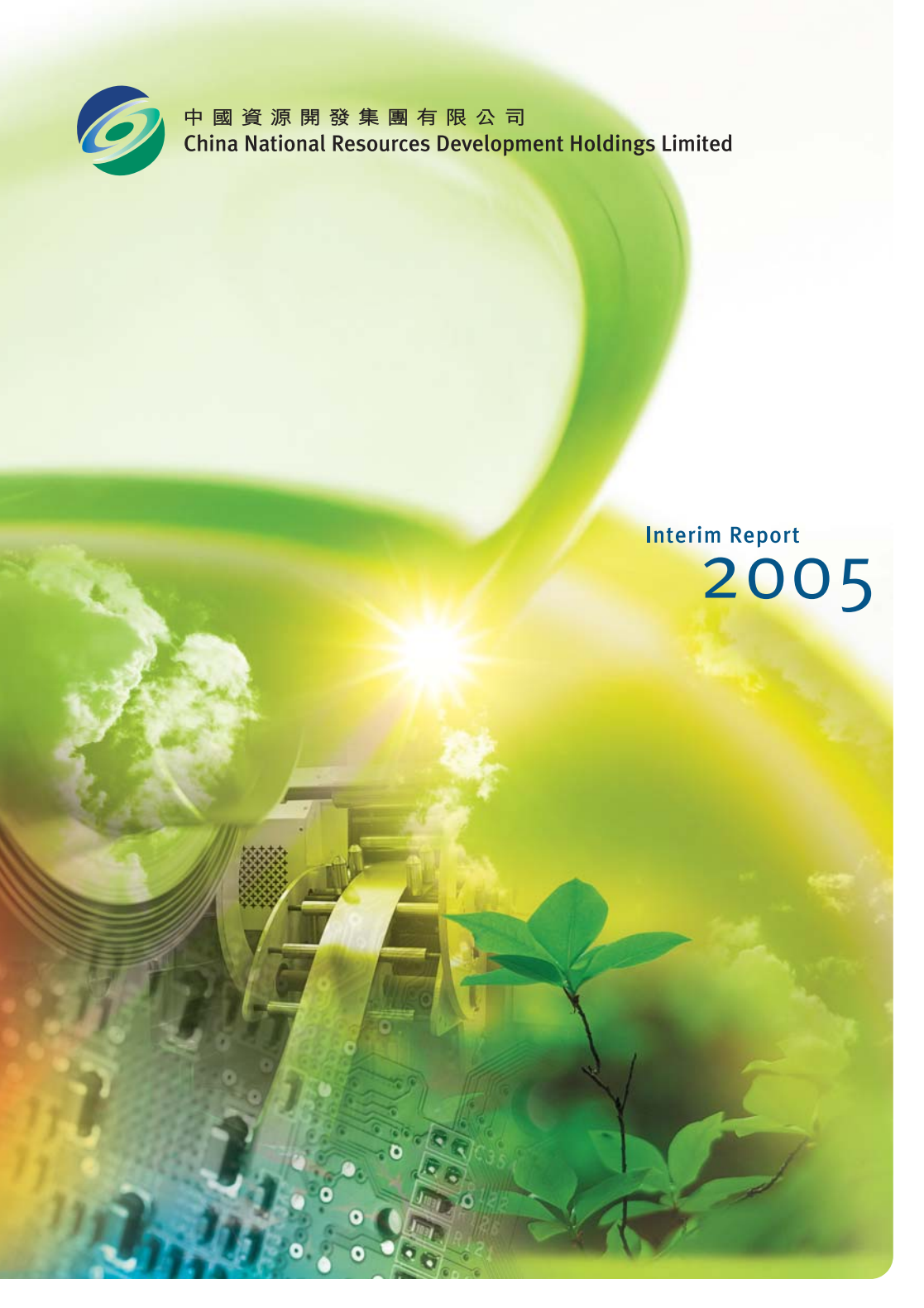




中國資源開發集團有限公司
China National Resources Development Holdings Limited

Interim Report
2005



Interim Results

The board of directors (the "Board") of China National Resources Development Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2005. The interim results for the six months ended 31 October 2005 have not been audited, but have been reviewed by the Company's audit committee and auditors.

Condensed Consolidated Income statement

For the six months ended 31 October 2005

	Notes	Unaudited Six months ended 31 October	
		2005 HK\$'000	2004 (Restated) HK\$'000
TURNOVER	3	34,214	9,913
COST OF SALES		<u>(34,670)</u>	<u>(19,562)</u>
GROSS LOSS		(456)	(9,649)
OTHER INCOME AND GAINS, NET GENERAL AND ADMINISTRATIVE EXPENSES	4	215 <u>(3,923)</u>	1,106 <u>(11,414)</u>
		(4,164)	(19,957)
LOSSES ON CHANGES IN FAIR VALUE OF SHORT TERM LISTED INVESTMENTS		-	(19,739)
FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		<u>(1,441)</u>	<u>-</u>
OPERATING LOSS	5	<u>(5,605)</u>	<u>(39,696)</u>
FINANCE COSTS	6	<u>(389)</u>	<u>(1,261)</u>
		(5,994)	(40,957)
SHARE OF LOSSES OF A JOINTLY CONTROLLED ENTITY		<u>(653)</u>	<u>-</u>
LOSS FOR THE PERIOD		<u>(6,647)</u>	<u>(40,957)</u>
LOSS ATTRIBUTABLE TO:			
Equity holders of the parent		(6,647)	(40,749)
Minority interests		-	(208)
LOSS FOR THE PERIOD RETAINED		<u>(6,647)</u>	<u>(40,957)</u>
		HK cents	HK cents
LOSS PER SHARE	9		
Basic		<u>(0.35)</u>	<u>(2.43)</u>

Condensed Consolidated Balance Sheet

31 October 2005

		Unaudited 31 October 2005	Audited 30 April 2005 (Restated)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets		135	309
Jointly controlled entities	10	<u>28,728</u>	<u>28,836</u>
TOTAL NON-CURRENT ASSETS		<u>28,863</u>	<u>29,145</u>
CURRENT ASSETS			
Short term listed investments		–	1,437
Financial assets at fair value through profit or loss		7,846	–
Loan receivables		–	14,500
Trade and other receivables	11	1,808	796
Prepayments and deposits		653	1,332
Cash and bank balances		<u>11,583</u>	<u>10,447</u>
TOTAL CURRENT ASSETS		<u>21,890</u>	<u>28,512</u>
CURRENT LIABILITIES			
Amount due to a subsidiary not consolidated		–	673
Temporary deposits, accounts payable and accruals	12	7,618	7,891
Convertible notes	13	<u>9,964</u>	<u>–</u>
TOTAL CURRENT LIABILITIES		<u>17,582</u>	<u>8,564</u>
NET CURRENT ASSETS		<u>4,308</u>	<u>19,948</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,171</u>	<u>49,093</u>
NON-CURRENT LIABILITIES			
Convertible notes	13	–	9,820
Cumulative redeemable preference shares	14	<u>262</u>	<u>262</u>
TOTAL NON-CURRENT LIABILITIES		<u>262</u>	<u>10,082</u>
NET ASSETS		<u>32,909</u>	<u>39,011</u>
Financed by:			
CAPITAL AND RESERVES			
Share capital	15	93,831	93,831
Reserves		<u>(60,922)</u>	<u>(54,820)</u>
TOTAL EQUITY		<u>32,909</u>	<u>39,011</u>

Condensed Consolidated Cash flow Statement

For the six months ended 31 October 2005

	Unaudited	
	Six months ended	
	31 October	
	2005	2004
	HK\$'000	HK\$'000
Net cash generated from/ (used in) operating activities	1,044	(67,035)
Net cash generated from/ (used in) investing activities	331	(6)
Net cash (used in)/ generated from financing activities	<u>(239)</u>	<u>5,433</u>
Increase/ (decrease) in cash and cash equivalents	1,136	(61,608)
Cash and cash equivalents at 30 April	<u>10,447</u>	<u>65,438</u>
Cash and cash equivalents at 31 October	<u>11,583</u>	<u>3,830</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2005 – Unaudited

	Share capital	Share premium	Negative goodwill	Convertible notes reserves	Capital redemption reserve	Convertible preference share reserve	Exchange reserve	Accumulated losses	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2005, as previously stated	93,873	754,582	41,796	-	2,241	52	(39,030)	(814,421)	-	39,093
Effect of adoption of HKFRS 3	-	-	(41,796)	-	-	-	-	41,796	-	-
HKAS 32	(42)	(168)	-	1,331	-	(52)	-	(1,151)	-	(82)
At 1 May 2005, as restated	93,831	754,414	-	1,331	2,241	-	(39,030)	(773,776)	-	39,011
Exchange differences arising on translation of jointly controlled entity	-	-	-	-	-	-	545	-	-	545
Loss for the period	-	-	-	-	-	-	-	(6,647)	-	(6,647)
At 31 October 2005	93,831	754,414	-	1,331	2,241	-	(38,485)	(780,423)	-	32,909
At 1 May 2004, as previously stated	83,673	754,734	41,796	-	2,241	100	(39,030)	(768,110)	-	75,404
Effect of adoption of HKFRS3	-	-	(41,796)	-	-	-	-	41,796	-	-
HKAS 32	(80)	(320)	-	1,634	-	(100)	-	(707)	-	427
At 1 May 2004, as restated	83,593	754,414	-	1,634	2,241	-	(39,030)	(727,021)	-	75,831
Issue of ordinary shares	200	-	-	-	-	-	-	-	-	200
Exchange differences arising on translation of subsidiary	-	-	-	-	-	-	1	-	-	1
Minority interests	-	-	-	-	-	-	-	-	5,641	5,641
Loss for the period	-	-	-	-	-	-	-	(40,749)	(208)	(40,957)
At 31 October 2004, as restated	83,793	754,414	-	1,634	2,241	-	(39,029)	(767,770)	5,433	40,716

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30 April 2005, except for the accounting policy changes that are expected to be reflected in the Group's financial statements for the year ending 30 April 2006. Details of these changes in accounting policies are set out in note (2).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanation notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's financial statements for the year ended 30 April 2005.

The condensed consolidated financial statements and notes thereon do not include all of information required for full sets of financial statements prepared in accordance with HKFRSs.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs, (which term collectively includes HKASs and interpretations) that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new and revised HKFRSs has resulted in changes to the Group's accounting policies and the effects of adopting these HKFRSs are set out as below:

(a) **Minority interests (HKAS 1, Presentation of Financial Statements and HKAS 27, Consolidated and Separate Financial Statements)**

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity has been changed. The presentation for the comparative period has been restated accordingly.

Notes to Condensed Consolidated Interim Financial Statements

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

- All short term listed investments of the Group as at 30 April 2005 were redesignated into financial assets at fair value through profit or loss on 1 May 2005. There is no effect on remeasurement as the accounting policy on measurement of short term listed investments as at 30 April 2005 is the same as that for financial assets at fair value through profit or loss;
- In prior periods, convertible notes were stated at amortised cost. Upon adoption of HKAS 32, the component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes, and this amount is carried as liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

This change in accounting policies is applied retrospectively by way of adjustments to the opening balance of accumulated losses and comparative figures have been restated.

- Reclassification of cumulative redeemable preference shares as financial liabilities

In prior periods, cumulative redeemable preference shares were classified as equity based on their legal form. Dividends paid to the preference shareholders were presented as a distribution to shareholders.

Upon adoption of HKAS 32, the classification of cumulative redeemable preference shares is based on the substance of the contractual arrangement. Consequently, the shares have been classified as liabilities and dividends on the shares are recognised as an expense in income statement.

Notes to Condensed Consolidated Interim Financial Statements

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement) (Continued)

The equity component of the cumulative redeemable preference shares is not material and the whole amount of the cumulative redeemable preference shares is accounted for as a financial liability of the Company.

This change in accounting policy relating to the presentation of cumulative redeemable preference shares and dividend payments has been adopted retrospectively, with comparative amounts restated.

(c) Share option scheme (HKFRS 2, Share-based Payment)

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of the option holders' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 May 2005. In relation to share options granted before 1 May 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November, 2002 and share options that were granted after 7 November, 2002 and had vested before 1 May 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 May 2005. Because there were no unvested share options at 1 May 2005 and no share options have been granted during the period, the adoption of HKFRS 2 has had no impact on the Group's results for the current or prior accounting periods.

(d) Positive/Negative goodwill (HKFRS 3, Business Combination)

- In prior periods, positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(d) Positive/Negative goodwill (HKFRS 3, Business Combination) (Continued)

Positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

Negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 January 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

Also with effect from 1 January 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (ie. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The transitional provisions of HKFRS 3 have required the Group to derecognise the carrying amounts of negative goodwill (including that remaining in reserve) against accumulated losses brought forward.

The change in policy relating to positive goodwill had no effect on the interim financial statements as there was no positive goodwill as at 30 April 2005.

Notes to Condensed Consolidated Interim Financial Statements

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(e) Summary of the effects of the changes in the accounting policies

The effects of the changes in the accounting policies described above on the results for the respective periods are as follows:

	For the six months ended	
	31 October	
	2005	2004
	HK\$'000	HK\$'000
Finance costs		
– Increase in interest on the liability component of convertible notes	144	256
– Dividends on cumulative redeemable preference shares	6	6
Dividends on cumulative redeemable preference shares		
– Reclassified to finance costs	(6)	(6)
Increase in loss for the period	<u>144</u>	<u>256</u>

The cumulative effects of the application of the new HKFRSs at the respective year ends are summarised below:

	As at 1 May	
	2005	2004
	HK\$'000	HK\$'000
Balance sheet items		
Convertible notes	(180)	(927)
Cumulative redeemable preference shares	<u>262</u>	<u>500</u>
Total effects on liabilities (Increase/(Decrease))	<u>82</u>	<u>(427)</u>
Share capital	(42)	(80)
Share Premium	(168)	(320)
Negative goodwill	(41,796)	(41,796)
Convertible preference share reserve	(52)	(100)
Convertible notes reserve	1,331	1,634
Accumulated losses	<u>40,645</u>	<u>41,089</u>
Total effects on equity ((Decrease)/Increase)	<u>(82)</u>	<u>427</u>

Notes to Condensed Consolidated Interim Financial Statements

3. PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

During the period, the Group has been principally engaged in the business of corporate investment, trading in securities, property investment and management consultancy. An analysis of the Group's consolidated turnover and results by business segments is as follows:

Business segments

	Unaudited Turnover		Unaudited Segment results	
	Six months ended 31 October		Six months ended 31 October	
	2005	2004	2005	2004 (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment and Management consultancy	-	-	(2,162)	(10,514)
Corporate investment and trading in securities	34,214	9,913	(569)	(10,501)
Computer related services	-	-	-	(321)
	<u>34,214</u>	<u>9,913</u>	<u>(2,731)</u>	<u>(21,336)</u>
Losses on changes in fair value of short term listed investments			-	(19,739)
Fair value changes of financial assets at fair value through profit or loss			(1,441)	-
Unallocated costs less income			<u>(1,822)</u>	<u>118</u>
			<u>(5,994)</u>	<u>(40,957)</u>
Share of losses of a jointly controlled entity			<u>(653)</u>	<u>-</u>
Loss for the period			<u>(6,647)</u>	<u>(40,957)</u>

No geographical segment information of the Group is shown as the Group's operations, turnover by geographical market and assets are wholly located in Hong Kong and the People's Public of China ("PRC").

Notes to Condensed Consolidated Interim Financial Statements

4. OTHER INCOME AND GAINS, NET

	Unaudited Six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Interest income	11	1,106
Gain on disposal of fixed assets	166	–
Miscellaneous income	38	–
	<u>215</u>	<u>1,106</u>

5. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Unaudited Six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Crediting:		
Interest income	11	1,106
Gain on disposal of fixed assets	<u>166</u>	<u>–</u>
Charging:		
Staff costs	841	4,135
Depreciation	20	47
Operating leases – land and buildings	<u>1,093</u>	<u>238</u>

Notes to Condensed Consolidated Interim Financial Statements

6. FINANCE COSTS

	Unaudited Six months ended 31 October	
	2005	2004 (Restated)
	HK\$'000	HK\$'000
Interest on other loans	139	798
Interest on convertible notes	244	457
Dividends on cumulative redeemable preference shares (note 8)	6	6
	<u>389</u>	<u>1,261</u>

7. TAXATION

No provision for Hong Kong profits tax and overseas profits tax is made in the financial statements as the Group has no assessable profits for the period.

8. DIVIDENDS ON CUMULATIVE REDEEMABLE PREFERENCE SHARES

	Unaudited Six months ended 31 October	
	2005	2004
	HK\$'000	HK\$'000
Payable of HK\$0.151 per share on 41,990 shares (2004: Payable of HK\$0.151 on 41,990 shares)	<u>6</u>	<u>6</u>

Dividends on cumulative redeemable preference shares are paid half yearly at a rate of 6% per annum on the notional value of HK\$5 per preference share on 30 June and 31 December in each year. Unpaid dividends for the period of approximately HK\$6,000 (2004: HK\$6,000) were accrued as at 31 October 2005. Under the new classification of the cumulative redeemable preference shares as liabilities as required by HKAS 32, dividends are charged to income statement as part of finance costs (note 6).

Notes to Condensed Consolidated Interim Financial Statements

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the unaudited net loss attributable to equity holders of the parent for the six months ended 31 October 2005 of approximately HK\$6,647,000 (six months ended 31 October 2004 (restated): HK\$40,749,000) and on the weighted average number of 1,876,612,818 (2004: 1,676,509,557 ordinary shares) ordinary shares in issue for the six months ended 31 October 2005.

No diluted loss per share has been presented for the six months ended 31 October 2005 and 31 October 2004 as the convertible notes and cumulative redeemable preference shares outstanding during these periods had anti-dilutive effects on the basic loss per share for these periods.

10. JOINTLY CONTROLLED ENTITIES

	Unaudited 31 October 2005 HK\$'000	Audited 30 April 2005 HK\$'000
Share of net liabilities	(41,262)	(41,154)
Amounts due from jointly controlled entities	136,311	136,311
Amounts due to jointly controlled entities	(20)	(20)
Provision for impairment losses	(66,301)	(66,301)
	<u>28,728</u>	<u>28,836</u>

Included in the Group's interests in jointly controlled entities as at 31 October 2005 is the Group's share of net assets of 中環資源再生開發利用有限公司 ("中環資源") of approximately HK\$28,728,000 (30 April 2005: HK\$28,836,000).

The amounts due from/(to) these jointly controlled entities are unsecured, interest free and have no fixed terms of repayments.

Notes to Condensed Consolidated Interim Financial Statements

11. TRADE AND OTHER RECEIVABLES

	Unaudited 31 October 2005 HK\$'000	Audited 30 April 2005 HK\$'000
Trade debtors	1,777	–
Other receivables	31	796
	<u>1,808</u>	<u>796</u>

The ageing analysis of trade debtors is as follows:

1-3 months	1,723	–
Over 3 months	54	–
	<u>1,777</u>	<u>–</u>

12. TEMPORARY DEPOSITS, ACCOUNTS PAYABLE AND ACCRUALS

	Unaudited 31 October 2005 HK\$'000	Audited 30 April 2005 HK\$'000
Trade creditors	2,245	2,109
Temporary deposits, accruals and other payables	5,373	5,782
	<u>7,618</u>	<u>7,891</u>

The ageing analysis of trade creditors is as follows:

1-3 months	72	38
Over 3 months	2,173	2,071
	<u>2,245</u>	<u>2,109</u>

Notes to Condensed Consolidated Interim Financial Statements

13. CONVERTIBLE NOTES

The convertible notes (the "Convertible Notes") are to be matured on the third anniversary date from the date of 16 December 2002 on which they were issued by the Company. The Convertible Notes bear interest at the rate of 2% per annum payable semi-annually arrears. The whole of the principal amount of each Convertible Note of HK\$1,000,000 is convertible into ordinary shares of the Company at the option of the holder of Convertible Notes at the conversion price, being the lower of the fixed conversion price of HK\$0.05 per share subject to the adjustment or the floating conversion price as defined in the subscription agreement.

The fair values of the liability component and the equity conversion component of the convertible notes were determined at the date of issuance of the notes.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible notes. The residue amount, representing the value of the equity conversion component, is included in reserves.

The convertible notes recognised in the balance sheet are calculated as follows:

	Unaudited	Audited
	31 October	30 April
	2005	2005
		(Restated)
	HK\$'000	HK\$'000
Liability component at the beginning of the period	9,820	19,073
Interest expenses	244	771
Interest paid	(100)	(327)
Conversion of convertible notes	–	(9,697)
	<hr/>	<hr/>
Liability component at the end of the period	9,964	9,820

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 5% to the liability component.

Notes to Condensed Consolidated Interim Financial Statements

14. CUMULATIVE REDEEMABLE PREFERENCE SHARES

As at 31 October 2005 and 30 April 2004, 41,990 convertible cumulative redeemable preference shares ("CPS") of HK\$1 each are in issue.

A holder of the CPS is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK\$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK\$0.04 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

15. SHARE CAPITAL

	Ordinary shares of HK\$0.05 each ("Ordinary Shares")	
	Number of Shares	HK\$'000
Authorised:		
At 30 April 2005 and at 31 October 2005	<u>4,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 30 April 2005 and at 31 October 2005	<u>1,876,612,818</u>	<u>93,831</u>

16. CONTINGENT LIABILITIES

The Company entered into letters of guarantee with financial creditors to provide an unlimited corporate guarantee and an aggregate amount not exceeding HK\$10,000,000 to its wholly owned subsidiaries to secure general facilities granted to them.

Notes to Condensed Consolidated Interim Financial Statements

17. COMMITMENTS UNDER OPERATING LEASES

At 31 October 2005, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 31 October 2005 HK\$'000	Audited 30 April 2005 HK\$'000
Land and buildings		
– Within one year	<u>18</u>	<u>2,211</u>

18. CAPITAL COMMITMENTS

As set out in the annual financial statements for the year ended 30 April 2005, the subsidiaries of the Company, Keung Tai Holdings Limited and Advance Victory Investments Limited, had entered into joint venture agreements with independent third parties to establish two joint venture companies in the PRC. The subsidiaries agreed to contribute to the joint venture companies up to an aggregate amount of RMB49,000,000. On 31 October 2005, being the expiry date of the extended and final period for injection of the above outstanding contributions to joint venture companies, these subsidiaries had not yet made any contributions in respect of these investments. The Board of the Company and subsidiaries decided to surrender all rights and obligations under the joint venture agreements after consideration of any possible investment opportunities.

As neither the Company nor any other members of the Group has given any guarantee or other legally binding arrangements for the subsidiaries' obligations under the joint venture agreements, the Directors of the Company believe that there is no significant contingent liabilities or financial effects on the Group and Company arising from the above transactions.

19. SUBSEQUENT EVENTS

On 9 December 2005, all remaining convertible notes with fair value of HK\$10 million as at 31 October 2005 (comprised of liability component of approximately HK\$9,964,000) were converted into 200 million ordinary shares of HK\$0.05 each in the share capital of the Company at the conversion price of HK\$0.05 per share. The ordinary shares of the Company were then issued to the holders of conversion notes on 9 December 2005.

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

During the period under review, the Group recorded a turnover of approximately HK\$34 million, as compared to approximately HK\$9.9 million for the same period in 2004. The Group's loss attributable to shareholders for the six months ended 31 October 2005 was approximately HK\$6.6 million, as compared to a loss of approximately HK\$40.75 million in 2004.

Following the recent change of controlling shareholder and management team, the Group has been focusing on pursuing business expansion in the field of natural resources development, investment, trading and logistic in both Hong Kong and the PRC, with an aim to strengthen the assets and income base of the Group.

Given that the Group also intends to continue the existing business of the Group, which include but not limited to manufacturing and trading of recycled materials. Nevertheless, it is conducting a review on the business operation of the Group for the purpose of formulating business plans and strategies for the future business development of the Group.

During this transitional period, the operating results of the Group had been affected to a certain degree, when restructuring and reviewing the existing/acquiring assets is under progress. The board of directors believes that the new management is composed of experts with versatile corporate management related experience and this will elevate the Group in pursuing its future business expansion and development effectively in the long run.

As to financing aspect, the Group recognizes the flexibility to obtain diversified financial sources including credit facilities provided by financial institutions as well as other fund-raising from the capital market to facilitate future development plans of the Group. As such, the Group is determined to further reinforce its corporate governance, transparency in information dissemination and strengthen its share value.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 October 2005, the Group had current assets approximately HK\$21.9 million, current liabilities approximately HK\$17.6 million comprising of convertible notes of HK\$10 million. The current ratio stands at 1.2.

The Group's unaudited net asset value as at 31 October 2005 was approximately HK\$32.9 million.

Other than the pledge of the commercial complex in Malaysia to the bank consortium by the jointly controlled entities for obtaining the syndicated bank loan, the Group has also pledged to the financial institutions its investment in listed securities amounting to HK\$943,000 for securities margin financing as at 31 October 2005.

FOREIGN EXCHANGE EXPOSURE

Other than the property investment in Malaysia and investment in a jointly control entity in PRC, the Group's cash balance and other current assets are denominated in Hong Kong Dollars. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal.

CONTINGENT LIABILITIES

The Company entered into letters of guarantee with financial creditors to provide an unlimited corporate guarantee and an aggregate amount not exceeding HK\$10,000,000 to its wholly owned subsidiaries to secure general facilities granted to them.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2005, the Group had a total of 8 employees. The remuneration packages consist of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and the performance of individual staff. They are under periodic review based on individual merit and other market factors.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 October 2005 (2004: Nil).

Directors' Interests in Shares

As at 31 October 2005, the interests of the directors and chief executive of the Group and their respective associates in the equity, underlying shares and debentures of the Company or any of its associated corporations recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

LONG POSITION IN SHARES OF THE COMPANY

Name of Director	Type of Interests	Interests in ordinary shares	Approximate percentage of total issued ordinary shares	Interests in underlying shares/debentures	Approximate percentage of total issued ordinary shares
Mr. Li Qiao Feng	Personal	330,000	0.02%	-	-

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.

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 incentives 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).

As at 31 October 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 period under review, no share options were granted to the Directors under the Scheme.

At no time during the six months ended 31 October 2005, the Company or any of its subsidiaries a party to any arrangement 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 31 October 2005, so far as is known to the Directors, the following person (other than the Directors and Chief Executive 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	Interests in ordinary shares	Approximate percentage of total issued ordinary shares	Interests in underlying shares/debentures	Approximate percentage of total issued ordinary shares
China Times	Beneficial Owner	1,164,909,164	62.08%	-	-

Save as disclosed above, the Directors, are not aware of any other person 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.

Note: On 14 September 2005, China Times Development Holdings Limited ("China Times") (the new controlling shareholder of the Company) purchased 1,164,909,164 shares, which had been the subject of forced sale by the relevant pledge, on 8 August 2005 at HK\$0.033 per acquired share which was financed by its own financial resources. The acquired shares represented approximately 62.08% of the entire issued ordinary shares of the Company. On 2 December 2005, China Times received in respect of 69,698 shares in aggregate, representing less than 0.01% of the entire issued ordinary shares of the Company under the unconditional mandatory cash offer made by China Times in accordance with the Takeovers Code. Therefore, as at the date of this report, the numbers of aggregate shares of China Times are 1,164,978,862.

Purchase, Sale or Redemption of Securities

During the period 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 six months ended 31 October 2005.

Remuneration Committee

The Remuneration Committee of the Company was established, with specific terms of reference in compliance with Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Committee is responsible for making recommendations to the Board on the Company's policy and packages of employment for the Directors.

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 three independent non-executive Directors, Messrs. Wang Guoqi, Wang Qihong and Wong Sat. The audit committee and the auditors of the Company have reviewed the interim results for the six months ended 31 October 2005.

The condensed interim financial statements of the Company for the six months ended 31 October 2005 have been reviewed by the Company's auditors, Messrs Ting Ho Kwan & Chan Certified Public Accountants, in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. Regarding the Group's interest in one of the jointly controlled entities, 中環資源, the PRC auditors were also engaged to review the interim financial statements of 中環資源 for the period ended 31 October 2005. Both the Company's auditors and the PRC auditors are not aware of any material modifications that should be made to these interim financial statements for the period ended 31 October 2005.

Model Code for Securities Transactions

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealing the securities of the Company by the Directors. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required Standard as set out in the Model Code throughout the period.

Code on Corporate Governance Practices

The Company executed high standard of business ethics and corporate governance practices. The Board considers such commitment essential in achieving high level of transparency and accountability and it is to the best interests of the shareholders.

The Company has complied with all code provisions laying down in the Code on Corporate Governance Practices Appendix 14 of the Listing Rules throughout the accounting period for the six month ended 31 October 2005, except for the following provisions:-

CODE PROVISION A 4.1 AND A 4.2

Code A 4.1 specified that non-executive Directors should be appointed for a specific term, subject to re-election.

Code A 4.2 specified that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Directors of the Company do not have specific term of appointment. However, in accordance with Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office.

In compliance of Codes A 4.1 and A 4.2 in full, the Company has already amended the Bye-laws of the Company in respect of retirement of every Director (including the non-executive Director) at least once every 3 years for shareholders' approval at the annual general meeting.

As at the date of this report, Mr. Li Qiao Feng as chairman; Messrs. Zhang He and Chen Shengjie as executive directors and Messrs. Wang Guoqi, Wang Qihong, Wong Sat, Chen Baoying and Li Xin as independent non-executive directors.

By Order of the Board
China National Resources Development Holdings Limited
Li Qiao Feng
Chairman

Hong Kong, 26 January 2006