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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

(Unaudited)	**2010 First Half** *RMB'000*	2009 First Half *RMB'000*	Change %	2009 Second Half *RMB'000*	Change %
Revenue/Turnover	**589,755**	506,719	16%	381,015	55%
Gross Profit/(Loss)	**100,751**	(89,861)	N/A	(106,314)	N/A
Earning/(Loss) before Interest, Tax, Depreciation and Amortization ("EBITDA/(LBITDA)")	**126,974**	(28,161)	N/A	(193,286)	N/A
Loss before Income Tax	**(8,492)**	(109,943)	93%	(329,374)	97%
Profit/(Loss) Attributable to Shareholders	**15,283**	(79,850)	N/A	(252,295)	N/A
Gross Profit/(Loss) Margin	**17%**	(18%)	N/A	(28%)	N/A
EBITDA/(LBITDA) Margin	**22%**	(6%)	N/A	(51%)	N/A
Loss before Tax Margin	**(1%)**	(22%)	21%	(86%)	85%
Net Profit/(Loss) Margin	**3%**	(16%)	N/A	(66%)	N/A

The board of directors ("the Board" or "the Directors") of China Nickel Resources Holdings Company Limited ("the Company") is pleased to announce that the unaudited consolidated turnover of the Company and its subsidiaries (hereinafter collectively referred as "the Group") for the first half of 2010 was RMB589.8 million, representing an increase of 16% as compared to that of the corresponding period in 2009. Unaudited profit attributable to shareholders of the Company was RMB15.3 million. Unaudited basic earnings per share for the first half of 2010 was RMB0.007. Earnings per share was based on the weighted average of 2,137.5 million shares in issue in first half of 2010. The Board are pleased to declare interim dividend of HK$0.002 per share, totalling HK$4.6 million for the six months ended 30 June 2010. The unaudited consolidated interim financial statements for the six months ended 30 June 2010 have been reviewed by the Company's Audit Committee.

INTERIM CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2010

	Notes	**Six months ended 30 June** **2010** **RMB'000** **(Unaudited)**	2009 RMB'000 (Unaudited)
REVENUE	4	**589,755**	506,719
Cost of sales		**(489,004)**	(596,580)
Gross profit/(loss)		**100,751**	(89,861)
Other income and gains	4	**21,237**	94,157
Selling and distribution costs		**(10,638)**	(12,464)
Administrative expenses		**(59,647)**	(53,849)
Other expenses		**(7,430)**	(15,248)
Share of profits of an associate		**22,650**	—
Finance costs	5	**(75,415)**	(32,678)
LOSS BEFORE TAX	6	**(8,492)**	(109,943)
Income tax credit	7	**24,101**	31,092
PROFIT/(LOSS) FOR THE PERIOD		**15,609**	(78,851)
ATTRIBUTABLE TO:			
Owners of the parent		**15,283**	(79,850)
Non-controlling interests		**326**	999
		15,609	(78,851)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic (RMB)		**0.0071**	(0.0381)
Diluted (RMB)		**0.0067**	N/A

Details of the dividends proposed for the period are disclosed in note 9 to the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PROFIT/(LOSS) FOR THE PERIOD	**15,609**	(78,851)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Exchange differences on translation of foreign operations	**8,873**	(781)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	**8,873**	(781)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**24,482**	(79,632)
ATTRIBUTABLE TO:		
Owners of the parent	**24,156**	(80,631)
Non-controlling interests	**326**	999
	24,482	(79,632)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	**30 June 2010** ***RMB'000*** ***(Unaudited)***	31 December 2009 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,686,889**	1,446,993
Prepaid land lease payments		**388,212**	391,865
Goodwill		**58,394**	58,394
Intangible asset		**2,628,239**	2,640,288
Deferred tax assets		**249,522**	226,530
Investment in an associate		**22,700**	50
Other non-current assets		**97,393**	38,351
Total non-current assets		**5,131,349**	4,802,471
CURRENT ASSETS			
Inventories		**757,747**	879,278
Trade and notes receivables	11	**112,531**	49,826
Prepayments, deposits and other receivables		**277,066**	287,543
Pledged time deposits		**233,394**	387,055
Cash and cash equivalents		**141,472**	292,745
Total current assets		**1,522,210**	1,896,447
TOTAL ASSETS		**6,653,559**	6,698,918
CURRENT LIABILITIES			
Trade and notes payables	12	**459,562**	579,294
Tax payable		**13,545**	7,417
Other payables and accruals		**351,473**	376,369
Interest-bearing bank and other borrowings		**361,051**	401,089
Current portion of convertible bonds		**1,163,306**	1,336,076
Total current liabilities		**2,348,937**	2,700,245
NET CURRENT LIABILITIES		**(826,727)**	(803,798)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,304,622**	3,998,673
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**176,314**	98,439
Convertible bonds		**205,232**	—
Deferred tax liabilities		**24,269**	27,917
Total non-current liabilities		**405,815**	126,356
NET ASSETS		**3,898,807**	3,872,317

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2010

	Notes	**30 June 2010** **RMB'000** **(Unaudited)**	31 December 2009 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	**227,990**	210,006
Equity component of convertible bonds		**45,920**	45,920
Reserves		**3,499,373**	3,495,165
Proposed interim dividend	9	**3,972**	—
		3,777,255	3,751,091
Non-controlling interests		**121,552**	121,226
TOTAL EQUITY		**3,898,807**	3,872,317

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2010

	Attributable to owners of the parent												
	Issued capital *RMB'000*	Share premium account *RMB'000*	Contributed surplus *RMB'000*	Capital reserves *RMB'000*	Share option reserves *RMB'000*	Equity component of convertible bonds *RMB'000*	Statutory surplus reserves and statutory reserve fund *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Proposed interim dividend *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2010 (Audited)	210,006	2,661,351	51,599	433,282	22,459	45,920	75,546	(16,446)	267,374	—	3,751,091	121,226	3,872,317
Total comprehensive income for the period	—	—	—	—	—	—	—	8,873	15,283	—	24,156	326	24,482
Equity-settled share option arrangements	—	—	—	—	2,008	—	—	—	—	—	2,008	—	2,008
Conversion of convertible notes	17,984	293,151	—	(311,135)	—	—	—	—	—	—	—	—	—
Proposed 2010 interim dividend (Note 9)	—	—	—	—	—	—	—	—	(3,972)	3,972	—	—	—
At 30 June 2010 (Unaudited)	227,990	2,954,502	51,599	122,147	24,467	45,920	75,546	(7,573)	278,685	3,972	3,777,255	121,552	3,898,807

30 June 2009

	Attributable to owners of the parent											
	Issued capital *RMB'000*	Share premium account *RMB'000*	Contributed surplus *RMB'000*	Capital reserves *RMB'000*	Share option reserves *RMB'000*	Equity component of convertible bonds *RMB'000*	Statutory surplus reserves and statutory reserve fund *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009 (Audited)	209,961	2,660,771	51,599	417,963	16,300	54,043	75,250	(31,841)	601,117	4,055,163	55,004	4,110,167
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	—	(781)	(79,850)	(80,631)	999	(79,632)
Equity-settled share option arrangements	—	—	—	—	3,797	—	—	—	—	3,797	—	3,797
Repurchase and redemption of convertible bonds	—	—	—	—	—	(8,123)	—	—	(1,302)	(9,425)	—	(9,425)
At 30 June 2009 (Unaudited)	209,961	2,660,771	51,599	417,963	20,097	45,920	75,250	(32,622)	519,965	3,968,904	56,003	4,024,907

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(94,382)**	(47,658)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(24,963)**	(59,217)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(25,121)**	(174,231)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(144,466)**	(281,106)
Cash and cash equivalents at beginning of period	**292,745**	917,763
Effect of foreign exchange rate changes, net	**(6,807)**	(24,067)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**141,472**	612,590
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**124,927**	283,109
Unrestricted time deposits with original maturity of less than three months	**16,545**	329,481
	141,472	612,590

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2010

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 Rooms 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 the trading of ore. The Group is principally engaged in the manufacture and sale of special steel products in the PRC and the trading of ore.

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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of presentation

As at 30 June 2010, the Group had net current liabilities of RMB826,726,860, which included bank and other borrowings of RMB361,050,800 and the current portion of "HK$2,000,000,000 zero coupon convertible bonds due 2012" issued on 12 December 2007 ("Zero Coupon Convertible Bonds") of RMB1,163,305,979. 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$1,194,300,000 multiplied by 117.68%.

In October 2009, the Group acquired Lianyungang City East Harvest Mining Company Limited in Lianyungang, the PRC (the Group's major port in the PRC for importing iron ores under the exclusive offtake right) 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 several production projects 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". By using thermal coal of the new technology, instead of coking coal, the production costs for the ferro-nickel products will be significantly lower. The construction of these production projects progressed smoothly as planned during the first six months of 2010. The Group intends to commence trial production of tunnel kilns No.1 & 2 in September 2010 following the preparation and modulation in August 2010. Other facilities and ancillary works of these projects are expected to commence full operation in the fourth quarter of 2010 upon completion.

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) The Group has been actively discussing with PRC banks for the renewal of PRC bank borrowings when those borrowings fall due in 2010. The Company is also in the progress to discuss with banks on additional bank facilities and financing solutions. Subsequent to interim statement of financial position date, additional bank loan and trade facilities amounting to approximately RMB405 million have been concluded.

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

(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 detail works are still in progress and the Company considers the arrangement can be finalised before October 2010.

(d) The Company is expanding its mineral resources trading business. It is in the progress to conclude more longer-term sales contracts with customers. The Company considers this would further improve the cash flow to the Group.

On the above basis, 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 interim condensed consolidated 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 interim condensed consolidated financial statements.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations effective for the period beginning on or after 1 January 2010, as set out below:

IFRS 1 (Revised)	*First-time Adoption of IFRS*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRS — Additional Exemptions for First-time Adopter*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment — Group Cash — settled share based payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendments	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included IFRSs issued in October 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling* Interest in *Improvements to in a Subsidiary*

The principal effects of adopting these new and revised IFRSs, which give rise to changes in accounting policies, are as follows:

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rate, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

The changes introduced by IFRS 3 (Revised) and IAS 27 (Revised) were applied prospectively and will affect future acquisitions, loss of control and transactions with non-controlling interests.

Except as stated above, the adoption of the above new and revised IFRSs is unlikely to have a significant impact on the Group's interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the manufacture and sale of special steel products in the PRC and trading of ore. Therefore, no analysis by operating segment is presented.

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:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Sale of goods:		
Stainless steel base materials	**53,573**	453,204
Bearing steel	**28,185**	2,454
Ni-Cr alloy steel ingot	**44,433**	36,292
Ni-Cr bearing steel	**2,281**	2,784
Ferro-nickel alloys and others	**206,915**	11,985
Limonitic ores	**254,368**	—
Total revenue	**589,755**	506,719
Other income		
Bank interest income	**5,007**	10,756
Sale of scrap materials and others	**14,744**	2,000
	19,751	12,756
Gains		
Gain on repurchase and redemption of convertible bonds	**—**	79,513
Government grant*	**1,037**	1,867
Exchange gain, net	**449**	21
	1,486	81,401
Total other income and gains	**21,237**	94,157

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

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loans and other borrowings	**13,682**	11,577
Interest on convertible bonds	**44,960**	49,175
Consent fee on convertible bonds	*** 36,000**	—
Total interest expenses	**94,642**	60,752
Less: interest capitalised	**(19,227)**	(28,074)
Total finance costs	**75,415**	32,678

* On 22 April 2010, the Bonds holders with the aggregate principal amount of HK$210,700,000, agreed to lapse their redemption options on 12 December 2010 at the principal amounts multiplied by 117.68%, for a return of cash payments of HK$20,000 per HK$100,000 in principal amount of the Bonds on 12 November 2010.

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Staff costs (including Directors' remuneration):		
Salaries and other staff costs	**15,793**	25,521
Retirement benefit scheme contributions	**3,029**	3,097
Equity-settled share-based expense	**2,010**	3,797
Total staff costs	**20,832**	32,415
Amortisation of intangible asset	**12,049**	—
Cost of inventories sold	**489,004**	596,580
Research costs	**803**	160
Auditors' remuneration	**1,683**	1,721
Depreciation	**43,627**	46,405
Provision of impairment for items of property, plant and equipment*	**2,748**	—
Amortisation of prepaid land lease payments	**4,073**	2,217
Amortisation of other non-current assets	**3,130**	—
Bank interest income	**(5,007)**	(10,756)
Gain on repurchase and redemption of convertible bonds	**—**	(79,626)
Exchange gain, net	**(449)**	(21)
Minimum lease payments under operating leases in respect of buildings and equipment	**2,150**	1,761

* This item is included in "Other expenses" on the face of the consolidated income statement.

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 operates 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, a subsidiary of the Company incorporated in Singapore, was 5% for the period ended 30 June 2010 (six months ended 30 June 2009: 5%). 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, 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 Yongtong Special Steel, Yongtong Alloy Metals, Yongan Special Steel, Xiangtong Electricity, Yongtong Nickel, East Harvest Minerals and East Harvest Mining, subsidiaries of the Company, was 25% for the year.

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Provision for income tax in respect of profit for the period:		
Current — PRC	**154**	748
Current — Hong Kong and others	**2,385**	—
Deferred	**(26,640)**	(31,840)
Total tax credit for the period	**(24,101)**	(31,092)

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

Basic

The calculation of basic earnings/(loss) per share amounts for the period is based on the profit/(loss) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,137,541,936 (six months ended 30 June 2009: 2,093,120,385) in issue during the period, as adjusted to reflect the rights issue during the period.

Diluted

The calculation of diluted earnings per share amounts for the period is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the weighted average number of the ordinary shares in issue during the period, 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2009 in respect of a dilution as the impact of the share options, convertible notes and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of diluted earnings per share for the period is based on:

	Six months ended 30 June 2010 *RMB'000* *(Unaudited)*
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	15,283
Interest on convertible bonds (Zero Coupon Convertible Bonds)	* 26,164
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	41,447

	Number of shares for the six months ended 30 June 2010 *'000*
Shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,137,542
Effect of dilution — weighted average number of ordinary shares:	
— Share options	5,982
— Convertible notes	138,313
— Convertible bonds (Zero Coupon Convertible Bonds)	* 243,501
	2,525,338

* Because the diluted earnings per share amount for the six months ended 30 June 2010 is increased when taking convertible bonds (Zero Coupon Convertible Bonds) into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts for the six months ended 30 June 2010 are based on the profit for the period attributable to ordinary equity holders of the parent of RMB15,283,000 and the weighted average of 2,281,836,844 ordinary shares in issue during the period.

9. DIVIDEND

Pursuant to the Directors' resolution of the Company dated 24 August 2010, the Directors proposed an interim dividend of HK$0.002 per share (for the six months ended 30 June 2009: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a cost of RMB286,271,000 (six months ended 30 June 2009: RMB162,399,000). Depreciation for items of property, plant and equipment is RMB43,627,000 (six months ended 30 June 2009: RMB46,405,000) during the period.

11. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade and notes receivables, based on the due date, is as follows:

	30 June 2010 *RMB'000* *(Unaudited)*	31 December 2009 *RMB'000* *(Audited)*
Outstanding balances aged:		
Within 90 days	**94,175**	38,543
91 to 180 days	**10,947**	3,944
181 to 365 days	**570**	—
Over 1 year	**10,383**	10,883
	116,075	53,370
Less: Provision for impairment of trade receivables	**(3,544)**	(3,544)
	112,531	49,826

As at 30 June 2010, the notes receivables of RMB30,000,000 were pledged for issuing notes payables.

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2010 *RMB'000* *(Unaudited)*	31 December 2009 *RMB'000* *(Audited)*
Within 90 days	**263,184**	354,290
91 to 180 days	**109,527**	118,430
181 to 365 days	**33,829**	36,082
1 to 2 years	**18,988**	31,543
2 to 3 years	**8,543**	8,325
Over 3 years	**25,491**	30,624
	459,562	579,294

As at 30 June 2010, the notes payables of RMB259,453,000 (31 December 2009: RMB344,403,000) were secured by time deposits amounting to RMB233,394,000 (31 December 2009: RMB304,403,000) and notes receivables amounting to RMB30,000,000 (31 December 2009: nil).

13. SHARE CAPITAL

	30 June 2010		31 December 2009	
	Number of ordinary shares	*RMB'000 (Unaudited)*	*Number of ordinary shares*	*RMB'000 (Audited)*
Authorised (HK$0.1 each):				
At beginning of period/year	**5,000,000,000**	**479,200**	5,000,000,000	479,200
Increase during period/year	**—**	**—**	—	—
At end of period/year	**5,000,000,000**	**479,200**	5,000,000,000	479,200
Issued and fully paid (HK$0.1 each):				
At beginning of period/year	**2,093,630,385**	**210,006**	2,093,120,385	209,961
Conversion of convertible notes	**182,734,104**	**17,984**	—	—
Exercise of share options	**—**	**—**	510,000	45
At end of period/year	**2,276,364,489**	**227,990**	2,093,630,385	210,006

14. CONTINGENT LIABILITIES

(a) CNR Group Holdings Pte Ltd. ("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 Holdings 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 the interim condensed consolidated 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 30 June 2010.

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.

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

(i) the injunction restraining the Company from asserting its security rights in relation to an 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 Court and the Company was successful in the interim hearing. The decision of the Court 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 Court 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.

BUSINESS REVIEW

As affected by the global financial crisis, the performance of the Group was unsatisfied in last year. In addition, the existing facilities and equipment were under improvement and upgrading, partially limiting the Company's production capacity. However, the management has taken effective initiatives in accelerating the construction project and facilities improvement project, while maintaining existing operating profit. As the general industry has been rid of last year's adversity, the Company managed to turn its business around in the first half of 2010. Earnings before interest, tax, depreciation and amortization ("EBITDA") was RMB127,000,000 and its profit after tax was approximately RMB15,000,000 from net loss of approximately RMB80,000,000 of the corresponding period last year. Profit also increased by approximately RMB95,000,000. The performance of the Company's mineral resources trading business has been satisfactory since the end of last year and a total sales volume of approximately 700,000 tonnes was recorded in the first half of 2010, exceeding the Company's sales target of 600,000 tonnes for the first half of the year. In short, the Company has completed its five-year development plan, in which two-years for preparation and three-years for strategic adjustment. In the coming five years, the Company expect a breakthrough development.

The construction project in Lianyungang will apply the low-carbon technology to realize a cost effective operational model. The construction of the project went smoothly as planned. The Company intends to commence trial production of tunnel kilns No. 1 & 2 in September following their successful adjusting in August 2010. Other facilities and ancillary works are expected to commence full operation in the fourth quarter upon completion. The improvement of facilities and stainless steel facilities in Yongtong and Yongan has been substantially completed. With the continuous assistance from Inteco, an European leading steel consultancy company for many years, the refinery technology of the Group has enhanced and the quality of stainless steel and special steel products of the Group reaches the international top standard, which allows the Group to flexibly adjust output and optimise product mix based on market conditions and the Group's overall needs, and batch production are expected in the fourth quarter.

As for business expansion and capital allocation, the Company has obtained the utmost support from business partners and banks. Because of industrial growth and the increased demand of resources and steel, the Company has received more long-term mineral resources trading orders, facilitating the Company's flexible capital management and financing and the Company is expanding its mineral resources trading business. With more support from banks, the Company's credit line has been raised by approximately RMB405 million subsequent to the interim statement of financial position date. Offers of financing arrangement and proposing of credit line from several banks are still under discussion and are expected to be finalised in a couple of months. With solid profit growth of the principal business, smooth progress of new projects, expansion of resources trading business and the finalisation of financing arrangement, the Company believes that its business and financial conditions in the second half of the year will be further improved and will be able to present better results to the investors.

MANAGEMENT DISCUSSION AND ANALYSIS

The global financial market was mired during the sovereignty debt crisis in the first half of 2010. Although the volatility was mitigated in the middle of the year, it is estimated that the impacts of the crisis on the global economy will remain for some time subject to the systemic risks of the financial systems. In view of the above, developed countries are expected to maintain quantitative easing monetary policies when adopting balanced strategies for reducing debts and stimulating economic recovery. They may also implement contraction of expenditure and gradually withdraw from their fiscal policies. Emerging markets are capable of maintaining necessary stimulus measures to guide their economies back on a recovery track, while some developing countries will tighten their monetary policies due to the rising inflation pressure. In general, the global financial market has rallied, which will facilitate the recovery of the global economy.

As the global economy has begun to revive and the demand from the international steel market has increased, the prices of ore resources and steel products have been on the rise while the prices of nickel and special steel products have substantially resumed the pre-financial-crisis level two years ago. The overall Chinese economy has maintained a steady growth as investment in fixed assets and demand from major steel-consuming industries increased. In the first half of the year, China's GDP and CPI increased by 11.1% and 2.6% over the corresponding period last year respectively. The industrial growth of 13.7% was recorded in June over the corresponding period last year. The steady growth of the overall economy and the significant rise in corporate profitability has bolstered the demand and prices of steel and ore resources.

The global economic crisis in the first half of 2008 resulted in a significant fall in the global nickel prices. Despite the shrinkage of global stainless steel output after the financial turmoil, the production of nickel in emerging markets such as Mainland China and India has increased. The upturn in the global economy this year has boosted the increase in nickel consumption. It is estimated that in 2010, the annual global nickel consumption will be increased by approximately 10% and the output of stainless steel will be increased by 18% to approximately 30 million tonnes, and will further be increased to 32 million tonnes in 2011. Based on the estimated demand of nickel for 2010 to 2012, the nickel price is expected to remain on a steady track. In the long run, the demand of stainless steel and nickel will continue to grow, and China will continue to be the largest consuming country with a market share exceeding 30%. Ferro-nickel alloy have become one of the major materials of nickel metallurgy and stainless steel production. It is estimated that there may be much room for increases in both the demand and price of ferro-nickel alloy in the future. Meanwhile, in the PRC market, under the policy of saving energy and reducing emission, the production of ferro-nickel alloy with traditional small blast furnaces has been restricted, resulting a limited supply of ferro-nickel alloy in the PRC. This brings opportunities to the Group to produce ferro-nickel alloy without using blast furnaces.

Production/Trading Targets

Operating Unit	Product	2010 1H (Orininal Targets) *(tonnes)*	2010 1H (Actual) *(tonnes)*	2010 2H (Revised Targets) *(tonnes)*
Yongtong Special Steel & Yongan Special Steel	Ni-Cr alloy steel & Ferro-nickel alloy (blast furnace technology)	75,000	90,616	55,000
	Stainless steel	—	—	60,000
East Harvest Mining	Ferro-nickel alloy (non-coke technology)	—	—	80,000 (Ni > 6%) or 200,000 (Ni > 1.6%)
Overseas Trading Unit	Ore trading to third parties	600,000	699,475	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 has out a 5-year-plan for its development, intending to a production capacity of 6,000,000 tonnes of processed ore.

Turnover and sales volume

Major products of the Group were ferro-nickel alloys and limonitic ores. The table below sets out the turnover and sales volume of our major products for the years indicated:

Turnover

	2010 First Half		2009 First Half		2009 Second Half	
	RMB'000	**%**	*RMB'000*	%	*RMB'000*	%
Stainless steel base materials	**53,573**	**9%**	453,204	89%	129,101	34%
Bearing steel	**28,185**	**5%**	2,454	1%	71,393	19%
Ni-Cr alloy steel ingot	**44,433**	**8%**	36,292	7%	37,582	10%
Ni-Cr bearing steel	**2,281**	**—**	2,784	1%	1,649	—
Ferro-nickel alloys and others	**206,915**	**35%**	11,985	2%	100,273	26%
Limonitic ores	**254,368**	**43%**	—	—	41,017	11%
Total	**589,755**	**100%**	506,719	100%	381,015	100%

Sales volume

	2010 First Half		2009 First Half		2009 Second Half	
	(tonnes)	**%**	*(tonnes)*	%	*(tonnes)*	%
Stainless steel base materials	**16,488**	**2%**	94,974	89%	47,738	19%
Bearing steel	**6,632**	**1%**	748	1%	19,211	8%
Ni-Cr alloy steel ingot	**6,585**	**1%**	4,863	5%	6,237	2%
Ni-Cr bearing steel	**236**	**—**	295	—	194	—
Ferro-nickel alloys and others	**60,675**	**8%**	5,207	5%	32,978	13%
Limonitic ores	**699,475**	**88%**	—	—	144,864	58%
Total	**790,091**	**100%**	106,087	100%	251,222	100%

The Group's turnover in the first half of 2010 was increased by RMB83.1 million, or 16%, to approximately RMB589.8 million (2009 corresponding period: RMB506.7 million).

Major contributor to the increased turnover was the ore trading business. This represented about 43% of the Group's turnover in the first half of 2010. The Group believes the ore trading business will continuously make stable contribution to the Group.

During the first half of 2010, the average unit selling price per tonne for ferro-nickel alloys was RMB3,410 (2009 corresponding period: RMB2,302), representing an increase of 48% which was in line with the price recovery in nickel and iron. The Group will further expand the production volume of this product type when the new plant in Lianyungang port starts operate in the fourth quarter of 2010.

Cost of sales

The cost of sales in the first half of 2010 was decreased by RMB107.6 million, or 18%, to approximately RMB489.0 million (2009 corresponding period: RMB596.6 million).

The unit cost of ferro-nickel alloys in 2010 was decreased by RMB1,017 per tonne, or 24%, to RMB3,133 per tonne (2009 corresponding period: RMB4,151 per tonne). The Group considers the unit cost of ferro-nickel alloys will further decrease when new production technology will be adopted in the new plant strategically located in Lianyungang city.

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

Cost of sales

	2010 First Half		2009 First Half		2009 Second Half	
	RMB'000	**%**	*RMB'000*	%	*RMB'000*	%
Raw Materials	**275,477**	**56%**	275,202	46%	218,202	45%
Fuel	**144,522**	**30%**	222,694	37%	182,851	38%
Utilities	**26,555**	**5%**	41,611	7%	38,376	8%
Depreciation	**28,331**	**6%**	38,941	7%	27,113	6%
Staff Cost	**8,418**	**2%**	14,829	2%	12,136	2%
Repair	**1,217**	**—**	220	—	1,875	—
Others	**4,484**	**1%**	3,083	1%	6,776	1%
	489,004	**100%**	596,580	100%	487,329	100%

Gross profit/(loss)

The gross profit for limonitic ores in the first half of 2010 was RMB100 per tonne (2009 corresponding period: nil), representing a gross profit margin of 38%. The gross profit for ferro-nickel alloys in the first half of 2010 was RMB277 per tonne (2009 corresponding period: gross loss RMB1,849 per tonne), representing a gross profit margin of 8%.

As a result, the Group's gross profit in the first half of 2010 was RMB100.8 million (2009 corresponding period: gross loss RMB89.9 million). The Group's gross profit margin in the first half of 2010 was 17% (2009 corresponding period: gross loss margin 18%).

Other income and gains

Other income in the first half of 2010 was decreased by RMB73.0 million, or 77%, to RMB21.2 million (2009 corresponding period: RMB94.2 million). The major component for high other income in 2009 corresponding period was the gain on repurchase and redemption of convertible bonds. There was no such repurchase happened in the first half of 2010.

Selling and distribution costs

Selling and distribution costs in the first half of 2010 were decreased by RMB1.9 million, or 15%, to RMB10.6 million (2009 corresponding period: RMB12.5 million), representing 2% of turnover (2009 corresponding period: 3%).

Administrative expenses

Administrative expenses in the first half of 2010 were increased by RMB5.8 million, or 11%, to RMB59.6 million (2009 corresponding period: RMB53.8 million), representing 10% of turnover (2009 corresponding period: 11%).

Finance costs

Finance costs in the first half of 2010 were increased by RMB42.7 million, or 1.3 times, to RMB75.4 million (2009 corresponding period: RMB32.7 million). This was mainly due to the accrual of consent consideration pay to convertible bonds holders who has agreed to enter into an agreement with the Company to the effect that such convertible bonds holders will not exercise its right to require the Company to redeem the convertible bonds held by such convertible bonds holders.

The total financial charges for convertible bonds based on effective interest method amounted to RMB45.0 million in the first half of 2010 (2009 corresponding period: RMB49.2 million).

Loss before income tax

As a result of the factors discussed above, the loss before income tax in the first half of 2010 was RMB8.5 million (2009 corresponding period: loss before income tax RMB109.9 million).

In the first half of 2010, the Group's loss before tax margin was 1% (2009 corresponding period: loss before tax margin 22%). The earnings before interest, tax, depreciation and amortization (EBITDA) margin was 22% (2009 corresponding period: loss before interest, tax, depreciation and amortization (LBITDA) margin 6%).

Income tax expenses

The applicable Hong Kong corporate income rate of the Company which operates in Hong Kong is 16.5% based on existing legislation. The entities within the Group which operate in Mainland China are subject to corporate income tax rate of 25% for the period ended 30 June 2010.

Profit/(Loss) attributable to owners of the parent

As a result of the factors discussed above, the profit attributable to owners of the parent in the first half of 2010 was RMB15.3 million (2009 corresponding period: loss attributable to owners of the parent RMB79.9 million).

The Group's net profit margin in the first half of 2010 was 3% (2009 corresponding period: net loss margin 16%).

Key financial ratios

	Note	**Six months ended 30 June** ***2010***	Year ended 31 December *2009*
Current ratio	1	**65%**	71%
Inventories turnover days	2	**282 days**	296 days
Debtor turnover days	3	**35 days**	20 days
Creditor turnover days	4	**171 days**	195 days
Interest cover	5	**0.89 times**	N/A
Interest-bearing gearing ratio	6	**50%**	49%
Debt to EBITDA/(LBITDA) ratio	7	**15.0 times**	(8.2) times
Net debt/Capital and net debt ratio	8	**36%**	35%

Note:

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

2. $\frac{\text{Inventories}}{\text{Cost of sales}} \times 182 \text{ days or } 365 \text{ days}$

3. $\frac{\text{Trade and notes receivables}}{\text{Turnover}} \times 182 \text{ days or } 365 \text{ days}$

4. $\frac{\text{Trade and notes payables}}{\text{Cost of sales}} \times 182 \text{ days or } 365 \text{ days}$

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

The construction in progress as at 1 January 2010 and 30 June 2010 were RMB507.2 million and RMB788.2 million, respectively, representing an increase of RMB281.0 million which was due to expenses incurred from the addition of new facilities and conversion of existing facilities in the PRC related to the expansion project and 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 of the Group 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 deposit

The decrease in cash and bank balances by approximately RMB304.9 million, or 45%, to RMB374.9 million as at 30 June 2010 compared to that as at 31 December 2009 was mainly due to the net cash outflow for operation by approximately RMB94.4 million, the acquisition of property, plant and equipment, construction in progress, and other long-term assets by approximately RMB183.6 million, decrease in pledged time deposits of RMB153.7 million, and interest payment of RMB10.4 million.

Trade and notes receivables

The debtor turnover days were increased from 20 days in 2009 to 35 days for the six months period ended 30 June 2010. As at 30 June 2010, trade and notes receivables balance increased by RMB62.7 million to RMB112.5 million. This was mainly due to the gradual increase in sales volume since the second quarter of the year.

Inventories

The inventories turnover days were decreased from 296 days in 2009 to 282 days for the six months period ended 30 June 2010. As at 30 June 2010, inventories balance was decreased by RMB121.5 million to RMB757.7 million. This was mainly due to the management's great effort paid for better control over the inventories.

Prepayments, deposits and other receivables

As at 30 June 2010, prepayment, deposit and other receivables balance was decreased by RMB10.5 million, or 4% to RMB277.1 million. This was mainly due to the increase of prepayment to suppliers by RMB9 million and the decrease of value-added tax receivable by RMB16.1 million.

Trade and notes payables

As at 30 June 2010, trade and notes payables balance was decreased by RMB119.7 million to RMB459.6 million, mainly due to part of the notes payable repaid during the first half of 2010. Accordingly, the creditor turnover days were decreased from 195 days in 2009 to 171 days for the six months ended 30 June 2010.

Interest-bearing bank and other borrowings

As at 30 June 2010, the total interesting-bearing bank and other borrowings were increased by RMB37.8 million to RMB537.4 million. The gearing ratio was increased from 49% as at 31 December 2009 to 50% as at 30 June 2010.

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 30 June 2010, the planned usage of net proceeds was 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	944.4
General working capital	487.5	487.5

The Group has repurchased certain Zero Coupon Convertible Bonds with a total principal amount of HK$595 million for consideration of approximately HK$268.0 million. The utilized amount of Convertible Bonds includes the consideration paid for respective repurchase of Convertible Bonds. The unutilized balance was placed in short term bank deposits.

Liquidity and source of capital

Our working capital has been principally sourced from cash generated from operations and from long-term and short term debts. We also made prepayments to our suppliers which amounted to RMB122.3 million as at 30 June 2010.

As at 30 June 2010, the Group had current liabilities of RMB2,348.9 million, of which RMB361.1 million were interest-bearing loans and other borrowings repayable within one year, and RMB459.6 million were trade and notes payables in respect of purchase of raw materials.

In April 2010, the Company has invited existing holders of convertible bonds to enter into an agreement to the effect that such holders will not exercise their rights of redemption to put in the consideration of a consent fee on the payment date. The aggregate principal amount of convertible bonds in respect of which holders have delivered (and not revoked) valid instructions to participate in the proposal prior to the expiration time and in respect of which convertible bonds the Company has agreed to enter into the agreement with each such holder is HK$210,700,000, representing approximately 15% of the convertible bonds currently outstanding. 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 for the year in order to create more satisfactory returns for investors.

Foreign currency risk

Since July 2004, the Group has begun the purchase of imported iron ore from overseas suppliers. Since the contracts are in United States dollars ("US$") and the RMB is in a favorable trend now, no hedging is considered necessary at the moment. However, the Group will closely monitor the foreign currency risk and use necessary financial instruments for hedging purposes. As at 30 June 2010, all bank loans are 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 30 June 2010, the Group had following assets pledged: 1) time deposits of RMB233.4 million (31 December 2009: RMB304.4 million) and notes receivables of RMB30.0 million were secured for notes payables of RMB259.5 million (31 December 2009: RMB344.4 million); 2) bank balance of RMB3.8 million was secured for issuance of banker's guarantee; and 3) certain parcels of the Group's leasehold lands situated in the PRC with the carrying amounts of RMB86.7 million were secured for a bank loan granted to the Group of RMB77.6 million.

Capital commitment

As at 30 June 2010, the Group had capital commitments of approximately RMB421.1 million for remaining parts of equipment refinement project.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2010, the Group had approximately 4,000 employees, of whom 27 were management personnel.

The Group implemented remuneration distribution policy of linkage between duties and efficiency. The remuneration of an employee consists of a basic salary and a performance-based bonus. During the period, the staff costs of the Group amounted to RMB41.1 million (2009 corresponding period: RMB25.6 million).

CLOSURE OF REGISTER OF MEMBERS

The book close dates of the Group's interim dividend payment of HK$0.002 per share for the six months ended 30 June 2010 were set in the period from Monday, 20 September 2010 to Wednesday, 22 September 2010. The dividend will be distributed on Monday, 18 October 2010 to the shareholders whose names appear on the Company's Register of Members on Wednesday, 22 September 2010. The Register of Members of the Company will be closed from Monday, 20 September 2010 to Wednesday, 22 September 2010 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 June 2010, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 17 September 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company listed securities during the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The executive director, Mr. Dong Shutong, served as the chairman and chief executive officer of the Company. The chairman is responsible for overseeing the Company's operations in respect of compliance with both internal rules and statutory requirements, and promoting the corporate governance of the Company, whereas the Company did not appoint another individual to act as a chief executive for the period ended 30 June 2010 and up to the date of the announcement. 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 is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board. Important decision-making and the day-to-day management of the Company is carried out by all of the executive directors. Although the roles of the chairman and the chief executive officer of the Company are not segregated, the functions of the chief executive were carried out by all of the executive directors collectively.

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.

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. Mr. Wong Chi Keung is the chairman of the audit committee.

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 INTERIM RESULTS AND INTERIM REPORT

This announcement will be published on the Company's website (www.cnrholdings.com) and the Stock Exchange's website (www.hkexnews.hk). The Interim Report 2010 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, 24 August 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, Mr. Wong Chi Keung and Mr. Fahmi Idris are the independent non-executive directors of the Company.