中國鎳資源控股有限公司
CHINA NICKEL RESOURCES HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02889)

2009 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2009 Full Year *RMB'000*	**Change (Y on Y)** *%*	**2009 Second Half** *RMB'000*	**2009 First Half** *RMB'000*	2008 Full Year *RMB'000*	2008 Second Half *RMB'000*	2008 First Half *RMB'000*
Revenue/Turnover	**887,734**	**(40%)**	**381,015**	**506,719**	1,481,594	468,856	1,012,738
Gross (Loss)/Profit	**(196,175)**	**N/A**	**(106,314)**	**(89,861)**	152,334	(51,299)	203,633
(Loss)/Earning before Interest, Tax, Depreciation and Amortization ("(LBITDA)"/"EBITDA")	**(221,447)**	**N/A**	**(193,286)**	**(28,161)**	223,617	(28,636)	252,253
(Loss)/Profit before Tax	**(439,317)**	**N/A**	**(329,374)**	**(109,943)**	(24,163)	(138,684)	114,521
(Loss)/Profit Attributable to Owners of the Parent	**(332,145)**	**N/A**	**(252,295)**	**(79,850)**	37,361	(59,982)	97,343
Gross (Loss)/Profit Margin	**(22%)**	**N/A**	**(28%)**	**(18%)**	10%	(11%)	20%
(LBITDA)/EBITDA Margin	**(25%)**	**N/A**	**(51%)**	**(6%)**	15%	(6%)	25%
(Loss)/Profit before Tax Margin	**(49%)**	**N/A**	**(86%)**	**(22%)**	(2%)	(30%)	11%
Net (Loss)/Profit Margin	**(37%)**	**N/A**	**(66%)**	**(16%)**	3%	(13%)	10%

The board of directors (the "Board" or the "Directors") of China Nickel Resources Holdings Company Limited (the "Company") is pleased to announce that the audited consolidated turnover of the Company and its subsidiaries (the "Group") for the year 2009 was approximately RMB887.7 million, representing a decrease of 40% as compared to 2008. Audited loss attributable to owners of the parent was approximately RMB332.1 million. Audited basic loss per share for 2009 was RMB0.159. Basic loss per share was calculated based on the loss attributable to the owners of the parent of RMB332.1 million divided by the weighted average of 2,093.3 million shares in issue in 2009. The Directors do not recommend the payment of final dividend for the year ended 31 December 2009. The audited consolidated financial statements for the year ended 31 December 2009 have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**2009** **RMB'000**	2008 *RMB'000*
Revenue	*4*	**887,734**	1,481,594
Cost of sales		**(1,083,909)**	(1,329,260)
Gross (loss)/profit		**(196,175)**	152,334
		(22%)	10%
Other income and gains	*4*	**110,497**	275,445
Selling and distribution costs		**(24,909)**	(30,754)
Administrative costs		**(133,999)**	(138,839)
Finance costs	*6*	**(86,500)**	(153,943)
Other expenses		**(108,231)**	(128,406)
Loss before tax	*5*	**(439,317)**	(24,163)
Income tax credit	*7*	**108,759**	62,337
(Loss)/profit for the year		**(330,558)**	38,174
Attributable to:			
Owners of the parent	*8*	**(332,145)**	37,361
Minority interests		**1,587**	813
		(330,558)	38,174
Dividends		**—**	31,320
(Loss)/Earnings per share attributable to ordinary equity holders of the parent			
— Basic *(RMB)*	*8*	**(0.159)**	0.018
— Diluted *(RMB)*	*8*	**N/A**	0.016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(330,558)**	38,174
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Exchange differences on translation of foreign operations	**15,395**	(18,870)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**15,395**	(18,870)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(315,163)**	19,304
ATTRIBUTABLE TO:		
Owners of the parent	**(316,750)**	18,491
Minority interests	**1,587**	813
	(315,163)	19,304

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

		Group	
		2009	2008
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**939,834**	1,000,042
Construction in progress		**507,159**	217,704
Prepaid land lease payments		**391,865**	203,639
Goodwill		**58,394**	58,394
Intangible asset		**2,640,288**	2,656,572
Deferred tax assets		**226,530**	112,505
Investment in an associate		**50**	—
Other non-current assets		**38,351**	70,760
Total non-current assets		**4,802,471**	4,319,616
Current assets			
Inventories		**879,278**	1,008,220
Trade and notes receivables	*9*	**49,826**	137,704
Prepayments, deposits and other receivables		**287,543**	146,139
Pledged time deposits		**387,055**	526,912
Cash and cash equivalents		**292,745**	917,763
Total current assets		**1,896,447**	2,736,738
TOTAL ASSETS		**6,698,918**	7,056,354
Current liabilities			
Trade and notes payables	*10*	**579,294**	808,337
Other payables and accruals		**376,369**	210,506
Interest-bearing bank and other borrowings		**401,089**	236,089
Current portion of convertible bonds		**1,336,076**	145,859
Tax payable		**7,417**	16,620
Total current liabilities		**2,700,245**	1,417,411
NET CURRENT (LIABILITIES)/ASSETS		**(803,798)**	1,319,327
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,998,673**	5,638,943

	Group	
	2009	2008
	RMB'000	*RMB'000*
Non-current liabilities		
Interest-bearing bank and other borrowings	**98,439**	120,457
Convertible bonds	**—**	1,382,398
Deferred tax liabilities	**27,917**	25,921
Total non-current liabilities	**126,356**	1,528,776
NET ASSETS	**3,872,317**	4,110,167
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**210,006**	209,961
Equity component of convertible bonds	**45,920**	54,043
Reserves	**3,495,165**	3,791,159
	3,751,091	4,055,163
Minority interests	**121,226**	55,004
TOTAL EQUITY	**3,872,317**	4,110,167

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 March 2004 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The principal place of business of the Group is located at No.24, Jinshui Road, Zhengzhou, Henan Province, the People's Republic of China (the "PRC"). The principal place of business of the Company is Room 917 and 918, 9th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activities of the Company are investment holding and trading of ore. The Group is principally engaged in manufacturing and sale of special steel products in the PRC.

In the opinion of the directors of the Company (the "Directors"), Easyman Assets Management Limited ("Easyman"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Dong Shutong, is the ultimate holding company of the Group.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Interpretations of the Standing Interpretations Committee approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of presentation

The Group incurred a loss of RMB330,558,000 during the year ended 31 December 2009. As at 31 December 2009, the Group had net current liabilities of RMB803,798,000, which included bank and other borrowings of RMB401,089,000 and the "HK$2,000,000,000 zero coupon convertible bonds due 2012" issued on 12 December 2007 ("Zero Coupon Convertible Bonds") of RMB1,336,076,000. The Zero Coupon Convertible Bonds are redeemable by their holders on 12 December 2010, at their option, based on the outstanding principal amount of Zero Coupon Convertible Bonds of HK$1,405,000,000 multiplied by 117.68%.

To better confront the global economic downturn, the Group began to upgrade its existing production facilities of subsidiaries in Henan Province, the PRC to produce more value-added products with higher margins since early 2009. Trial production of these subsidiaries has been commenced in early 2010 with satisfactory results and management planned mass production in the second quarter of 2010.

Besides, in October 2009, the Group acquired Lianyungang City East Harvest Mining Company Limited (formerly known as Lianyungang Yinlijia Enterprise Company Limited) in Lianyungang, the PRC (the Group's major port in the PRC for importing iron ores under the exclusive offtake right as mentioned in note 16) to enhance its expansion plan due to its favourable location that could save huge domestic transportation and storage costs. Immediate following the acquisition, the Group commenced constructing a new plant at Lianyungang City East Harvest Mining Company Limited to produce ferro-nickel using the Group's internally developed new technology "Non-coke Reduction Refinery Technology" which was successfully developed in October 2007 and subsequently taken into experimental production in one of the Group's subsidiaries in Henan Province, the PRC with satisfactory results. By using thermal coal, instead of coking coal, the production costs for the ferro-nickel products will be significantly lower. The construction of these production facilities will be completed in June 2010 and management expects production will be commenced in July/August 2010.

Management believes that the aforesaid production of the Group could significantly improve the profitability, sustain long term growth and strengthen the cash flow position of the Group as a whole in the near future.

In order to strengthen the working capital of the Group and to improve the Group's financial position and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) On 16 April 2010, the Company signed an agreement with a bank which indicates its willingness to arrange a financing of approximately US$200 million that is subject to conditions set out therein the agreement including, amongst others, the bank's internal approval and signing of the formal documentation relating to the financing. The Directors expect that the formal financing arrangement with the bank will likely be concluded with the bank before August 2010.

(b) On 15 April 2010, the Company invited each holder of Zero Coupon Convertible Bonds, by way of a solicitation memorandum of 15 April 2010 sent to them, to enter into an "Agreement" with the Company to the effect that such bondholder will not exercise its right to require the Company to redeem its Zero Coupon Convertible Bonds held by such bondholder pursuant to the condition 8(D), in relation to the redemption option, of Zero Coupon Convertible Bonds in consideration for the payment by the Company to such bondholder. Holders of Zero Coupon Convertible Bonds entered into the Agreement with the Company shall be eligible to receive HK$20,000 per HK$100,000 in the principal amount of Zero Coupon Convertible Bonds. Further details of which are set out in the Company's announcement of 15 April 2010.

    Up to the approval date of these financial statements, certain holders of Zero Coupon Convertible Bonds entered into the Agreement with the Company and agreed not to exercise their right to redeem their Zero Coupon Convertible Bonds pursuant to the condition 8(D) of Zero Coupon Convertible Bonds in a total principal amount of HK$210,700,000, further details of which are set out in the Company's announcement as at 23 April 2010.

(c) On 29 December 2009, the Company obtained two standby facilities, provided by Easyman and a shareholder, totalling to HK$130 million with 24 months' effective period from 30 December 2009 onwards. Up to the approval date of these financial statements, the Group had not drawn down any of these facilities.

(d) The Group has been actively negotiating with PRC banks for the renewal of PRC bank borrowings when those borrowings fall due in 2010.

On the basis that the Group would obtain the financing from the bank, the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORT STANDARDS ("IFRSS")

The Group has adopted the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB which are or have become effective.

IFRS 1 and IAS 27 (Amendments)	*First-time Adoption of IFRSs and Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate*
IFRS 2 (Amendments)	*Share-based Payment — Vesting Conditions and Cancellations*
IFRS 8	*Operating Segments*
IFRS 7 (Amendments)	*Financial Instruments: Disclosures — Improvement Disclosures about Financial Instruments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 18 (Amendment)	*Revenue — Determining whether an entity is acting as a principal or as an agent (Appendix)*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 (Amendments)	*Financial Instruments: Presentation and Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 9 and IAS 39 (Amendments)	*Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement — Embedded Derivatives*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC 18	*Transfers of Assets from Customers*
Annual Improvements Project	*Improvements to IFRSs (issued in May 2008)*

Other than as further explained below regarding the impact of IAS 1 (Revised), the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

IAS 1 (Revised) Presentation of Financial Statements

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

IFRS 1 (Revised)	*First-time Adoption of IFRSs*[1]
IFRS 1 (Amendments)	*First-time Adoption of IFRSs — Additional Exemption for First-time Adopters*[2]
IAS 24 (Revised)	*Related Party Disclosure*
IFRS 2 (Amendments)	*Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
IFRS 3 (Revised)	*Business Combinations*[1]
IFRS 9	*Financial Instruments*[6]
IFRS 1 (Amendments)	*Limited Exemption from Comparative IFRS7 Disclosures for First-Time Adopters*[2]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 32 (Amendment)	*Financial Instruments: Presentation — Classification of Rights Issues*[3]
IAS 39 (Amendment)	*Financial Instruments: Recognition and Measurement —Eligible Hedged Items*[1]
IFRIC 14 (Amendment)	*Prepayments of a Minimum Funding Requirement*[5]
IFRIC 17	*Distributions of Non-cash Assets to Owners*[1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Annual Improvements Project	*Improvements to IFRSs 2009*

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods ending on or after 1 January 2011
6 Effective for annual periods ending on or after 1 January 2013

The Directors anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidation and Separate Financial Statements. IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised as a single business unit focusing on the manufacture and sale of special steel products in the PRC, and, therefore, has only one operating segment.

The geographical locations of the Group's non-current assets are analysed as follows:

	2009	2008
	RMB'000	*RMB'000*
The PRC (including Hong Kong)	**1,926,117**	1,546,657
Overseas	**2,649,824**	2,660,454
	4,575,941	4,207,111

The non-current asset information above is based on the location of the assets and excludes deferred tax assets.

The Group has significant sale transactions with established manufacturers of stainless steel and hence has a significant concentration of customers. The Group's sales to its top five customers accounted for approximately 96% of its total sales for the year.

Revenue of approximately RMB772,991,000 (2008: RMB814,953,000) was derived from a single customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax.

An analysis of revenue, other income and gains is as follows:

	Note	**2009**	2008
		RMB'000	*RMB'000*
Revenue			
Sale of goods:			
Stainless steel base materials		**582,305**	1,207,962
Bearing steel		**73,847**	104,213
Ni-Cr alloy steel ingot		**73,874**	152,074
Ni-Cr bearing steel		**4,433**	14,449
Lateritic nickel ores		**41,017**	—
Ferro-nickel alloys and others		**112,258**	2,896
		887,734	1,481,594
Other income			
Bank interest income	*5*	**15,386**	28,261
Sales of scrap materials and others		**3,973**	3,442
Others		**623**	670
		19,982	32,373
Gains			
Gain on repurchase and redemption of convertible bonds	*5*	**79,275**	237,679
Gain on disposal of items of property, plant and equipment, net		**—**	3,209
Amounts waived by creditors		**987**	1,734
Government grants*		**10,253**	450
		90,515	243,072
Total other income and gains		**110,497**	275,445

* There are no unfulfilled conditions or contingencies relating to the government grants.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Note	2009 RMB'000	2008 RMB'000
Staff costs (including Directors' remuneration as set out in note 8):			
Salaries and other staff costs		**50,749**	64,342
Retirement benefit scheme contributions		**6,568**	7,577
Equity-settled share-based expense		**6,303**	8,918
Total staff costs		**63,620**	80,837
Amortisation of an intangible asset:			
Accumulated amortisation of exclusive offtake right		**57,997**	41,713
Less: Capitalised as cost of inventories		**(37,671)**	(26,980)
Less: Accumulated amortisation charged to income statement in prior years		**(14,733)**	(5,343)
		5,593	9,390
Costs of inventories sold		**1,083,909**	1,329,260
Research costs		**4,093**	4,195
Auditors' remuneration		**3,261**	3,089
Depreciation		**100,809**	88,440
Provision of impairment for items of property, plant and equipment*		**2,600**	—
Amortisation of prepaid land lease payments		**5,185**	4,434
Amortisation of other non-current assets		**9,094**	963
Loss/(gain) on disposal of items of property, plant and equipment, net		**1,657**	(3,209)
Provision of impairment of trade receivables and other receivables*		**726**	2,118
Write-down of inventories to net realisable value*		**32,832**	103,194
Write-off of construction in progress*		**—**	3,486
Bank interest income	4	**(15,386)**	(28,261)
Gain on repurchase and redemption of convertible bonds	4	**(79,275)**	(237,679)
Foreign exchange losses, net*		**17,001**	13,733
Minimum lease payments under operating leases in respect of buildings and other assets		**4,104**	2,841

* These items are included in "Other expenses" on the face of the consolidated income statement.

6. FINANCE COSTS

	Group	
	2009	2008
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**25,962**	32,314
Interest on convertible bonds	**92,034**	138,947
Total interest expenses	**117,996**	171,261
Less: Interest capitalised	**(31,496)**	(17,318)
	86,500	153,943

7. INCOME TAX

The applicable Hong Kong profits tax rate of the Company, Infonics International Limited ("Infonics"), Group Rise Trading Limited ("Group Rise") and S.E.A. Mineral Limited ("S.E.A.M") which operate in Hong Kong is 16.5% based on existing legislation. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable income tax rate of CNR Group Holdings Pte. Ltd. ("CNR Group Holdings"), a subsidiary of the Company incorporated in Singapore, was 5% for the year ended 31 December 2009 (2008:18%). CNR Group Holdings was entitled to a five-year tax concessionary rate of 5% as it was awarded the Global Trader Programme status by International Enterprise Singapore, for the five years ending 31 December 2013, on the condition that it meets a certain amount of revenue within this five years.

PT. Mandan Steel ("PT Mandan"), a subsidiary of the Company incorporated in Indonesia, was subject to a single income tax rate of 28% for fiscal year 2009 and 25% for fiscal years 2010 onwards.

According to the PRC Corporate Income Tax Law (the "New CIT Law") which became effective on 1 January 2008, the applicable income tax rate of Zhengzhou Yongtong Special Steel Co., Ltd. ("Yongtong Special Steel"), Zhengzhou Yongtong Alloy Metals Co., Ltd. ("Yongtong Alloy Metals"), Luoyang Yongan Special Steel Co., Ltd. ("Yongan Special Steel"), Zhengzhou Xiangtong Electricity Co., Ltd. ("Xiangtong Electricity"), Henan Yongtong Nickel Co. Ltd. ("Yongtong Nickel"), Lianyungang East Harvest Minerals Company Limited ("East Harvest Minerals") and Lianyungang City East Harvest Mining Company Limited ("East Harvest Mining"), subsidiaries of the Company, was 25% for the year.

Yongtong Special Steel was re-registered as a wholly-foreign-owned company on 10 November 2003. In accordance with the relevant tax laws and regulations in the PRC and pursuant to an approval from the local tax authority dated 4 June 2004, effective from 1 January 2004, Yongtong Special Steel was exempted from corporate income tax in the PRC for the years ended 31 December 2004 and 31 December 2005, and was entitled to a 50% reduction in corporate income tax in the PRC for the three years ended 31 December 2008.

Under the New CIT Law and in accordance with the "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No. 39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to a tax holiday of "two-year income tax exemption followed by a three-year 50% reduction in the income tax rate", can continue to enjoy the remaining unused tax holiday until expiry. Therefore, the applicable income tax rate for Yongtong Special Steel was 12.5% for the year ended 31 December 2008.

	2009	2008
	RMB'000	*RMB'000*
Group:		
Provision for income tax in respect of profit for the year:		
Current — PRC	**2,863**	1,396
Prior year — Utilisation of unrecognised pre-acquisition tax losses from a subsidiary	**—**	(10,966)
Current — Hong Kong and others	**407**	36,413
Deferred	**(112,029)**	(89,180)
Total tax credit for the year	**(108,759)**	(62,337)

A reconciliation of the income tax expense applicable to loss before tax at the statutory rate to the income tax expense at the effective tax rate is as follows:

	2009	2008
	RMB'000	*RMB'000*
Loss before tax	**(439,317)**	(24,163)
Tax at statutory tax rate of 25%	**(109,829)**	(6,041)
Tax effect of:		
Lower income tax rate for Hong Kong and other non-PRC subsidiaries	**(104)**	(25,284)
Income not subject to tax	**(30,239)**	(42,288)
Expenses not deductible for tax	**27,253**	22,242
Utilisation of unrecognised deferred tax for previous year	**(1,805)**	(10,966)
Tax losses not recognised	**5,965**	—
Tax credit at the Group's effective rate	**(108,759)**	(62,337)

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss for the year attributable to owners of the parent of the Group, and the weighted average number of ordinary shares of 2,093,271,289 (2008: 2,093,039,635) in issue during the year.

Diluted loss per share for the year ended 31 December 2009 has not been disclosed, as the share options, convertible notes and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2008 is based on the profit for the year attributable to owners of the parent of the Group, adjusted to reflect the interest on convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average number of the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share for the year ended 31 December 2008 are based on:

	2008 *RMB'000*
Profit attributable to owners of the parent used in the basic earnings per share calculation	37,361
Interest on convertible bonds (3% Convertible Bonds)	29,264*
Interest on convertible bonds (Zero Coupon Convertible Bonds)	92,365*
Profit attributable to owners of the parent before interest on convertible bonds	158,990

	Number of shares 2008 *'000*
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,093,040
Effect of dilution — weighted average number of ordinary shares:	
— Share options	5,512
— Convertible bonds (3% Convertible Bonds)	147,790*
— Convertible bonds (Zero Coupon Convertible Bonds)	333,401*
— Convertible notes (stock options)	182,736
	2,762,479

* Because the diluted earnings per share amount would be increased when taking the 3% Convertible Bonds and Zero Coupon Convertible Bonds into account, the 3% Convertible Bonds and Zero Coupon Convertible Bonds had an anti-dilutive effect on the basic earnings per share for the year 2008 and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount of the year 2008 was based on the profit for the year of RMB37,361,000 and the weighted average number of ordinary shares of 2,281,288,000 in issue attributable to owners of the parent during the year.

9. TRADE AND NOTES RECEIVABLES

	Group	
	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**30,792**	107,332
Notes receivable	**19,034**	30,372
	49,826	137,704

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to two months. In view of the fact that the Group's trade receivables relate to a limited number of customers, there is a significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of trade and notes receivables approximate to their fair values.

An aged analysis of the trade and notes receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Outstanding balances aged:		
Within 90 days	**38,543**	119,267
91 to 180 days	**3,944**	13,186
181 to 365 days	**—**	3,724
Over 1 year	**10,883**	3,891
	53,370	140,068
Less: Provision for impairment of trade receivables	**(3,544)**	(2,364)
	49,826	137,704

The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
At 1 January	**2,364**	928
Impairment losses recognised	**1,180**	1,436
At 31 December	**3,544**	2,364

As at 31 December 2009, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB3,544,000 (2008: RMB2,364,000) with a carrying amount before provision of RMB3,544,000 (2008: RMB2,364,000). The individually impaired trade receivables relate to customers that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of trade and notes receivables that are not considered to be impaired is as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Neither past due nor impaired	**42,042**	125,004
Less than 90 days past due	**445**	7,448
91 to 180 days past due	**—**	1,862
181 to 365 days past due	**—**	2,234
Past due over 1 year	**7,339**	1,156
	49,826	137,704

Receivables that were neither past due nor impaired relate to a limited number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at the end of the reporting period, based on the due date, is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 90 days	**354,290**	460,104	**—**	377
91 to 180 days	**118,430**	265,684	**—**	760
181 to 365 days	**36,082**	36,761	**—**	—
1 to 2 years	**31,543**	9,760	**1,137**	—
2 to 3 years	**8,325**	31,579	**—**	—
Over 3 years	**30,624**	4,449	**—**	—
	579,294	808,337	**1,137**	1,137

The trade payables are unsecured, interest-free and are generally on terms of 30 to 90 days.

		Group		Company	
		2009	2008	**2009**	2008
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables		**234,891**	238,900	**1,137**	1,137
Bills payable	*(a)*	**344,403**	569,437	**—**	—
		579,294	808,337	**1,137**	1,137

Note:

(a) As at 31 December 2009, notes payable of RMB344,403,000 (2008: RMB569,437,000) were secured by time deposits amounting to RMB304,403,000 (2008: RMB446,911,000).

11. CONTINGENT LIABILITIES

Group

CNR Group Holdings, a wholly-owned subsidiary of the Company, assigned its carrier to ship a cargo of 41,900 ton iron ores from Indonesia to the PRC in November 2009. The vessel was stranded in November 2009 and salvors were engaged to salve both the vessel and the cargo on board pursuant to the terms of the salvage contract entered into with the owner of the vessel. Subsequent to the salvage operation, the salvors claimed against both the owner of the vessel and CNR Group Holdings, as owner of the cargo on board, for remuneration and salvage expenses. The salvors also exercised a lien against the cargo on board for their salvage expenses. CNR Group Holdings was requested to put up security to the salvors in the sum of US$550,000. Therefore, CNR Group Holdings arranged for and put up a letter of guarantee issued by its bank in December 2009 in this amount and procured its carrier to put up security in the sum of US$50,000, both as salvage security to the salvors.

In addition to the salvage claims, general average was initiated as a result of the same marine casualty incident. CNR Group was also required to put up general average deposit as security for the general average claims in sum of US$12,500. In January 2010, CNR Group Holdings gave an average bond and procured its carrier to pay the general average deposit to an average adjustor.

While the Group received the cargo of iron ores in January 2010 without quality or quantity damage, no arbitration has been initiated by the salvors up to the approval date of these financial statements, and therefore the awards to the salvors have not been determined and are subject to arbitrators' further adjustment of portions among CNR Group Holdings, its carrier and the owner of the vessel and no provision for the Group's share of the salvage expenses was made as at 31 December 2009.

The Directors believe the Group's share of the salvage expenses would not exceed the salvage security requested by the salvors and would not have significant impact on the financial position of the Group.

12. EVENTS AFTER THE REPORTING PERIOD

(a) On 3 February 2010, the Company was brought into a legal proceeding by two companies in the Supreme Count of Queensland (the "Count") in Australia mainly seeking the following:

   (i) the injunction restraining the Company from asserting its security rights in relation to a aircraft during the operational life of the aircraft;

   (ii) in the alternative, equitable damages in lieu of the claimed injunction; and

   (iii) in the further alternative, damages for breach of contract in respect of the certain agreements between them and the Company. (collectively referred to as the "Claims")

   The aforesaid agreements were entered into between the Company and the two companies in March 2008 in respect of a nickel ores project. To facilitate the transportation for such project, the Company advanced US$3.2 million to one of the two companies to purchase the aforesaid aircraft and the advance is secured, amongst others, by the aircraft which is included in the Company's property, plant and equipment as at 31 December 2009. The aforesaid agreements were subsequently terminated in July 2008 and the Company, on 10 February 2009, requested for repayment of the advance on 12 February 2010.

   On 25 and 31 March 2010, the interim application was heard by the Count and the Company was successful in the interim hearing. The decision of the Count meant that the Company was able to take steps to enforce its rights to the aircraft. No comments were made about the strength of the damages claim in the interim hearing.

   The aforesaid decision of the Count is an interim result only. These two companies could appeal the interim decision and be still seeking the abovementioned Claims.

   Based on the available evidence and subject to discoveries, the Directors of the Company considered that there were valid defenses to the Claims and the Company had a good chance of success in the final hearing.

(b) On 15 April 2010, the Company invited each holder of Zero Coupon Convertible Bonds, by way of a solicitation memorandum of 15 April 2010 sent to them, to enter into an "Agreement" with the Company to the effect that such bondholder will not exercise its right to require the Company to redeem its Zero Coupon Convertible Bonds held by such bondholder pursuant to the condition 8(D), in relation to the redemption option, of Zero Coupon Convertible Bonds in consideration for the payment by the Company to such bondholder. Holders of Zero Coupon Convertible Bonds entered into the Agreement with the Company shall be eligible to receive HK$20,000 per HK$100,000 in the principal amount of Zero Coupon Convertible Bonds. Further details of which are set out in the Company's announcement of 15 April 2010.

Up to the approval date of these financial statements, certain holders of Zero Coupon Convertible Bonds entered into the Agreement with the Company and agreed not to exercise their right to redeem their Zero Coupon Convertible Bonds pursuant to the condition 8(D) of Zero Coupon Convertible Bonds in a total principal amount of HK$210,700,000.

(c) On 16 April 2010, the Company signed an agreement with a bank which indicates its willingness to arrange a financing of approximately US$200 million that is subject to conditions set out therein the agreement including, amongst others, the bank's internal approval and signing of the formal documentation relating to the financing. The Directors expect that the formal financing arrangement with the bank will likely be concluded with the bank before August 2010.

MARKET REVIEW

The global economic downturn dragged on in the first half of 2009. Demand from the international steel market decreased, resulting in a fall in exports and prices of steel in China. In the first quarter of the year in particular, the prices of nickel and steel were at their lows in recent years. The price of nickel quoted at LME fell to as low as US$9,500 per tonne and the spot price of steel billet in Far East also reached its record low of US$250 per tonne. At the beginning of the year, the domestic production and sales were still mired in adverse impacts of the economic turmoil broken out in the last quarter of 2008. The prices and sales of steel in domestic and overseas market fell due to the shrinkage in external demand and escalation of trade protection. Many steel makers and other producers in downstream industries were forced to further cut down their production.

Since the second quarter of the year, the industrial output saw signs of recovery in line with the economy. With the implementation of the economic stimulus plan and effective fiscal and monetary policies, the PRC's steel industry began to be stabilized in the second half of the year. However, affected by the uncertainties arising from the ore price negotiation with international suppliers, the price of raw materials began to pick up again. The overall performance of the PRC's steel industry was still not satisfactory in 2009.

Due to the gloomy global economy, the world production of nickel products, such as stainless steel and nickel-steel alloy, decreased in 2009 as compared with last year. According to statistics, the total demand for nickel decreased by 1.8% to 1,247,000 tonnes in 2009. However, the nickel market in China was encouraging and there was increase in the production of stainless steel and nicke-steel alloy. Consumption of nickel increased by 32% to 377,000 tonnes in the PRC in 2009.

The world annual consumption of nickel per capita was approximately 0.2 kilograms in 2009, while that in the developed countries and regions such as USA and Europe were 0.42 kilograms and 0.48 kilograms respectively; and more than 1.2 kilograms in industrial countries such as Germany, Japan and Korea; and the figure of nearby regions such as Taiwan was as high as 3.2 kilograms. The annual consumption of nickel per capita in the PRC was approximately 0.28 kilograms, which was close to the world's average consumption but far lower than those of developed countries and regions. According to the forecast of an expert in the industry in the end of 2009, the consumption of nickel in China will be increased by 157% from 2009 to 970,000 tonnes in 2020. However, based on the then targeted population of 1.36 billion in the PRC, the annual consumption of nickel per capita will be only 0.7 kilograms, which will still below the current levels of developed countries and regions. China will have huge demand for nickel to narrow the difference in the next decade. On the other hand, according to the forecast, the production of nickel in the PRC will rise by only 14% from 226,000 tonnes in 2009 to 257,000 tonnes in 2010, which will be far behind the growth in consumption. The price of nickel quoted at LME surged from US$9,500 per tonne in the beginning of 2009 to approximately US$26,800 per tonne in mid-April this year. It is expected that the price of nickel will further increase.

BUSINESS REVIEW

Project Progress

The Company fully capitalized on the advantage of owning abundant of limonitic lateritic nickel ore. In November 2007, the study on the "new technology of the integrated efficient and clean processing of limonitic lateritic nickel ore" was jointly conducted with Beijing General Research Institute of Mining and Metallurgy and the Institute of Process Engineering, Chinese Academy of Sciences. The Company later acquired a steel company in Gongyi in January 2008 and changed its name to Henan Yongtong Nickel Co., Ltd. ("Yongtong Nickel"). Construction of a large-scale pilot plant then commenced in order to prepare for the commercial production. The construction of the plant for trial production completed in 2009 with an annual processing capacity of 330,000 tonnes of ore (dry basis). The testing, adjustment and verification of all new technologies were completed by the end of the year, and ready for large scale production. As such, the Group invited eight renowned experts in the industry in the PRC at an accreditation meeting organized by China Nonferrous Metals Industry Association in Gongyi, Henan Province on 16 January 2010. The Project was granted a certificate of accreditation by China Nonferrous Metals Industry Association on 20 January 2010. The technology was thereby officially registered as an innovative and applicable technology at an internationally leading level and the research and development of which achieved satisfactory results. For such new technologies, selective extraction of chromium and aluminum by alkaline solution method, production of chromium oxide by liquid reduction process, selective extraction of nickel and cobalt by unconventional media, recycling of leaching agent and production of calcium sulphate whisker, were used to directly produce refined iron ore which contains more than 62% of iron thereby facilitating the efficient use of valuable components of lateritic nickel ores such as chromium, aluminum, nickel, cobalt and iron in lateritic ore in an integrated process. As such, the production cost will decrease significantly and the output and emission of wastes will be reduced and controlled in their sources.

Leveraged on the advantages of owning overseas resources, the Group further optimized the self-developed technology of ore processing since 2008 and expanded and established existing and new production plants in the PRC and Indonesia. Affected by numerous variables, the project timeframe of establishing a steel plant near the mine in Indonesia has to be extended. However, the project was recognised as a key project by the Indonesia government with their support. In addition, the Business Delegation of Henan Province, China, and the Ministry of Industry of Indonesia entered into the "Memorandum of Understanding for the Reinforcement of Industrial and Technological Cooperation" on the first session of the economic cooperation meeting co-organised by both parties on 24 August 2009. Both parties witnessed the signatory of a number of commercial cooperation contracts. Among which, the most significant one was the special steel project which was entered into between the Group, through Henan Yongtong Special Steel Co. Ltd, and PT Mandan Steel in Kalimantan in South Indonesia, which is wholly owned by CNR Group Holdings Pte. Ltd., in Singapore. The application of land use rights and the feasibility study of the project will be completed in near future and the environmental assessment will be carried out soon. It is expected that the construction will be commenced by the end of 2010.

Based on the progress of the projects in Indonesia and the satisfactory results of the Yongtong Nickel project, the Group decided to make flexible adjustment in the projects in the PRC. In order to alleviate the pressure in logistics and reduce inland transportation costs, the Group conducted research in coastal ports in the PRC in the past two years and plans to establish an ore processing centre in coastal area. The Group acquired a construction project in Lianyungang, Jiangsu in the PRC and changed the name of the project company as Lianyungang City East Harvest Mining Company Ltd. ("East Harvest Mining"). The progress of the establishment is satisfactory and the installation works of production facilities were commenced. It is expected that the construction of the first phase with an annual production capacity of 1 million tonnes of ferro-nickel, or 30,000 tonnes of nickel equivalent, will be completed and operation will be commenced in the second half of 2010. Due to the geographical advantage of the port close to East Harvest Mining, the inland transportation costs were reduced significantly. The Group saved high coke costs by capitalizing on the non-coke reduction refinery technology so that the Group can continue its cost advantage.

In addition to the above new projects, the Group facilitated technology upgrade and improvement in the existing plants in Zhengzhou, Henan Province in the PRC, including the newly built 18 sets of 3-tonne electric flag furnaces, 2 Φ1.2m vertical casters (the world's largest caster), a 1,600-tonne fast forging unit, wide slab casting unit and stainless steel wire products, enabling the production of special steel and nickel based products with higher added value. The existing plant in Luoyang in the PRC also conducted facility improvement for the production capacity of stainless steel since the fourth quarter of 2009. It is expected that the improvement will be completed by mid 2010. The stainless steel base material and ferro-nickel alloy will be processed into stainless steel products with higher margins.

Having considered the recovery of macro-economic environment and the upward trend of the prices of major commodities, the management of the Group is confident that the revenue and profit of the Company will see rapid growth in the coming years.

Revenue/turnover and sales volume

Major products of the Group were stainless steel base material and bearing steel. The table below sets out the turnover and sales volume of our major products for the years indicated:

Turnover

	For the year ended 31 December 2009		**2009 Second Half**		**2009 First Half**		For the year ended 31 December 2008		2008 Second Half		2008 First Half	
	RMB'000	**%**	***RMB'000***	**%**	***RMB'000***	**%**	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Stainless steel base material	**582,305**	**66%**	**129,101**	**34%**	**453,204**	**89%**	1,207,962	82%	356,885	76%	851,077	84%
Bearing steel	**73,847**	**8%**	**71,393**	**19%**	**2,454**	**1%**	104,213	7%	15,031	3%	89,182	9%
Ni-Cr alloy steel ingot	**73,874**	**8%**	**37,582**	**10%**	**36,292**	**7%**	152,074	10%	86,741	19%	65,333	6%
Ni-Cr bearing steel	**4,433**	**—**	**1,649**	**—**	**2,784**	**1%**	14,449	1%	10,122	2%	4,327	1%
Ferro-nickel alloys and others	**112,258**	**13%**	**100,273**	**26%**	**11,985**	**2%**	2,896	—	77	—	2,819	—
Lateritic nickel ores	**41,017**	**5%**	**41,017**	**11%**	**—**	**—**	—	—	—	—	—	—
Total	**887,734**	**100%**	**381,015**	**100%**	**506,719**	**100%**	1,481,594	100%	468,856	100%	1,012,738	100%

Sales volume

	For the year ended 31 December 2009		**2009 Second Half**		**2009 First Half**		For the year ended 31 December 2008		2008 Second Half		2008 First Half	
	(tonnes)	**%**	***(tonnes)***	**%**	***(tonnes)***	**%**	*(tonnes)*	%	*(tonnes)*	%	*(tonnes)*	%
Stainless steel base material	**142,712**	**40%**	**47,738**	**19%**	**94,974**	**89%**	158,475	79%	53,856	74%	104,619	82%
Bearing steel	**19,959**	**6%**	**19,211**	**8%**	**748**	**1%**	20,383	10%	7,635	11%	12,748	10%
Ni-Cr alloy steel ingot	**11,100**	**3%**	**6,237**	**2%**	**4,863**	**5%**	20,194	10%	10,319	14%	9,875	8%
Ni-Cr bearing steel	**489**	**—**	**194**	**—**	**295**	**—**	920	1%	613	1%	307	—
Ferro-nickel alloys and others	**38,185**	**11%**	**32,978**	**13%**	**5,207**	**5%**	549	—	29	—	520	—
Lateritic nickel ores	**144,864**	**40%**	**144,864**	**58%**	**—**	**—**	—	—	—	—	—	—
Total	**357,309**	**100%**	**251,222**	**100%**	**106,087**	**100%**	200,521	100%	72,452	100%	128,069	100%

In 2009, the domestic market was still mired in adverse impacts of the economic turmoil which resulted in decrease in demand. In addition, the Group began to upgrade its existing production facilities of subsidiaries in Henan Province in the second half of 2009. In view of these major reasons, the Group downsized its production of major products in 2009 as compared with 2008. As a result, the Group's turnover in 2009 decreased by RMB593.9 million, or 40%, to approximately RMB887.7 million (2008: RMB1,481.6 million). On the other hand, the Group conducted trial production of ferro-nickel products in its existing factories in Henan Province with satisfactory results. To improve the cost effectiveness on an economies scale, the Group planned to commence mass production of ferro-nickel products in its new plant in Lianyungang in the third quarter of 2010.

To capitalise on the Group's resources, the Group began to sell ore to third parties. Management believed this will increase the Group's income and further diversified the sources of income.

In 2009, raw material costs came down. The Group's average selling price per tonne for stainless steel base material was RMB4,080 (2008: RMB7,622) while the average unit selling price per tonne for bearing steel was RMB3,700 (2008: RMB5,113).

Cost of sales

The cost of sales in 2009 decreased by RMB245.4 million, or 18%, to approximately RMB1,083.9 million (2008: RMB1,329.3 million).

The unit cost of sales for stainless steel base material was RMB4,919 per tonne in 2009 (2008: RMB6,701 per tonne). The unit cost of bearing steel in 2009 decreased by RMB1,402 per tonne, or 25%, to RMB4,117 per tonne (2008: RMB5,519).

The table below shows a breakdown of our total production costs for the years indicated:

Cost of sales

	For the year ended 31 December 2009		**2009 Second Half**		**2009 First Half**		For the year ended 31 December 2008		2008 Second Half		2008 First Half	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Raw Materials	**493,404**	**46%**	**218,202**	**45%**	**275,202**	**46%**	603,242	45%	207,207	40%	396,035	49%
Fuel	**405,545**	**37%**	**182,851**	**38%**	**222,694**	**37%**	512,787	39%	232,863	45%	279,924	35%
Utilities	**79,987**	**7%**	**38,376**	**8%**	**41,611**	**7%**	98,052	7%	35,037	7%	63,015	8%
Depreciation	**66,054**	**7%**	**27,113**	**6%**	**38,941**	**7%**	61,007	5%	26,647	5%	34,360	4%
Staff Cost	**26,965**	**2%**	**12,136**	**2%**	**14,829**	**2%**	29,087	2%	6,758	1%	22,329	3%
Repair	**2,095**	**—**	**1,875**	**—**	**220**	**—**	7,643	1%	1,437	—	6,206	—
Others	**9,859**	**1%**	**6,776**	**1%**	**3,083**	**1%**	17,442	1%	10,206	2%	7,236	1%
Total	**1,083,909**	**100%**	**487,329**	**100%**	**596,580**	**100%**	1,329,260	100%	520,155	100%	809,105	100%

Gross (loss)/profit

The unit gross loss for stainless steel base material in 2009 was RMB839 per tonne (2008: Unit gross profit RMB921 per tonne). The unit gross loss for bearing steel in 2009 was RMB417 per tonne (2008: Unit gross loss RMB406 per tonne).

As a result of the factors discussed above, the Group turned from a gross profit of RMB152.3 million in 2008 to a gross loss of RMB196.2 million in 2009.

The unit gross loss (excluding ore trading) in 2009 was RMB868 per tonne (2008: Unit gross profit RMB760 per tonne).

Other income and gains

Other income in 2009 decreased by RMB164.9 million, to RMB110.5 million (2008: RMB275.4 million). This is mainly due to the decrease in gain arising from the drop in repurchase and cancellation of the Company's convertible bonds from market at a lower (discounted) price than their carrying amount.

Selling and distribution costs

Selling and distribution costs in 2009 decreased by RMB5.9 million to RMB24.9 million (2008: RMB30.8 million). Unit selling and distribution cost per tonne of product sold (excluding ore trading) in 2009 decreased by RMB36 to RMB117 as a result of better cost control.

Administrative costs

Administrative costs in 2009 decreased by RMB4.8 million, or 3%, to RMB134.0 million (2008: RMB138.8 million), representing 15% of turnover (2008: 9%).

Finance costs

The Company issued the 3% Coupon Convertible Bonds due 2012 in May 2007 and the Zero Coupon Convertible Bonds due 2012 in December 2007. Interest paid and accrued in the form of coupon payment amounted to RMB1.5 million in 2009 (2008: RMB9.1 million). According to relevant IFRSs, estimated future cash flows for convertible bonds were discounted at effective interest rates. Therefore, the deemed effective interest included both coupon payment and financial charges accrued for redemption in the future. The total financial charges for convertible bonds based on effective interest method amounted to RMB92.4 million in 2009 (2008: RMB138.9 million), of which RMB24.0 million was capitalised as part of the cost of construction in progress. Finance costs in 2009 was RMB86.5 million (2008: RMB153.9 million). The decrease in interest expenses was mainly due to the effect from redemption of 3% Coupon Convertible Bonds due 2012 done in May 2009.

Income tax credit

The applicable Hong Kong corporate income rate of the Company which operates in Hong Kong is 16.5% based on prevailing legislation. The entities within the Group which operate in Mainland China are subject to corporate income tax rate of 25% for the year ended 31 December 2009.

(Loss)/profit attributable to owners of the parent

As a result of the factors discussed above, the loss attributable to owners of the parent in 2009 was RMB332.1 million (2008: profit attributable to owners of the parent RMB37.4 million).

Key financial ratios

	Note	For the year ended 31 December 2009	2008
Current ratio	*1*	**71%**	193%
Inventories turnover days	*2*	**296 days**	277 days
Debtor turnover days	*3*	**20 days**	34 days
Creditor turnover days	*4*	**195 days**	222 days
Interest cover	*5*	**N/A**	0.8 times
Interest-bearing gearing ratio	*6*	**49%**	46%
Debt to (LBITDA)/EBITDA ratio	*7*	**(8.2)times**	8.4 times
Net debt/Capital and net debt ratio	*8*	**35%**	25%

Note:

1 $\frac{\text{Current asset}}{\text{Current liabilities}} \times 100\%$

2 $\frac{\text{Inventories}}{\text{Cost of sales}} \times 365 \text{ days}$

3 $\frac{\text{Trade and notes receivables}}{\text{Turnover}} \times 365 \text{ days}$

4 $\frac{\text{Trade and notes payables}}{\text{Cost of sales}} \times 365 \text{ days}$

5 $\frac{\text{Profit before interest and tax}}{\text{Net interest expense}}$

6 $\frac{\text{Interest-bearing loans and other borrowings}}{\text{Equity attributable to the shareholders}} \times 100\%$

7 $\frac{\text{Interest-bearing loans and other borrowings}}{\text{EBITDA/(LBITDA)}}$

8 $\frac{\text{Net debt}}{\text{Capital and net debt}}$

Construction in progress

Construction in progress as at 31 December 2009 was increased to RMB507.2 million (2008: RMB217.7 million) which comprised of acquisition of new facilities and conversion of existing facilities in PRC to accommodate the production of new products in China.

Investment in An Associate

The Group invested in an associate, Full Harvest Development Limited ("FHD") in October 2009. FHD's principal activities are investment holding and trading related to coal resources. Since coal will be the major fuel in the new plant in Lianyungang, investment in FHD will secure the stability in price and supply of coal to the Group.

Cash and cash equivalents and pledged time deposits

The decrease in cash and bank balances by approximately RMB764.9 million, or 53%, to RMB679.8 million as at 31 December 2009, as compared to that as at 31 December 2008 was mainly due to the net cash outflow generated from operation by approximately RMB360.7 million, acquisition of property, plant and equipment and other long-term assets by approximately RMB253.5 million, decrease in pledged time deposits of RMB139.9 million, interest payment of RMB26.1 million, and the consideration for repurchase of convertible bonds of RMB212.0 million.

Trade and notes receivables

The debtor turnover days decreased from 34 days in 2008 to 20 days in 2009. As at 31 December 2009, trade and notes receivables balance decreased by RMB87.9 million, or 64%, to RMB49.8 million. This was mainly due to the decrease in sales in the second half of 2009.

Inventories

The inventories turnover days increased from 277 days in 2008 to 296 days in 2009. This was mainly due to the slowing down of procurement plan in 2009 to cope with the major customers' revision on their production plan. As at 31 December 2009, inventories balance decreased by RMB128.9 million, or 13%, to RMB879.3 million.

Prepayments, deposits and other receivables

As at 31 December 2009, prepayments, deposits and other receivables balance increased by RMB141.0 million, or 99% to RMB287.5 million. This was mainly due to the increases in prepayment to suppliers by RMB12.3 million, value-added tax receivable by RMB25.9 million, and prepayment to PT Yiwan Mining by RMB50.2 million.

Trade and notes payables

The creditor turnover days decreased from 222 days in 2008 to 195 days in 2009. As at 31 December 2009, trade and notes payables balance decreased by RMB229 million, or 28%, to RMB579.3 million. This was mainly due to the decrease in notes payable by RMB225 million as settlements with suppliers of production material and contractors of factory expansion projects were done during the year.

Interest-bearing bank and other borrowings

As at 31 December 2009, the total interest-bearing loans and other borrowings balance increased by RMB143 million, or 40%, to RMB499.5 million. The gearing ratio increased from 46% in 2008 to 49% in 2009.

Use of proceeds

In December 2007, the net proceeds from the issue of the Zero Coupon Convertible Bond were approximately HK$1,950 million.

As at 31 December 2009, the planned applications of the net proceeds were shown as follows:

Use of proceeds	**Usage as disclosed in prospectus**	**Utilised**
	HK$' million	*HK$' million*
Capital expenditures of steel mill expansion in the PRC and Indonesia	**1,462.5**	733.9
General working capital	**487.5**	487.5

The Group repurchased Convertible Bonds for a total amount of approximately HK$595 million for a consideration of approximately HK$268.0 million. Part of the amounts of Convertible Bonds was subsequently utilized to repurchase part of Convertible Bonds. The unutilized balance was placed in short term bank deposits.

Liquidity and capital resources

The working capital has been mainly derived from cash generated from operations and long- and short-term debts. Advances received from customers were also applied to finance part of our working capital requirements. As at 31 December 2009, the advances from customers amounted to RMB69.4 million. Prepayments made to our suppliers amounted to RMB58.0 million as at 31 December 2009.

As at 31 December 2009, we had current liabilities of RMB2,700.2 million, of which RMB401.1 million were interest-bearing loans repayable within one year, and RMB579.3 million were trade and notes payables arising from purchase of raw materials.

The Company has recently invited existing holders of convertible bonds to enter into any agreement to the effect that such holders will not exercise their right to put in the consideration of a consent fee on the payment date. The Company considered that will reduce the short term liability and further improve the Company's financial position.

The Group will also hold discussion with major banks and come up with proper financing plan to ensure that the Group's liquidity is sufficient for its capital requirement and further development of the year in order to create more satisfactory returns for investors.

Foreign currency risk

Since 2004, the Group has begun purchase of iron ore from overseas suppliers. As in practice, the purchases are quoted in US$ and now RMB is expected to get stronger, no hedging is considered necessary at the moment. However, the Group will closely monitor the foreign currency risk and consider to use necessary financial instruments for hedging purposes. As at 31 December 2009, all bank loans are denominated in RMB.

Besides, the Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the directors consider the Group having no significant foreign currency risk.

Security

As at 31 December 2009, the Group had following assets pledged: 1) time deposits of RMB304.4 million (2008: RMB446.9 million) were secured for notes payables of RMB344.4 million (2008: RMB569.4 million); 2) time deposits of RMB82.7 million (2008: RMB80.0 million) were secured for a bank loan of RMB70 million (2008: RMB83.0 million); 3) cash and bank balance of RMB3.8 million was secured for issuance a banker's guarantee; and 4) certain parcels of the Group's leasehold lands situated in the PRC with the carrying amounts of RMB13.4 million and of RMB76.3 million were secured for a bank loan granted to the Group of RMB15.0 million and certain other payables of the Group of RMB75.9 million, respectively.

Capital commitment

As at 31 December 2009, the Group had capital commitments in the amount of approximately RMB403.6 million for remaining parts of equipment refinement project.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2009, the Group had approximately 3,400 employees, of whom 23 were management personnel.

The Group implemented remuneration policy to link duties with efficiency. Remuneration of employees consists of basic salary and performance-based bonus. For 2009, the staff costs of the Group amounted to RMB63.6 million (2008: RMB80.8 million).

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company redeemed a total of HK$156,000,000 principal amount of 3% Convertible Bonds on 18 May 2009 and repurchased a total of HK$145,000,000 principal amount of Zero Coupon Convertible Bonds between 25 February 2009 and 4 March 2009 at an average price of 42% of the principal amount, respectively. The redemption and the repurchases involved a total cash outlay of HK$240.7 million, which also resulted in a reduction of the liability component of the convertible bonds by HK$319.9 million and a gain of HK$89.9 million (equivalent to RMB79.3 million) which was booked in the consolidated income statement accordingly.

Saved as disclosed above, during the year, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's Shares.

FUTURE PROSPECT

As of today, the progress of the Ferro-Nickel Project in Lianyungang and technological improvement of Yongtong Special Steel and Yongan Special Steel are satisfactory. Coupled with the Group's resources and the excellent geographical advantages of new plants, it is believed that sales volume and profit will increase significantly in 2010 following the commencement of operation of the new plants and the optimization of the product mix resulting from the upgrade and improvement of the existing plants. Based on current economic data, the average direct cost to produce one tonne of ferro-nickel alloy (Ni = 1.6%) by using the non-coke technology under a mass scale environment will be approximately RMB1,600 per tonne while the current market price for such product is approximately RMB3,300 per tonne. As such, liquidity as well as profitability of the Group will be strengthened.

Production/Trading Targets

Operating Unit	**Product**	**2010 First Half** *(tonnes)*	**2010 Second Half** *(tonnes)*
Yongtong Special Steel and Yongan Special Steel	Ni-Cr alloy steel	25,000	25,000
	Ferro-nickel alloy (blast furnace technology)	50,000	10,000
	Stainless steel		60,000
East Harvest Mining	Ferro-nickel alloy (non-coke technology)		120,000 (Ni > 6%) or 300,000 (Ni > 1.6%)
Overseas Trading Unit	Ore trading to third parties	600,000	600,000

Note: (1) *There may be a few hundred tonnes of nickel metal and chromium trioxide output in Yongtong Nickel during trial production.*

(2) *The Group also sets a target to gradually reach 6,000,000 tonnes of ore processing capacity per annum in five years.*

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year with the exception that the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Dong Shutong. The Chairman is responsible for over seeing the Company's operations in respect of compliance with internal rules, and compliance with statutory requirements and promoting the corporate governance of the Company, whereas the Company did not appoint a chief executive for the year ended 31 December 2009 and as to the date of the report. This constitutes a deviation from Code Provision A.2.1. The Board believes that it is in the best interest of the Company and the shareholders as a whole for Mr. Dong Shutong, who is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board. The significant decision-making and the day-to-day management of the Company is carried out by all of the executive Directors. Therefore, the roles of the Chairman and the chief executive of the Company are not segregated in the sense that two different individuals took up these roles, however, the functions of the chief executive were carried out by all of the executive Directors.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors of the Company. Having made specific enquiries, the Company has confirmed that all Directors have compiled with the requirements set out in the Model Code.

MODIFICATION OF INDEPENDENT AUDITOR'S REPORT

The auditor modified its independent auditor's report on the consolidated financial statements for the year ended 31 December 2009 in respect of the uncertainties relating to the going concern. The following is an extract of the independent auditor's report:

"Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.1 to the financial statements which indicates that the Group incurred a loss of RMB330,558,000 during the year ended 31 December 2009, and, as of that date, the Group's current liabilities exceeded its current assets by RMB803,798,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 May 2005 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and internal control procedures of the Group. The audit committee consists of the three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Bai Baohua and Mr. Huang Changhuai and Mr. Wong Chi Keung is the chairman of the audit committee.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2009.

REMUNERATION COMMITTEE

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 10 April 2006 in compliance with the Code on Corporate Governance Practices.

The remuneration committee consists of the three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Bai Baohua, Mr. Huang Changhuai and an executive Director, Mr. Dong Shutong.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement will be published on the Company's website (www.cnrholdings.com) and the Stock Exchange's website (www.hkexnews.hk). The full Annual Report 2009 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

By order of the Board
China Nickel Resources Holdings Company Limited
Dong Shutong
Chairman

Hong Kong, 27 April 2010

As at the date of this announcement, the executive directors of the Company are Mr. Dong Shutong, Mr. He Weiquan, Mr. Lau Hok Yuk, Mr. Song Wenzhou, Mr. Zhao Ping, and Mr. Dong Chengzhe. Mr. Yang Tianjun is a non-executive director of the Company and Mr. Bai Baohua, Mr. Huang Changhuai and Mr. Wong Chi Keung are the independent non-executive directors of the Company.