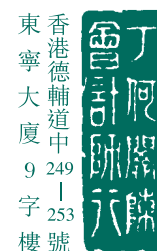


Report of the Auditors

TING HO KWAN & CHAN

CERTIFIED PUBLIC ACCOUNTANTS

9th Floor, Tung Ning Building,
249-253 Des Voeux Road C.,
Hong Kong.



TO THE SHAREHOLDERS OF CHINA NATIONAL RESOURCES DEVELOPMENT HOLDINGS LIMITED (FORMERLY TEM FAT HING FUNG (HOLDINGS) LIMITED)

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 21 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

Report of the Auditors

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. However, the evidence available to us was limited as follows:

Scope Limitation

During the year, the Group entered into a joint venture agreement through two of the Company's indirect wholly owned subsidiaries to establish a jointly controlled entity ("JCE"), 中環資源再生開發利用有限公司, in the People's Republic of China. As set out in note 15 to the accounts, the Group's interest in the JCE as stated in the consolidated balance sheet as at 30 April 2005 and the Group's share of the loss of the JCE as shown in the consolidated profit and loss account for the year then ended were derived from the unaudited management accounts of the JCE as the directors explained that the JCE was incorporated for less than one year. In the absence of all necessary information and documentary evidence from the JCE, we have not been able to perform audit procedures that we consider necessary to satisfy ourselves as to the carrying amount of the Group's interest in the JCE of approximately HK\$28,836,000 as at 30 April 2005 and the Group's share of the loss of the JCE of approximately HK\$407,000 for the year then ended. Any adjustments to the above figures would have a consequential effect on the net assets of the Group as at 30 April 2005 and on the loss of the Group for the year then ended. Accordingly, we are unable to comment on whether all information in respect of the JCE as stated in notes 4 and 15 to the accounts were fairly stated and properly and adequately disclosed in the accounts.

In addition, because of the above limitation, we are unable to satisfy ourselves as to the recoverability of the amounts due from the aforesaid indirect wholly owned subsidiaries to the Company of approximately HK\$29,243,000 as at 30 April 2005 arising from funds advanced to these subsidiaries for the purpose of their establishment and holding of the equity interest in the JCE. Accordingly we are unable to satisfy ourselves that the above amounts due from these indirect wholly owned subsidiaries were fairly stated at the balance sheet date. Any adjustments that might have been found to be necessary would have a consequential impact on the Company's net assets as at 30 April 2005 and its loss for the year then ended as dealt with in the accounts.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Report of the Auditors

DISCLAIMER OF OPINION

Because of the significance of the possible effects of the scope limitation in evidence available to us as set out under the basis of opinion section of this report, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2005 and of the loss of the Company and the Group and the cash flows of the Group for the year then ended. In all other respects, in our opinion, the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect of the limitation on our work as set out under the basis of opinion section of this report, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

TING HO KWAN & CHAN

Certified Public Accountants

Hong Kong, 29 September 2005