

# CNRD

China National Resources Development Holdings Limited

中國資源開發集團有限公司

(Stock Code 股份代號: 00661)



*Interim Report*  
**2006**

## Interim Results

The board of directors (the "Board") of China National Resources Development Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2006. The interim results for the six months ended 31 October 2006 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 2006

		Unaudited Six months ended 31 October	
		2006	2005
	Notes	HK\$'000	HK\$'000
REVENUE	3	10,946	34,214
COST OF SALES		(10,939)	(34,670)
GROSS PROFIT/(LOSS)		7	(456)
OTHER REVENUE	4	1,073	215
GENERAL AND ADMINISTRATIVE EXPENSES		(1,899)	(3,923)
LOSSES ON CHANGES IN FAIR VALUE OF INVESTMENTS HELD FOR TRADING		(819)	(4,164)
OPERATING LOSS	5	(1,077)	(5,605)
FINANCE COSTS	6	(3)	(389)
SHARE OF LOSS OF A JOINTLY CONTROLLED ENTITY		(1,080)	(5,994)
LOSS FOR THE PERIOD		(1,206)	(6,647)
		HK cents	HK cents
BASIC LOSS PER SHARE	9	(0.04)	(0.35)

## Condensed Consolidated Balance Sheet

As at 31 October 2006

		Unaudited 31 October 2006	Audited 30 April 2006
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		119	124
Jointly controlled entities	10	29,430	28,995
<b>TOTAL NON-CURRENT ASSETS</b>		<b>29,549</b>	<b>29,119</b>
<b>CURRENT ASSETS</b>			
Investments held for trading		6,779	6,660
Trade and other receivables	11	2,901	2,906
Cash and bank balances		68,233	7,825
<b>TOTAL CURRENT ASSETS</b>		<b>77,913</b>	<b>17,391</b>
<b>CURRENT LIABILITIES</b>			
Other payables	12	3,318	3,388
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,318</b>	<b>3,388</b>
<b>NET CURRENT ASSETS</b>		<b>74,595</b>	<b>14,003</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>104,144</b>	<b>43,122</b>
<b>NON-CURRENT LIABILITIES</b>			
Cumulative redeemable preference shares	14	110	69
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>110</b>	<b>69</b>
<b>NET ASSETS</b>		<b>104,034</b>	<b>43,053</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	156,036	104,024
Reserves		(52,002)	(60,971)
<b>TOTAL EQUITY</b>		<b>104,034</b>	<b>43,053</b>

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 October 2006

	Unaudited Six months ended 31 October	
	2006	2005
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(2,203)	1,044
Net cash generated from investing activities	947	331
Net cash generated from/(used in) financing activities	61,664	(239)
Increase in cash and cash equivalents	60,408	1,136
Cash and cash equivalents at 30 April	7,825	10,447
Cash and cash equivalents at 31 October	68,233	11,583

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2006 — Unaudited

	Share capital	Share premium	Convertible notes reserves	Capital redemption reserve	Exchange Reserve	Accumulated losses	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2006	104,024	754,414	—	2,241	(38,244)	(779,382)	43,053
Issue of ordinary shares	52,012	10,402	—	—	—	—	62,414
Shares issue expenses	—	(788)	—	—	—	—	(788)
Exchange differences arising on translation of jointly controlled entity	—	—	—	—	561	—	561
Loss for the period	—	—	—	—	—	(1,206)	(1,206)
<b>At 31 October 2006</b>	<b>156,036</b>	<b>764,028</b>	<b>—</b>	<b>2,241</b>	<b>(37,683)</b>	<b>(780,588)</b>	<b>104,034</b>
At 1 May 2005	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)
<b>At 31 October 2005</b>	<b>93,831</b>	<b>754,414</b>	<b>1,331</b>	<b>2,241</b>	<b>(38,485)</b>	<b>(780,423)</b>	<b>32,909</b>

# Notes to Condensed Consolidated Interim Financial Statements

## 1. Basis of Preparation

The unaudited 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 used 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 2006.

## 2. Principal Accounting Policies

The unaudited condensed interim financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value.

HKICPA has issued a number of new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1 January 2006. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these unaudited condensed consolidated interim financial statements.

The Group has not early adopted the standards and interpretations that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group's accounting policies.

### 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 Revenue Six months ended 31 October		Unaudited Segment results Six months ended 31 October	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment and Management consultancy	—	—	(62)	(2,162)
Corporate investment and trading in securities	10,946	34,214	102	(569)
	<u>10,946</u>	<u>34,214</u>	<u>40</u>	<u>(2,731)</u>
Losses on changes in fair value of investments held for trading			(258)	(1,441)
Unallocated costs less income			(862)	(1,822)
Share of loss of a jointly controlled entity			(1,080)	(5,994)
			(126)	(653)
Loss for the period			<u>(1,206)</u>	<u>(6,647)</u>

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

## 4. Other Revenue

	Unaudited Six months ended 31 October	
	2006	2005
	HK\$'000	HK\$'000
Interest income	965	11
Gain on disposal of fixed assets	—	166
Miscellaneous income	19	38
Dividend income	89	—
	<b>1,073</b>	<b>215</b>

## 5. Operating Loss

Operating loss has been arrived at after charging:

	Unaudited Six months ended 31 October	
	2006	2005
	HK\$'000	HK\$'000
Staff costs, including directors' emoluments		
— Salaries and allowances	506	810
— Retirement benefits schemes contributions	9	31
Depreciation	23	20
Operating leases — land and buildings	319	1,093

## 6. Finance Costs

	Unaudited Six months ended 31 October	
	2006	2005
	HK\$'000	HK\$'000
Interest on other loans	—	139
Interest on convertible notes	—	244
Dividends on cumulative redeemable preference shares (Note 8)	3	6
	<b>3</b>	<b>389</b>



## 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.

Deferred tax assets has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams.

## 8. Dividends on Cumulative Redeemable Preference Shares

	Unaudited Six months ended 31 October	
	2006	2005
	HK\$'000	HK\$'000
Payable of HK\$0.2 per share on 16,485 shares (2005: Payable of HK\$0.151 on 41,990 shares)	3	6

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\$3,000 (2005: HK\$6,000) were accrued as at 31 October 2006.

## 9. Basic 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 2006 of approximately HK\$1,206,000 (six months ended 31 October 2005: HK\$6,647,000) and on the weighted average number of 2,821,096,253 (2005: 1,876,612,818 ordinary shares) ordinary shares in issue for the six months ended 31 October 2006.

No diluted loss per share has been presented for the six months ended 31 October 2006 and 31 October 2005 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 2006	Audited 30 April 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(40,560)	(40,995)
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)
	<b>29,430</b>	<b>28,995</b>

Included in the Group's interests in jointly controlled entities as at 31 October 2006 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\$29,430,000 (30 April 2006: HK\$28,995,000).

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

## 11. Trade and Other Receivables

	Unaudited 31 October 2006	Audited 30 April 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	2,580	2,333
Other receivables	32	27
Prepayments and deposits	289	546
	<b>2,901</b>	<b>2,906</b>
The ageing analysis of trade debtors is as follows:		
0 – 3 months	2,580	2,333

## 12. Other Payables

	Unaudited 31 October 2006	Audited 30 April 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Temporary deposits, accruals and other payables	3,318	3,388

## 13. Convertible Notes

All convertible notes were matured and converted into ordinary shares of the company in the financial year ended 30 April 2006.

#### 14. Cumulative Redeemable Preference Shares

During the period, 5495 convertible cumulative redeemable preference shares ("CPS") were issued on the basis of one offer CPS for every two CPS held on 18 May 2006 at subscription price of HK\$7.50 pursuant of open offer as set out in the Circular dated 1 June 2006.

As at 31 October 2006, 16,485 CPS (30 April 2006: 10,990 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\$0.036 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 of 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	2006 HK\$'000
Authorised:		
At 30 April 2006 and at 31 October 2006	<u>4,000,000,000</u>	200,000
Issued and fully paid:		
At 30 April 2006	2,080,487,818	104,024
Issue of shares	<u>1,040,243,909</u>	52,012
At 31 October 2006	<u>3,120,731,727</u>	156,036

During the period, 1,040,243,909 ordinary shares were issued on the basis of one offer share for every two shares held on 18 May 2006 at subscription price of HK\$0.06 per share pursuant of open offer as set out in the Circular dated 1 June 2006.



## 16. Contingent Liabilities

There were no material contingent liabilities under the Group as at 30 April 2006 and 31 October 2006.

## 17. Commitments under Operating Leases

At 31 October 2006, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 31 October 2006	Audited 30 April 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings – Within one year	<b>593</b>	215

## 18. Events after balance sheet date

On 12 December 2006, Ample Year Limited, a wholly owned subsidiary of the Company entered into a framework agreement in respect of the acquisition of mineral resources in the Republic of Mongolia owned by China Reservoir Mining Limited.

In accordance with the framework agreement, the Company shall issue 1 billion new shares at HK\$0.30 per share to acquire 51% interests in China Reservoir Mining Limited. The above terms shall be prescribed in the formally signed sale and purchase agreement upon completion of due diligence performed by the Company.



## Management Discussion and Analysis

### Business Review and Future Prospects

For the six months ended 31 October 2006, the Group recorded an unaudited loss attributable to shareholders of approximately HK\$1.2 million. As at 31 October 2006, the Group's net asset value was HK\$104 million. The Group's total assets and total liabilities were HK\$107 million and HK\$3 million respectively.

The Group is principally engaged in the businesses of securities trading and investments, property investment, management consultancy and natural resources in the PRC. During the period under review, no revenue was generated from the Group's property investment and management consultancy businesses. However, given that the China economy maintained continuous growth with GDP of RMB9,144.3 billion in the first half of 2006, representing an increase of 10.9% over the same period last year, the Group will continue to develop its property investment related business in the PRC.

For the six months ended 31 October 2006, 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. During the period under review, turnover derived from the Group's corporate investment and trading in securities business amounted to approximately HK\$11 million.

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. Following completion of the open offer as disclosed in the announcement of the Company dated 21 June 2006, the working capital position of the Group has been enhanced enabling the Group to pursue and take advantage of future investment opportunities as they may arise from time to time.

In order to enhance the Group's income base, the Group is planning to capture potential acquisitions of mineral resources development and investment or related businesses in the PRC or other potential countries. On 12 December 2006, a wholly-owned subsidiary of the Company entered into a framework agreement with an independent third party in respect of a proposed acquisition of mineral resources in The Republic of Mongolia. As at the date of this report, the said proposed acquisition is still under negotiation.

By building on its existing assets base with diversified investment portfolio, the Group is confident in bringing satisfactory and long-term benefits to its loyal shareholders by taking advantage of any new opportunities lying ahead.

## Liquidity and Capital Resources

As at 31 October 2006, the Group had cash and bank balance of HK\$68 million with net current assets totaling to HK\$75 million with current ratio, based on the current assets of approximately HK\$77.9 million and current liabilities of approximately HK\$3.3 million, of 23.6. The Group's gearing ratio, based on non-current liabilities of HK\$110,000 and shareholders' equity of HK\$104 million, was insignificant.

As at 31 October 2006, the Group had neither bank borrowings nor assets pledged to fund/loan providers.

The Group believes that liquid assets, funds and future revenue will be sufficient to finance future expansion and working capital requirement.

## Employees and Remuneration Policies

As at 31 October 2006, the Group had a total of 9 employees (including Hong Kong and PRC offices). The remuneration packages consist of basic salary, mandatory provident fund 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.

## Foreign Exchange Exposure

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 and the Group had not employed any financial instruments for hedging purpose.

## Contingent Liabilities

The Group has no material contingent liabilities as at 31 October 2006.

## Interim Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 October 2006 (2005: Nil).

## Directors' Interests in Shares

As at 31 October 2006, the interests of the directors and chief executive of the Group and their respective associates in the equity or debt securities of the Group or any of its associated corporations recorded in the register maintained by the Group 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, were as follows:

### Long position in shares of the Company

Name of director	Capacity	Number of the issued shares held	Percentage of issued ordinary share capital
China Times ( <i>Note</i> )	Beneficial owner	1,747,468,293 (L)	56.00%
Mr. Wang Jian Sheng ( <i>Note</i> )	Corporate	1,747,468,293 (L)	56.00%
Mr. Li Qiao Feng	Beneficial owner	330,000	0.01%
Mayrich Developments Limited	Beneficial owner	203,875,000 (L)	6.53%

*Note:* The interests in these Shares are held by China Times Development Holdings Limited ("China Times"), the entire issued share capital of which is wholly and beneficially owned by Mr. Wang Jian Sheng who is the sole shareholder and sole director of China Times. In addition to the above, China Times and Mr. Wang are also deemed to be interested in 1,747,468,293 Shares.

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.

## Share Options

The share option scheme of the Company adopted on 27 October 1998 had been terminated. Subsequently a new share option scheme (the "Scheme") was approved and adopted at the special general meeting of the Company held on 13 October 2003. Unless otherwise terminated or amended, the Scheme will remain in force for ten years from date of adoption to 13 October 2013.

The purpose of the Scheme is a share incentives scheme to enable the Company to grant options to directors and employees or 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 at 31 October 2006, there was neither any option granted under the Scheme nor outstanding.

## Substantial Shareholders' Interests in Securities

As at 31 October 2006, so far as is known to the Directors, the following persons (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	Nature of interest	Ordinary shares held	Percentage of the issued shares
China Times (Note 1)	Beneficial owner	1,747,468,293	56.00%
Mayrich Development Limited (Note 2)	Beneficial owner	203,875,000	6.53%



*Notes:*

1. These shares are held by China Times Development Holdings Limited ("China Times"), which is beneficially wholly owned by Mr. Wang Jian Sheng.
2. Mayrich Development Limited is wholly and beneficially owned by Mr. Li Jian Ping who is not a connected person of the Company within the meaning of the Listing Rules, and therefore Mr. Li Jian Ping is deemed to be interested in these Shares held by Mayrich Development Limited.

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.

## Directors' Interest in Contracts of Significance

Save as disclosed, no contracts significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 October 2006 or during the period under review.

## Equity

As at 31 October 2006, the total number of issued and fully paid ordinary shares of the Company was 3,120,731,727 amounted to HK\$156,036,586; and there were 16,485 CPS of HK\$1 each in issue at 31 October 2006.

## Purchase, Sale or Redemption of Securities

Save as disclosed, 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.



## 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 of the Company. The audit committee of the Company has reviewed the interim results for the six months ended 31 October 2006.

## Remuneration Committee

The Remuneration Committee of the Company has been established, with specific terms of reference in compliance with the Code of Corporate Governance Practice as set out in Appendix 14 to the Listing Rules. The Committee is responsible for making recommendations to the board on the Group's policy and structure for specific remuneration packages and conditions of employment for the directors.

A Remuneration Committee has been established in accordance with the requirements of the CG Code. The Remuneration Committee comprises all three independent non-executive directors.

## Model Code for Securities Transactions

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards 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.



None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not throughout the period under review, in compliance with the Code on Corporate Governance Practices ("CG Code"), as set out in Appendix 14 to the Listing Rules (except code A4.1 – which specifies term that non-executive directors should be appointed for a specific term, subject to the re-election and code A4.2 – which specifies that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years). However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice are no less exacting than those in the Code.

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

Hong Kong, 29 January 2007

*As at the date of this report, the Board comprises Mr. Li Qiao Feng as the executive Director and Chairman, Messrs. Wang Jiang Sheng, Zhang He and Chen Shengjie as the executive Directors and Messrs. Wang Guoqi, Wang Qihong and Wong Sat as the independent non-executive Directors.*