

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China National Resources Development Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the financial year ended 30 April 2006.

Results

During the year under review, the Group recorded a revenue of approximately HK\$76 million (2005: HK\$49 million), representing an increase of approximately 55% against the prior year. Net loss attributable to shareholders amounted to approximately HK\$5.6 million (2005: net loss HK\$46 million). Basic loss per Share for the year was HK0.29 cents (2005: HK2.65 cents).

Final Dividend

The Board of Directors do not recommend the payment of a final dividend for the year ended 30 April 2006.

Business Review and Prospects

During the year under review, the Group recorded a revenue of approximately HK\$76 million, as compared to approximately HK\$49 million for the same period in 2005. The Group's loss attributable to shareholders for the financial year ended 30 April 2006 was approximately HK\$5.6 million, as compared to a loss of approximately HK\$46 million in 2005.

The Group is principally engaged in the businesses of securities trading and investments, property investment and management consultancy. As also mentioned in the Company's interim report for the six months ended 31 October 2005, the Group intends to continue its existing business.

During the year under review, no revenue was generated from the Group's property investment and management consultancy businesses. During the same period, short term investment in listed securities remained the primary operation of the Group. The Group invested in a variety of the securities consisting of blue chips, second and third liners stocks in terms of market capitalization. For the financial year ended 30 April 2006, revenue derived from the Group's corporate investment and trading in securities business amounted to approximately HK\$76 million. However, as a result of the volatility of the equity market which adversely affected the performance of the securities portfolio held by the Group, such business incurred a gross profit of approximately HK\$0.57 million for the year ended 30 April 2006. Notwithstanding this, in view of the continuous improvement in the economy and stock market sentiment of Hong Kong, the Directors are optimistic on the Group's securities trading and investment business. To capitalize on such improvement, the Group will continue to place emphasis on its securities trading and investment business.

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In the coming year, the Company will converge its human resources and capital assets to enlarge its development and investment of its new businesses. With existing edges, the Company will capture any future industry opportunities, implement the nationwide expansion strategy, pursue acquisition and consolidate resources in order to achieve better development. In this regard, taking the advantage of the current overall business environment in the PRC with maintaining a steady growth of GDP recording a 11.1% increase, while per capita GDP is growing at 8.1% for 2005, the Company is planning to capture potential investment in construction of storage spaces in the PRC for crude oil chemical products for rental investment purpose. In addition, the Company is also planning to explore new business in the field of coal and metal mining consumer products development and investment in the PRC, so as to enhance the Group's asset portfolio and generate a more steady source of income.

In the years ahead, in addition to the businesses outlined above, the Group will proactively identify new potential markets and other suitable investment opportunities and/or attractive opportunities with aims to further develop its business and strengthen its earning potential, income base and asset base.

Liquidity and Financial Resources

As at 30 April 2006, the Group's current ratio, based on the current assets of HK\$17.4 million and current liabilities of HK\$3.4 million, was 5.12. The Group's gearing ratio, based on non-current liabilities of HK\$69,000 and shareholders' equity of HK\$43 million, was insignificant.

As at 30 April 2006, the Group's cash was about HK\$7.8 million whereas total liabilities including cumulative redeemable preference shares were about HK\$3.5 million. The Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

Bank Borrowings and Pledge of Assets

As at 30 April 2006, the Group had neither bank borrowings nor assets pledged to fund/loan providers.

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Capital Structure

During the year under review, the Company issued 203,875,000 ordinary shares (par value of HK\$0.05 each) upon conversion of convertible notes and cumulative redeemable preference shares. As at the balance sheet date, the total number of issued and fully paid ordinary shares of the Company was 2,080,487,818 amounted to HK\$104,024,391.

Foreign Exchange Exposure

The Group's cash balance and short term investments are in the currency of Hong Kong Dollars. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal and the Group had not employed any financial instrument for hedging purpose.

Material Acquisitions and Disposals of Subsidiaries

The Group has not made any material acquisition of subsidiaries during the year ended 30 April 2006.

Details of subsidiaries disposed during the year are set out in note (11) to the accounts.

Contingent Liabilities

As at 30 April 2006, the Group had no contingent liabilities.

Employees, Remuneration Policy and Share Option Scheme

As at 30 April 2006, the Group had 10 employees (2005: 18). The remuneration package consists 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 performance. They are under periodic review based on individual merit and other market factors.

The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

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Appreciation

I would like to express my greatest appreciation to the entire staff of the Group for their hard work and efforts. I would also like to extend my gratitude to the investors, business partners, and shareholders for their support and confidence in the Group over the past years. Thanks to our dedicated staff, the support of our shareholders and the trust of our partners, I am highly confident that the Group will continue to grow and create significant value to the consumers of our services, which shall generate significant shareholder value. I look forward to sharing with you more positive developments in years to come.

Li Qiao Feng

Chairman

Hong Kong, 28 August 2006