



REPORT FROM THE CHIEF EXECUTIVE OFFICER

REVIEW

For the year under review, the Group reported a consolidated turnover of HK\$17,366,000 (2005: HK\$15,634,000) and gross profit of HK\$9,306,000 (2005: HK\$8,587,000) from continuing operations, representing an increase of 11% and 8% respectively as compared with last year. In line with the redefined corporate strategy on high-value added products, the trading activities and property investment operation were discontinued during the year and the profit from discontinued operations attributable to the Group amounted to HK\$10,950,000 (2005: loss of HK\$29,991,000). The Group performed an impairment review for goodwill which is allocated to the processing and storage of cord blood business. Due to the fact that there were new competitors entered into the market in recent years, an impairment loss of HK\$7,400,000 was made during the year. The Group's loss attributable to shareholders was HK\$8,244,000 (2005: HK\$55,200,000).

Continuing Operations

Rutile Mining

The Group commenced its business in mining since November 2006 upon the acquisition of 57% of Lead Sun Investments Limited and its subsidiaries ("Lead Sun Group"). Lead Sun Group is principally engaged in exploration and exploitation of natural rutile and processing and trading of rutile and titanium related products. The rutile mine covering an area of two square kilometers with an estimated exploration potential of approximately 1.9 million tonnes and plans to develop an annual production capacity of 21,400 tonnes of rutile concentrate. The Group also plans to build a facility to produce titanium tetrachloride and titanium sponge from rutile concentrate. The rutile mine is under construction and did not generate revenue to the Group during the year.

Umbilical Cord Blood Storage

During the year, revenue from the umbilical cord blood storage service amounted to HK\$17,366,000 (2005: HK\$15,634,000), with an increase of 11%.

Discontinued Operations

Investment

The rental income generated from GITIC Plaza was HK\$7,796,000 for the ten months (2005: HK\$8,684,000). Upon the completion of the transfer of the entire issued share capital of a subsidiary which ultimately owns 100% interest of the GITIC Plaza as partial consideration for the acquisition of Lead Sun Group, the Group's property investment operation was discontinued in November 2006.

During the year under review, the Group invested in some listed securities. In line with the redefined corporate strategy, the trading of investment was discontinued during the year.

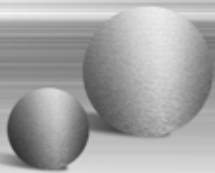
International Trade

Due to the low profit margin for the trading of pharmaceutical ingredients and chemicals and other miscellaneous products, the Group also discontinued the trading business during the year.

PROSPECTS

In view of the sustaining reliance on the sufficient sources of natural resources for the development of China over the couple of years. The Group had acquired 57% of equity interest in Lead Sun Group which is principally engaged in rutile related business. Rutile is the raw material for titanium tetrachloride and titanium sponge. Titanium has a wide range of applications including aerospace, military, and industrial and consumer products. Given the continuing increase in the demand and application of titanium, we are confident that the investment will produce considerable return to the Group in the future.

Apart from the aforesaid acquisition of Lead Sun Group, the rutile operation, the Group continue to strive for strategic acquisition and had entered into an acquisition agreement to acquire a 75.08% equity interest in Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang"), a PRC-based company which specializes in mining and processing of molybdenum, copper and zinc, as announced on 11 March 2007.



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PROSPECTS *(CONTINUED)*

The completion of the acquisition of Harbin Songjiang will provide the Group with an immediate stream of revenue and brings in a team of experts in the mining industry which will strengthen our operational capabilities in mining activities.

The Group will be continuously searching for other opportunity to build a portfolio of strong mining businesses with an emphasis on high value added products. This is crucial for the Group's transformation into a substantial participant and ultimately a leading player in the mining sector.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2006, the Group had total assets and net assets amounted to HK\$2,172,179,000 (2005: HK\$297,041,000) and HK\$1,932,420,000 (2005: HK\$227,427,000) respectively. The current ratio was 2.2, as compared to 4.5 as of last year end. The Group had bank balances and cash, amounted to HK\$449,087,000 (2005: bank balance, cash and pledged deposits amounted to HK\$97,268,000), of which most of them were denominated in Hong Kong dollars. The Group had a total borrowing from minority shareholders of HK\$150,500,000 as at the balance sheet date and the total bank borrowing of HK\$32,910,000 as of last year end were fully repaid during the year. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 13.4% (2005: 14.5%). As part of the Group's assets and liabilities are denominated in Renminbi, in order to minimize the foreign currency risk, the Group aims to utilize the fund for transactions that are denominated in the same currency.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed above for the acquisition of Lead Sun Group, disposal of a subsidiary which ultimately owns 100% of interests in GITIC Plaza as part of the consideration for acquiring Lead Sun Group which has been completed during the year, and other discontinued businesses, there were no material acquisitions or disposals of subsidiaries during the year.

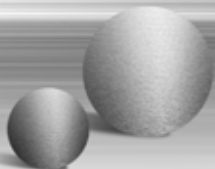
Human Resources

As at 31 December 2006, the Group had 33 and 28 employees in Hong Kong and Mainland China respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 26 June 2002, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.



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COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

Throughout the year ended 31 December 2006, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provision of the Code, except for the deviation from the Code Provision A.4.1 as two of the independent non-executive directors were not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company comprises Dr. Tang Tin Sek, Mr. Chan Siu Tat and Mr. Wong Hon Sum, all of them are independent non-executive directors. The consolidated financial statements of the Group for the year ended 31 December 2006 have been reviewed by the audit committee.

APPRECIATION

On behalf of the Board, I would take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board
China Mining Resources Group Limited

Luk Kin Peter Joseph
Deputy Chairman & Chief Executive Officer

Hong Kong, 10 April 2007