, auditing, corporate finance and corporate development.

DIRECTORS' SERVICE CONTRACTS

Mr. Tsoi Chi Keung entered into a service agreement with the Company on 4 May 2004 for a term of three years until and including 3 May 2007, subject to early termination by either party giving at least six months' prior written notice or payment in lieu of notice to the other party. Mr. Tsoi is entitled to an annual salary of HK\$390,000 and other emolument as determined by the Board from time to time and subject to approval by the Shareholders in general meeting and is also entitled to end of year bonus and annual management bonus to be determined by the Board.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the year end or at any time during the year.

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DIRECTORS' INTERESTS IN SECURITIES

As at 30 April 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Long position in shares or underlying shares of the Company

Name of Director	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares/debentures	Approximate percentage of total issued ordinary shares
Mr. Zhou Weirong (Note 3)	Corporate	1,138,879,164 (Note 1)	60.69%	203,875,000 (Note 2)	10.86%
Mr. Li Qiao Feng	Personal	330,000	0.02%	–	–

Notes:

1. The interests in 1,138,879,164 ordinary shares of HK\$0.05 each ("Shares") were held by Smartgood Investments Limited ("Smartgood"), a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Zhou Weirong ("Mr. Zhou").
2. The interests in 203,875,000 underlying shares represents the interests in (a) 31,000 6% convertible redeemable preference shares of the Company ("CPS") of par value of HK\$1.00 each with notional value of HK\$5.00 each which are convertible into 3,875,000 Shares at the adjusted conversion price of HK\$0.04 each; and (b) HK\$10,000,000 2% convertible notes ("Notes") due 2005 which are convertible into 200,000,000 Shares at the conversion price of HK\$0.05 (subject to adjustment), both were held by Smartgood.
3. Mr. Zhou Weirong resigned as Director of the Company effective from 8 April 2005.

Save as disclosed above, none of the Directors, chief executives of their associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

The share option scheme of the Company adopted on 27 October 1998 had been terminated and simultaneously a new share option scheme (the "Scheme") had been approved and adopted at the annual general meeting of the Company held on 13 October 2003.

The purpose of the Scheme is a share incentive scheme to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board may, at its discretion, grant options to any eligible participants (as set out in the Company's circular dated 19 September 2003).

The principal terms of the Scheme are summarized as follows:

- (i) The maximum number of Shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted of the Group shall not in aggregate exceed 30% of the Shares in issue from time to time.
- (ii) The maximum entitlement of each participant under the Scheme in any 12-month period shall not exceed 1% of the Shares in issue as at the date of grant.
- (iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.
- (iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.
- (v) Upon acceptance of the option, the grantee shall pay of HK\$1.00 to the Company by way of consideration for the grant of the option.

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(vi) Subject to earlier termination by the Company in general meeting, the Scheme will remain valid for a period of 10 years commencing on 13 October 2003, being the date on which it was adopted.

At 30 April 2005, the number of Shares in respect of which options had been granted under the Scheme was 152,186,280 Shares, representing approximately 8.11% of the Shares in issue at the date of this report. During the year, no share options were granted to the Directors under the Scheme.

At no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 April 2005, so far as is known to the Directors, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in Shares and the underlying shares

Name of shareholder	Type of interests	Interest in Shares	Approximate percentage of total issued ordinary shares	Interest in underlying shares	Approximate percentage of total issued ordinary shares
Smartgood	Beneficial Owner	1,138,879,164	60.69%	203,875,000	10.86%

Note: These interests has been disclosed in the above section headed "Directors' Interests in Securities".

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the Shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

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Subsequent to the balance sheet date, 1,138,879,164 Shares held by Smartgood had been the subject of forced sale on 8 August 2005 by the pledgee of such Shares upon Mr. Zhou's default of repayment of loan. On the same date, China Times acquired 1,164,909,164 Shares, representing approximately 62.08% of the entire issued ordinary shares of the Company, in the open market and became the controlling shareholder of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

AUDIT COMMITTEE

The Company established an audit committee in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprising of three independent non-executive Directors, Messrs. Seto Man Fai (as Chairman), Li Xin and Chen Baoying. The audit committee of the Company has reviewed the final results for the year ended 30 April 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

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COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice ("Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year under review, except that the independent non-executive Directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Bye-Laws.

The Code as set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 68 of this report.

AUDITORS

Ting Ho Kwan & Chan shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Li Qiao Feng

Chairman

Hong Kong, 29 September 2005