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**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: 2889)**

## **RENEWAL OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 5 March 2007 (the “**Announcement**”).

In view of the current approval from the Independent Shareholders for the annual caps of the Exclusive Offtake Agreement is due to expire on 31 December 2009, the Company is seeking from the Independent Shareholders an approval to renew the annual caps for the Exclusive Offtake Agreement for the three years ending 31 December 2012. As the applicable Percentage Ratios for the Renewed Ores Supply Annual Caps are expected to exceed 2.5%, the Renewed Ores Supply Annual Caps will be subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to Rule 14A.35 of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the Renewed Ores Supply Annual Caps. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Renewed Ores Supply Annual Caps.

A circular containing, amongst other things, details of the Renewed Ores Supply Annual Caps for each of the three financial years ending 31 December 2012, the recommendation from the Independent Board Committee, the advice of the Independent Financial Adviser and a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

### **THE EXCLUSIVE OFFTAKE AGREEMENT**

Reference is made to the announcement of the Company dated 5 March 2007. On 5 March 2007, S.E.A. Mineral, an indirect wholly-owned subsidiary of the Group, and Yiwang Mining entered into the Exclusive Offtake Agreement pursuant to which Yiwang Mining agreed to supply Ores to S.E.A. Mineral for a term commencing from 5 March 2007 to 24 January 2021, which has subsequently been extended by a supplemental agreement to 24 January 2036.

Yiwan Mining is a company incorporated in Indonesia and is principally engaged in the mining of iron ores. Under the Exclusive Offtake Agreement, Yiwan Mining will supply to S.E.A. Mineral and S.E.A. Mineral will purchase, a minimum of 1 million dry tonnes of the Ores in the first year after the Exclusive Offtake Agreement becoming unconditional and 3 million dry tonnes in each subsequent year till the expiry of the term of the Exclusive Offtake Agreement, at the Ores Unit Purchase Price.

The current approval from the Independent Shareholders for the annual caps of the Exclusive Offtake Agreement is due to expire on 31 December 2009, the Company is seeking from the Independent Shareholders an approval to renew the annual caps of the Exclusive Offtake Agreement for the three years ending 31 December 2012.

### **The Renewed Ores Supply Annual Caps**

On 2 May 2007, the Independent Shareholders approved the Exclusive Offtake Agreement and the annual caps for the three financial years ending 31 December 2009 at HK\$89.7 million, HK\$452.4 million and HK\$491.4 million, respectively. The Company is seeking from the Independent Shareholders an approval for the Renewed Ores Supply Annual Caps of the Exclusive Offtake Agreement for the three years ending 31 December 2012.

#### *Proposed Renewed Ores Supply Annual Caps:*

	<b>Year ending 31 December 2010</b>	<b>Year ending 31 December 2011</b>	<b>Year ending 31 December 2012</b>
Annual Caps	HK\$483.8 million	HK\$483.8 million	HK\$725.7 million

Owing to the economic crisis in 2008, global demand in steel products has decreased as well as the timetable of the Group's expansion plan has been revised which in turn has resulted in the Group deferring its purchases of ores for the large part 2008 and early 2009 to subsequent years. Such deferral has been made with the mutual consent of the parties and does not constitute a breach of the Exclusive Offtake Agreement. With the recovery of the global economy and the commissioning of the new manufacturing plants of the Group in 2010/2011, the production capacity of the Group is expected to increase significantly from the current level. The Renewed Ores Supply Annual Caps were determined by reference to existing production capacity of the Group and the historical transaction amount with Yiwan Mining, and the anticipated growth in demand of ores by the Group.

#### *Historical transaction records*

For the two years ended on 31 December 2008 and the nine months ending on 30 September 2009, the aggregate purchase amount (including value added tax) by the Group from Yiwan Mining for the purchase of the Ores amounted to approximately US\$8.9 million, US\$13.8 million and US\$3.3 million (equivalent to approximately HK\$69.0 million, HK\$107.0 million and HK\$25.6 million respectively).

## **REASONS FOR THE RENEWED ORES SUPPLY ANNUAL CAPS**

The Group has been purchasing Ores from Yiwang Mining since June 2007 and Yiwang Mining is the primary source of supply of Ores for the Group's manufacturing operation. Given the current approval from the Independent Shareholders for the annual caps of the Exclusive Offtake Agreement is due to expire on 31 December 2009, the Directors (other than the independent non-executive Directors whose view is reserved pending the advice of the independent financial adviser to the Independent Board Committee and the Shareholders) are of the view that it would be in the interest of the Company and its shareholders to renew the annual caps of the Exclusive Offtake Agreement to enable the Company to continue to procure Ores from Yiwang Mining to cope with the expanding manufacturing operation of the Group. The Exclusive Offtake Agreement has been entered into after arm's length negotiations between the parties, under normal commercial terms and in the ordinary and normal course of the Company, the Directors (other than the independent non-executive Directors whose view is reserved pending the advice of the independent financial adviser to the Independent Board Committee and the Shareholders) are of the view that the Exclusive Offtake Agreement, including the Renewed Ores Supply Annual Caps are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As disclosed in the announcement of the Company dated 5 March 2007, Yiwang Mining was deemed to be a connected person of the Company under Rule 14A.11(4)(a) of the Listing Rules.

Accordingly, the transactions under the Exclusive Offtake Agreement constitute non-exempt continuing connected transactions for the Company. As the applicable Percentage Ratios for the Renewed Ores Supply Annual Caps are expected to exceed 2.5%, the Renewed Ores Supply Annual Caps will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the Renewed Ores Supply Annual Caps. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Renewed Ores Supply Annual Caps.

A circular containing, amongst other things, details of the Renewed Ores Supply Annual Caps for each of the three financial years ending 31 December 2012, the recommendation from the Independent Board Committee, the advice of the Independent Financial Adviser and a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **GENERAL**

The Group is principally engaged in the business of manufacturing steel products, including nickel and chromium alloy steel products, and stainless steel products.

## DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Nickel Resources Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	extraordinary general meeting of the Company to be convened for approving the Renewed Ores Supply Annual Caps
“Exclusive Offtake Agreement”	the exclusive offtake agreement dated 5 March 2007, entered into among S.E.A. Mineral, Yiwang Mining and its shareholders in relation to, among other things, the purchase by S.E.A. Mineral of the Ores produced from the Mine
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Renewed Ores Supply Annual Caps
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Ores Supply Annual Caps
“Independent Shareholders”	the Shareholders other than Mr. Dong and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mine”	refers to the mining site located in the District of Batuclicin, Regency of Tanah Bumbu, in the Province of South Kalimantan, Indonesia on which and in relation to which, Yiwang Mining is authorised to conduct mining activities pursuant to the mining authorisations granted to Yiwang Mining by the Indonesian government to produce the Ores discovered on an area covering 5,766.6 hectares, location of which is detailed in the mining authorisations granted by the government of Indonesia

“Mr. Dong”	Mr. Dong Shutong, a Director and a controlling Shareholder (as defined in the Listing Rules) interested in approximately 71.47% of the issued share capital of the Company as at the date of this announcement
“Ores”	the ores derived from the Mine
“Ores Unit Purchase Price”	the purchase price of US\$16.0 per dry tonne by S.E.A. Mineral under the Exclusive Offtake Agreement
“Percentage Ratios”	the percentage ratios as stipulated under Rule 14.07 of the Listing Rules
“Renewed Ores Supply Annual Caps”	the maximum aggregate annual value for the purchase of Ores from Yiwang Mining under the Exclusive Offtake Agreement for the three years ending 31 December 2012
“S.E.A. Mineral”	S.E.A. Mineral Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yiwang Mining”	PT Yiwang Mining, a limited company incorporated in the Indonesia
“US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent.

*In this announcement, the exchange rate of US\$1.00 = HK\$7.7534 is used for illustrative purpose.*

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

Hong Kong, 23 December 2009

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