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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)*

**(Shares — Stock Code: 2889; Bonds — Stock Code: 1605)**

## **EQUITY-LINKED TERM LOAN AGREEMENT AND PROPOSED ISSUE OF NON-LISTED WARRANTS**

### **THE AGREEMENT**

On 2 December 2010, the Company and the Lender entered into the Agreement, pursuant to which (a) the Facility in the amount equal to the US\$ equivalent of RMB330,000,000 (equivalent to approximately HK\$384,310,782) is to be granted by the Lender to the Company on and subject to the terms and conditions of the Agreement; and (b) the Company has agreed, as a condition to the availability of the Facility, to issue to the Lender the Warrants.

Under the Agreement, the Company may elect to repay the principal amount of the Loan and accrued interest by issuing Payment Shares to the Lender in accordance with the terms of the Agreement. The Company will, if it elects to exercise such right, issue the Payment Shares under the available general mandate in compliance with the Listing Rules. Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and the permission to deal in, such Shares in due course.

### **WARRANTS**

Under the Agreement, the Company is required to issue the Warrants to the Lender. The Warrants will carry the rights to subscribe for Shares at the Subscription Price for up to the Maximum Warrant Amount, from the Commencement Date, being the date of issue of the Warrants, to the expiry of the third anniversary of the Commencement Date.

On exercise of the Warrants, the Company will allot and issue the Warrant Shares under the 2010 General Mandate. Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and the permission to deal in, the Warrant Shares. No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange.

**Completion of the Agreement is subject to the satisfaction of certain conditions as set out below under the paragraph headed “Conditions precedent” of the section headed “The Agreement”. As the transactions contemplated by the Agreement may or may not proceed, potential investors are advised to exercise caution when dealing in the Shares.**

## **THE AGREEMENT**

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### **Parties**

Issuer: The Company

Lender: Asia Equity Value Ltd

The Lender is an investment vehicle advised by Sage Capital Global, Limited. Sage Capital Global, Limited and its affiliates oversee investments throughout the world in various sectors, including, real-estate, commodities, energy, biotech, pharmaceuticals and technology.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Lender and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

### **Facility**

Set out below are the principal terms of the Facility:

Facility Amount: The US\$ equivalent of RMB330,000,000 (equivalent to approximately HK\$384,310,782).

Availability Period: The period of 14 days commencing from and including the date of the Agreement during which the Company may draw down the Facility.

Interest Rate: 9.5% per annum.

Term: 24 months.

Repayment: The Company shall repay the Loan in 7 equal installments on the dates falling 6, 9, 12, 15, 18, 21 and 24 months after the date of drawdown.

### *Conditions precedent*

The right of the Company to draw down the Loan is subject to satisfaction of the conditions set out in the Agreement, which include, among others, the following:

- 1) delivery of all documents and evidence required under the Agreement (including issue of the Warrants and the execution of the Share Sale Agreement and the Option Agreement to buy back the Sale Shares, and the Equity Pledge) to the Lender; and
- 2) no material change having occurred and no change in applicable law or regulation that either restrains or prevents or imposes materially adverse conditions upon the transactions contemplated by or in connection with, among others, the Agreement, the Warrants and other finance documents.

### *Share payment option*

Under the Agreement, the Company may by notice in writing to the Lender not less than 20 Trading Days prior to the relevant principal repayment date and the relevant interest payment date (as the case may be) elect to pay the whole or part of the instalment of the principal of the Loan and the interest (as the case may be) (the “**Share Payment Amount**”) by the issue of the Payment Shares provided that:

- (a) on the Payment Date, the Market Price per Share exceeds 60% of the Facility Reference Market Price; and
- (b) certain conditions are satisfied including:
  - (i) no event of default or potential event of default has occurred and is continuing;
  - (ii) as of the Payment Date and immediately subsequent thereto the Company will have available, free from pre-emptive or other rights, out of its authorized but unissued share capital such number of Warrant Shares as would be required to be issued on conversion of all the Warrants from time to time remaining outstanding and to satisfy in full all other rights of conversion into or exchange or subscription for Shares;
  - (iii) the Company is authorized to issue the relevant number of Payment Shares and all the Warrant Shares under the general mandate referred to in Rule 13.36(2) of the Listing Rules or has otherwise obtained all relevant consents to issue such Shares; and
  - (iv) as of the Payment Date and immediately subsequent thereto, upon issue and delivery of the Payment Shares the aggregate Shares in which the Lender has a relevant interest (together with parties acting in concert (within the meaning of the Takeovers Code) will not (1) result in a requirement to make a general offer under the Takeovers Code after such issue and delivery of the Shares; or (2) exceed 29.9% (or such lower amount as may from time to time be specified in the Takeovers Code as being the level requiring a mandatory general offer) of the issued share capital or voting rights of the Company (as enlarged by the issue and allotment of the Payment Shares).

On the Payment Date the Company will pay the Share Payment Amount in the number of fully paid and non-assessable Shares equal to the Share Payment Amount divided by the Amortization Price in effect on the Payment Date (with the resulting number of Shares being rounded down to the immediately preceding whole number and no cash payments for fractions of Shares will be made) (the “**Initial Amount of Shares**”).

On the 21st Trading Day immediately following the Payment Date (the “**Adjustment Date**”), the Company will issue and deliver to the Lender or its nominee a number of fully paid and non-assessable Shares equal to the Adjusted Amount of Shares minus the Initial Amount of Shares (together with the rights and entitlements to which such Shares would have been entitled had such Shares had been issued on the Payment Date). For this purpose, “**Adjusted Amount of Shares**” means the Share Payment Amount divided by the Amortization Price in effect on the Adjustment Date (with the resulting number of Shares being rounded down to the immediately preceding whole number and no cash payments for fractions of shares shall be made).

If the Initial Amount of Shares is greater than the Adjusted Amount of Shares, the Lender will not be required to return the excess to the Company, and instead the last installment of the repayment of the principal of the Loan will be reduced correspondingly.

A further announcement will be issued by the Company in the event the Company elects to pay the whole or part of the installment of the principal of the Loan and the interest (as the case may be) by the issue of the Payment Shares.

## **WARRANTS**

Under the Agreement, the Company is required to issue the Warrants to the Lender.

### **Principal terms of the Warrants**

The Warrants will carry the rights to subscribe at any time and from time to time during the subscription period for Shares up to an amount in the aggregate equal to (i) the Maximum Warrant Amount divided by (ii) the Subscription Price.

#### *Subscription period*

From the Commencement Date to 4:00 p.m. (Hong Kong time) on the date of the third anniversary of the Commencement Date.

#### *Subscription Price*

The initial Subscription Price is HK\$1.68.

The Subscription Price is subject to adjustment in certain events such as subdivision or consolidation of the Shares, capitalisation issue, capital distribution, rights issue, issue of convertible or exchangeable securities or Shares issue at a price less than 95% of the market price, purchase and cancellation of securities of the Company, and issue of Shares or other securities at a price less than the Subscription Price then in force.

Upon exercise of the subscription rights attaching to the Warrants, payment of the Subscription Price may be made, if so elected by the Warrantholder by discharging the Company's obligations, as at the Subscription Date, to repay any outstanding principal of the Loan or any accrued but unpaid interest and other sums payable under the Agreement.

The Subscription Price was determined and agreed after arm's length negotiations between the Company and the Lender, taking into account the Group's existing financial position, liquidity of the Shares in the market and number of Warrant Shares.

The initial Subscription Price of HK\$1.68 represents:

- (a) a premium of 15.9% to the closing price per Share of HK\$1.45 as quoted on the Stock Exchange on 2 December 2010, being the date of the Agreement;
- (b) a premium of approximately 17.0% to the average of the closing prices per Share as quoted on the Stock Exchange during the 5-Trading Day period ended on 2 December 2010, being HK\$1.436 per Share;
- (c) a premium of approximately 16.5% to the average of the closing prices per Share as quoted on the Stock Exchange during the 10-Trading Day period ended on 2 December 2010, being HK\$1.442 per Share; and
- (d) a discount of approximately 13.9% to the latest net asset value per Share of HK\$1.952 as at 30 June 2010.

Based on the initial Subscription Price of HK\$1.68, a total of 263,226,563 Warrant Shares may be allotted and issued, representing approximately 11.55% of the existing issued Shares or approximately 10.35% of the issued share capital of the Company as enlarged by the Warrant Shares.

#### *Transferability*

The subscription rights attaching to the Warrants will be transferable in amounts equivalent to the Subscription Price in respect of 1,000,000 Shares for the time being in force.

#### *Ranking of the Warrant Shares*

All Warrants Shares allotted and issued will rank pari passu with the fully paid Shares in issue on the relevant Subscription Date.

## *Call*

If, on any date (the “**Call Exercise Date**”) after the expiry of a period of 6 months commencing on the Commencement Date, the VWAP per Share is greater than 180% of the initial Subscription Price, on 20 or more Trading Days within the 30 consecutive Trading Days immediately preceding the Call Exercise Date, the Company may by not less than 30 Trading Days’ notice in writing to the Warrantholder (the “**Call Exercise Notice**”) to require the Warrantholder to exercise the subscription rights attaching to the Warrants in whole or in part within the aforesaid period of 30 Trading Days.

## *Redemption*

Each Warrantholder may require the Company to redeem or purchase all or a portion of its Warrants at a price equal to the Black Scholes Value as determined by the approved merchant bank approved by all the Warrantholders upon the occurrence of certain events, such a change of control of the Company; the Company failing to pay any amount payable under the Warrant Instrument or any Warrant when due; or there occurs any event of default under the Agreement; the cessation of listing on the main board of the Stock Exchange, and the suspension from or the Shares are trading on such exchange for more than:

- (i) (in the case where such suspension relates to a major transaction (including very substantial acquisition or disposal) (as defined in the Listing Rules) 15 consecutive Trading Days or (in any other case) 10 consecutive days; or
- (ii) 20 Trading Days in aggregate in any period 12 months.

## *Voting*

None of the Warrantholders will be entitled to attend or vote at any general meetings of the Company by reason only of it being a Warrantholder.

## *Listing*

No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and the permission to deal in, the Warrant Shares.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there is no other change in the shareholding structure of the Company immediately before the subscription rights attaching to the Warrants are exercised in full and no Payment Shares have been issued, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Share Sale Agreement but before issue of any Warrant Shares; and (iii) immediately after completion of the Share Sale Agreement and issue of 263,226,563 Warrant Shares based on the initial Subscription Price of HK\$1.68, will be as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Share Sale Agreement but before issue of any Warrant Shares		Immediately after completion of the Share Sale Agreement and issue of 263,226,563 Warrant Shares to the Lender	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
EAML and its associates (Notes 1, 2 and 3)	1,504,106,705	65.98	1,394,106,705	61.15	1,394,106,705	54.82
<b>Directors</b>						
Mr. Dong Chengzhe	200,000	0.01	200,000	0.01	200,000	0.01
Lender (Note 3)	—	—	110,000,000	4.83	373,226,563	14.68
Other public Shareholders	775,302,430	34.01	775,302,430	34.01	775,302,430	30.49
	<u>2,279,609,135</u>	<u>100.00</u>	<u>2,279,609,135</u>	<u>100.00</u>	<u>2,542,835,698</u>	<u>100.00</u>

Note:

- (1) 1,481,074,705 Shares and 23,032,000 Shares are directly held by EAML and Sino Regent Worldwide Limited, respectively. These two companies are wholly-owned by Mr. Dong Shutong. By virtue of the Securities and Futures Ordinance, Mr. Dong is deemed to be interested in the above Shares.
- (2) As at the date of this announcement, the Company has 43,675,000 Share Options, amongst which, Mr. Dong Chengzhe holds 1,275,000 Share Options.
- (3) EAML and the Lender have entered into the Option Agreement, pursuant to which EAML may acquire 110,000,000 Shares from the Lender.

## REASON FOR THE DRAW DOWN AND WARRANTS AND USE OF PROCEEDS

The Company was incorporated in the Cayman Islands with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in the construction, development, and ownership of ferro-nickel project.

If the Facility is drawn in full, the gross proceeds and net proceeds will be RMB330,000,000 (equivalent to approximately HK\$384,310,782) and RMB317,400,000 (equivalent to approximately HK\$369,637,098) respectively. The Company intends to apply the net proceeds of the Loan as (1) cash consideration under the offer to exchange the Existing 2012 CB for the New 2012 CB as set out in the Company's announcements dated 19 October 2010 and 12 November 2010 provided that the Company will arrange its internal cash to meet part of such cash consideration requirement

and no more than the equivalent of HK\$240,000,000 of the proceeds of the Loan will be applied for such purpose; or (2) investment in Lianyungang East Harvest Minerals and Lianyungang City East Harvest Mining Company Limited (連雲港市東茂礦業有限公司), companies established in the PRC and subsidiaries of the Company, as registered capitals or shareholder loans for the construction, development and ownership of a ferro-nickel project by such companies.

Assuming exercise in full of the subscription rights attaching to the Warrants based on the initial Subscription Price of HK\$1.68, the gross proceeds and net proceeds from the issue of the Warrant Shares will be HK\$442,220,626 and HK\$442,220,626 respectively. The Company intends to apply the proceeds from the allotment and issue of any Warrant Shares as general working capital of the Group. The holder of the Warrants may elect that payment of the Subscription Price shall be satisfied by discharging the Company's obligations to repay the Loan or any accrued but unpaid interest and other sums under the Agreement; and in such event, the Company may not receive any proceeds.

The Directors are of the view that the Facility and any allotment and issue of the Warrant Shares offer a good opportunity to raise additional capital of the Company and to strengthen the financial position of the Company. Accordingly, the Directors consider that (i) the entry into the Agreement and the transactions contemplated thereunder and the issue of the Warrants are in the interests of the Company and the Shareholders as a whole; and (ii) all the relevant terms of the Agreement and the issue of Warrants are fair and reasonable.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any fund raising activities involving issue of its securities in the past twelve months immediately preceding the date of this announcement.

## **GENERAL**

The Company will, if it elects to exercise the right under the Agreement, issue the Payment Shares under the available general mandate in compliance with the Listing Rules. Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and the permission to deal in, such Shares in due course.

The Company is required to issue the Warrants and will allot and issue the Warrant Shares (upon exercise) under the 2010 General Mandate. The Directors are allowed to allot and issue a total of 455,272,897 Shares under the 2010 General Mandate. As at the date of this announcement, no part of the 2010 General Mandate has been utilized by the Directors.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and the permission to deal in, the Warrant Shares. No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange.

**Completion of the Agreement is subject to the satisfaction of the certain conditions as set out under the paragraph headed "Conditions precedent" of the section headed "The Agreement" of this announcement. As the transactions contemplated by the Agreement may or may not proceed, potential investors are advised to exercise caution when dealing in the Shares.**



## DEFINITION

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2010 General Mandate”	the general mandate granted by the Shareholders to the Directors in the annual general meeting of the Company held on 29 June 2010 to allot and issue up to an aggregate of 455,272,897 Shares
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Agreement”	the US\$ equivalent of RMB330,000,000 term loan agreement dated 2 December 2010 entered into between the Company and the Lender
“Amortization Price”	in respect of a Share on a particular date, 92% of the market Price per Share on that date
“Commencement Date”	the date of issue of the Warrants
“Company”	China Nickel Resources Holdings Company Limited
“Director(s)”	director(s) of the Company
“EAML”	Easyman Assets Management Limited, a company incorporated in the British Virgin Islands and a controlling Shareholder
“East Harvest Minerals”	Lianyungang East Harvest Minerals Company Limited (連雲港東茂礦產品有限公司), a limited liability company established under the laws of the PRC
“Equity Pledge”	the equity pledge to be entered into between Infonics International Limited, East Harvest Minerals and the Lender under which the entire registered capital of East Harvest Minerals will be pledged in favour of the Lender
“Existing 2012 CB”	the zero coupon convertible bonds due 2012 issued by the Company and listed on the Stock Exchange with stock code 1605
“Facility”	the facility in an aggregate amount of US\$ equivalent of RMB330,000,000 granted to the Company by the Lender under the Agreement
“Facility Reference Market Price”	the lower of (a) the Market Price per Share on the date of drawdown of the Loan and (b) the closing price per share on the Trading Day immediately prior to the date of the Agreement

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lender”	Asia Equity Value Ltd., a company incorporated in the British Virgin Islands
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan”	the loan made or to be made under the Facility or the aggregate principal amount for the time being outstanding under the Facility
“Market Price”	in respect of a Share at a particular date, the arithmetic average of the VWAP for one Share for each of the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date provided that if at any time during the said 20 Trading Day period the Shares are quoted ex-dividend and during some other part of that period the Shares are quoted cum-dividend, the Market Price will be adjusted in accordance with the terms of the Agreement
“Maximum Warrant Amount”	HK\$442,220,625.80
“New 2012 CB”	the 10% convertible bond due 2012 issued by the Company on 12 November 2010
“Option Agreement”	the confirmation to be entered into on or about the date of the Share Sale Agreement between EAML and the Lender evidencing a put option granted by EAML to the Lender to sell to EAML up to the aggregate number of Sale Shares and a call option granted by the Lender to EAML to buy from the Lender up to the aggregate number of Sale Shares, in accordance with the terms therein
“Payment Date”	the due date for repayment of the relevant installment of the principal or payment of interest of the Loan under the Agreement
“Payment Share(s)”	Share(s) to be allotted and issued by the Company to the Lender for payment of the principal of the Loan and/or the interest (as the case may be) under the Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	110,000,000 Shares, representing approximately 4.83% of the issued capital of the Company as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Payment Amount”	has the meaning set forth in the paragraph headed “Share payment option” under the section headed “The Agreement” of this announcement
“Share Sale Agreement”	the sale and purchase agreement relating to the sale and purchase of Sale Shares which will be entered into by EAML and the Lender. The principal purpose of the Share Sale Agreement is to facilitate the Lender’s trading of the Shares. The Parties will also enter into the Option Agreement pursuant to which EAML may acquire the Sale Shares from the Lender
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Date”	in relation to any Warrant, the close of business on any business day falling during the subscription period of the Warrant on which any of the subscription rights represented by such Warrant are duly exercised by a Warrantholder provided that if such rights are exercised during a period when the register of holders of Shares is closed, the Subscription Date shall be the next following business day on which the register of holders of Shares is open
“Subscription Price”	the sum payable in respect of each Warrant Share to which the registered holder of each Warrant will be entitled upon exercise of the subscription rights represented thereby
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“Trading Day(s)”	any day (other than a Saturday or Sunday) on which the Stock Exchange is open for dealing business, provided that if the Stock Exchange is closed for part of such day, or if no closing price in respect of the relevant Shares is reported or published by or derived from Bloomberg (or its successor) for one or more consecutive dealing days or no Shares have been traded on such dealing day(s), such day or days will be disregarded in any relevant calculation and will be deemed not have existed when ascertaining any period of dealing days
“US\$”	the United States dollars, the lawful currency of the United States of America

“VWAP”	in respect of a Share on any Trading Day, the order book volume weighted average price of a Share published by or derived from Bloomberg (or its successor) page HK Equity VAP for such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the VWAP of a Share in respect of such Trading Day will be the VWAP, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined
“Warrant(s)”	unlisted warrant(s) issued by the Company in registered form conferring subscription rights entitling the Warrantholder(s) to subscribe for Warrant Shares at the Subscription Price (subject to adjustment)
“Warrant Instrument”	the Instrument constituting the warrants
“Warrant Share(s)”	new Shares to be allotted and issued by the Company upon exercise of the subscription rights attaching to the Warrant(s) by the Warrantholder(s)
“Warrantholder(s)”	in relation to any Warrant(s), the person or persons who is or are for the time being registered on the register maintained by the Company as the holder or joint holders of the Warrant(s)

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

Hong Kong, 2 December 2010

*As at the date of this announcement, the board of Directors comprises Mr. Dong Shutong (Chairman), Mr. Zhao Ping (executive Director), Mr. Lau Hok Yuk (executive Director), Mr. Song Wenzhou (executive Director), Mr. Dong Chengzhe (executive Director), and Mr. Yang Fei (executive Director), Mr. Yang Tianjun (non-executive Director), Mr. Bai Baohua (independent non-executive Director), Mr. Huang Changhuai (independent non executive Director), Mr. Wong Chi Keung (independent non executive Director) and Mr. Fahmi Idris (independent non-executive Director).*