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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: 02889)

2010 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2010 Full Year *RMB'000*	2009 Full year *RMB'000*	**Change** %
Turnover	**1,535,862**	887,734	**73%**
Gross Profit/(Loss)	**169,286**	(196,175)	**N/A**
Earning/(Loss) before Interest, Tax, Depreciation and Amortization ("EBITDA"/"LBITDA")	**200,691**	(221,447)	**N/A**
Loss before Income Tax	**(23,048)**	(439,317)	**95%**
Profit/(Loss) for the year	**2,563**	(330,558)	**N/A**
Gross Profit/(Loss) Margin	**11%**	(22%)	**N/A**
EBITDA/LBITDA Margin	**13%**	(25%)	**N/A**
Loss before Tax Margin	**(2%)**	(49%)	**47%**
Net Profit/(Loss) Margin	**0.2%**	(37.2%)	**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 audited consolidated turnover of the Company and its subsidiaries (the "Group") for the year 2010 was approximately RMB1,535.9 million, representing an increase of 73% as compared to 2009. Audited EBITDA was approximately RMB200.7 million, RMB422.1 million higher than the LBITDA of RMB221.4 million in 2009. Audited profit for the year was approximately RMB2.6 million, RMB333.1 million higher than the loss for the year of RMB330.6 million in 2009. Audited basic earnings per share for 2010 was RMB0.0007. Basic earnings per share was calculated based on the profit attributable to the shareholders of RMB1.47 million divided by the weighted average of 2,208.2 million shares in issue in 2010. The Directors do not recommend the payment of final dividend for the year ended 31 December 2010. The audited consolidated financial statements for the year ended 31 December 2010 have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010**	2009
		RMB'000	*RMB'000*
REVENUE	*4*	**1,535,862**	887,734
Cost of sales		**(1,366,576)**	(1,083,909)
Gross profit/(loss)		**169,286**	(196,175)
Other income and gains	*4*	**81,114**	110,497
Selling and distribution costs		**(23,327)**	(24,909)
Administrative expenses		**(146,430)**	(133,999)
Finance costs	*6*	**(90,440)**	(86,500)
Other expenses		**(31,961)**	(108,231)
Share of profit of an associate		**18,710**	—
LOSS BEFORE TAX	*5*	**(23,048)**	(439,317)
Income tax credit	*7*	**25,611**	108,759
PROFIT/(LOSS) FOR THE YEAR		**2,563**	(330,558)
Attributable to:			
Owners of the parent		**1,467**	(332,145)
Non-controlling interests		**1,096**	1,587
		2,563	(330,558)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic *(RMB)*	*9*	**0.00066**	(0.159)
— Diluted *(RMB)*	*9*	**(0.00323)**	(0.159)

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 *RMB'000*	2009 *RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**2,563**	(330,558)
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Exchange differences on translation of foreign operations	**(36,628)**	15,395
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	**(36,628)**	15,395
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(34,065)**	(315,163)
Attributable to:		
Owners of the parent	**(35,161)**	(316,750)
Non-controlling interests	**1,096**	1,587
	(34,065)	(315,163)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

		Group	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,008,210**	1,446,993
Prepaid land lease payments		**383,542**	391,865
Goodwill		**58,394**	58,394
Intangible asset		**2,531,910**	2,640,288
Deferred tax assets		**256,763**	226,530
Investment in an associate		**18,760**	50
Other non-current assets		**58,698**	38,351
Total non-current assets		**5,316,277**	4,802,471
CURRENT ASSETS			
Inventories		**859,709**	879,278
Trade and notes receivables	*10*	**119,318**	49,826
Prepayments, deposits and other receivables		**272,712**	287,543
Pledged time deposits		**301,505**	387,055
Cash and cash equivalents		**172,591**	292,745
Total current assets		**1,725,835**	1,896,447
CURRENT LIABILITIES			
Trade and notes payables	*11*	**672,531**	579,294
Other payables and accruals		**472,095**	376,369
Derivative financial instruments		**31,312**	—
Dividend payable		**1,756**	—
Interest-bearing bank and other borrowings		**475,990**	401,089
Current portion of convertible bonds		**—**	1,336,076
Tax payable		**13,697**	7,417
Total current liabilities		**1,667,381**	2,700,245
NET CURRENT ASSETS/(LIABILITIES)		**58,454**	(803,798)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,374,731**	3,998,673

	Group	
	2010	2009
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**343,672**	98,439
Convertible bonds	**1,036,179**	—
Derivative financial instruments	**105,465**	—
Deferred tax liabilities	**23,890**	27,917
Other long term payables	**24,151**	—
Total non-current liabilities	**1,533,357**	126,356
Net assets	**3,841,374**	3,872,317
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**228,553**	210,006
Equity component of convertible bonds	**—**	45,920
Reserves	**3,492,249**	3,495,165
	3,720,802	3,751,091
Non-controlling interests	**120,572**	121,226
Total equity	**3,841,374**	3,872,317

NOTES TO FINANCIAL STATEMENTS

31 December 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.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters*
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 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distribution of Non-cash Assets to Owners*
IFRS 5 Amendments included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised) and amendments to IAS 7 and IAS 17 included in *Improvements to IFRSs 2009*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes 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. Consequential amendments were made to various standards, including, but not limited to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of key amendments most applicable to the Group are as follows:

- IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*[2]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
IFRS 12 Amendments	Amendments to IFRS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[5]
IFRS 9	*Financial Instruments*[6]
IAS 24 (Revised)	*Related Parties Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations*: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

3. OPERATING SEGMENT INFORMATION

For management purpose, the Group has one reportable operating segment: production and sale of special steel and other related products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2010	2009
	RMB'000	RMB'000
Mainland China	**1,465,245**	887,734
Other countries	**70,617**	—
	1,535,862	887,734

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	RMB'000	*RMB'000*
Mainland China	**2,412,486**	1,926,117
Other countries	**2,647,028**	2,649,824
	5,059,514	4,575,941

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

Information about major customers

Revenue of approximately RMB445,438,000 (2009: RMB772,991,000) was derived from sales to two major customers.

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:

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sale of goods:		
Stainless steel base materials	**408,030**	582,305
Bearing steel	**26,598**	73,847
Ni-Cr alloy steel ingot	**107,422**	73,874
Ni-Cr bearing steel	**2,371**	4,433
Ferro-nickel alloys and others	**496,865**	112,258
Limonitic ores	**494,576**	41,017
Total revenue	**1,535,862**	887,734
Other income		
Bank interest income	**8,233**	15,386
Sales of scrap materials and others	**3,381**	3,973
Others	**12,045**	623
	23,659	19,982
Gains		
Gain on repurchase and redemption of convertible bonds	**2,704**	79,275
Gain on extinguishment of convertible bonds	**20,300**	—
Gain on fair value adjustment of derivative financial instruments	**28,000**	—
Amount waived by creditors	**—**	987
Government grants*	**1,697**	10,253
Others	**4,754**	—
	57,455	90,515
Total other income and gains	**81,114**	110,497

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

5. LOSS BEFORE TAX

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

	Notes	**2010** *RMB'000*	2009 *RMB'000*
Staff costs:			
Salaries and other staff costs		**46,594**	50,749
Retirement benefit scheme contributions		**4,999**	6,568
Equity-settled share-based expense		**3,467**	6,303
Total staff costs		**55,060**	63,620
Amortisation of an intangible asset:			
Total amortisation of exclusive offtake right		**67,146**	43,264
Less: Capitalised as cost of inventories		**(48,566)**	(37,671)
		18,580	5,593
Costs of inventories sold		**1,366,576**	1,083,909
Research costs		**1,275**	4,093
Auditors' remuneration		**3,810**	3,261
Depreciation		**92,119**	100,809
Provision for impairment for items of property, plant and equipment*		**4,274**	2,600
Amortisation of prepaid land lease payments		**8,575**	5,185
Amortisation of other non-current assets		**3,130**	9,094
Loss on disposal of items of property, plant and equipment*		**—**	1,657
Provision for impairment of trade receivables and other receivables*		**—**	726
Write-down of inventories to net realisable value*		**—**	32,832
Transaction costs of restructure of convertible bonds*		**19,160**	—
Bank interest income	4	**(8,233)**	(15,386)
Gain on repurchase and redemption of convertible bonds	4	**(2,704)**	(79,275)
Gain on extinguishment of convertible bonds	4	**(20,300)**	—
Gain on fair value adjustment of derivative financial instruments	4	**(28,000)**	—
Foreign exchange losses, net*		**2,004**	17,001
Minimum lease payments under operating leases in respect of buildings and other assets		**4,456**	4,104

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	2009
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**41,800**	25,962
Interest on convertible bonds	**121,624**	92,034
Total interest expenses	**163,424**	117,996
Less: Interest capitalised	**(72,984)**	(31,496)
	90,440	86,500

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 Pte Limited ("CNR Group Holdings"), a subsidiary of the Company incorporated in Singapore, was 5% for the year ended 31 December 2010 (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 its turnover meets a certain level within these five years.

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

According to the PRC Corporate Income Tax Law (the "New CIT Law") which became effective on 1 January 2008, the applicable income tax rate of Zhengzhou Yongtong Special Steel Co., Ltd., Zhengzhou Yongtong Alloy Metals Co., Ltd., Luoyang Yongan Special Steel Co., Ltd., Zhengzhou Xiangtong Electricity Co., Ltd., Henan Yongtong Nickel Co., Ltd., Lianyungang East Harvest Minerals Co., Ltd. and Lianyungang City East Harvest Mining Co., Ltd., subsidiaries of the Company, was 25% for the year ended 31 December 2010.

	2010	2009
	RMB'000	*RMB'000*
Group:		
Current — Mainland China	**513**	2,863
Current — Singapore	**8,136**	—
Current — Hong Kong and others	**—**	407
Deferred	**(34,260)**	(112,029)
Total tax credit for the year	**(25,611)**	(108,759)

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

	2010	2009
	RMB'000	*RMB'000*
Loss before tax	**(23,048)**	(439,317)
Tax at statutory tax rate of 25%	**(5,762)**	(109,829)
Tax effect of:		
Lower income tax rate for Hong Kong and other non-PRC subsidiaries	**6,350**	(104)
Lower income tax rate for a Singapore subsidiary	**(32,345)**	—
Profits attributable to an associate	**(3,087)**	—
Income not subject to tax	**(9,080)**	(30,239)
Expenses not deductible for tax	**22,420**	27,253
Utilisation of unrecognised deferred tax for previous years	**(4,731)**	(1,805)
Tax losses not recognised	**624**	5,965
Tax credit at the Group's effective rate	**(25,611)**	(108,759)

8. DIVIDENDS

(a) Pursuant to the Directors' resolution dated 24 August 2010, the Directors proposed and declared an interim dividend of HK$0.002 per ordinary share (2009: Nil). The interim dividend was distributed from the share premium account of the Company in accordance with Companies Law of the Cayman Islands.

(b) The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

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

Basic

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,208,205,624 (2009: 2,093,271,289) in issue during the year.

Diluted

The calculation of diluted loss per share amount is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the interest on zero coupon convertible bonds due 2012 ("Zero Coupon Convertible Bonds"), 10% convertible bonds due 2012 ("10% Convertible Bonds") and a facility of an US$ equivalent amount of RMB330,000,000 ("the Term Loan with Warrants"), 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 year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2010
	RMB'000
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,467**
Interest on Zero Coupon Convertible Bonds	***43,415**
Interest on 10% Convertible Bonds	**18,466**
Interest on Term Loan with Warrants	***5,861**
Less: Gain on extinguishment of Zero Coupon Convertible Bonds	***(20,300)**
Gain on redemption of Zero Coupon Convertible Bonds	***(2,704)**
Gain on fair value adjustment of the derivative component of 10% Convertible Bonds	**(27,704)**
Gain on fair value adjustment of Warrants	***(296)**
	18,205

	Number of shares 2010
Shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,208,205,624**
Effect of dilution — weighted average number of ordinary shares:	
— Share options	**5,513,634**
— Convertible notes	**68,587,869**
— Zero Coupon Convertible Bonds	***210,658,341**
— 10% Convertible Bonds	**121,994,435**
— Term Loan with Warrants	***15,054,843**
	2,630,014,746

	Earnings/(loss)	Number of shares
	RMB'000	
	18,205	**2,630,014,746**
Less the impact of:		
— Zero Coupon Convertible Bonds*	**(20,411)**	**(210,658,341)**
— Term Loan with Warrants*	**(5,565)**	**(15,054,843)**
Amount adjusted and used in the diluted loss per share calculation	**(7,771)**	**2,404,301,562**

* Because the diluted earnings per share amount for the year of 2010 is increased when taking Zero Coupon Convertible Bonds and the Term Loan with Warrants into account, Zero Coupon Convertible Bonds and the Term Loan with Warrants had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amount for the year of 2010 is based on the loss for the year attributable to ordinary equity holders of the parent of RMB7,771,000 and the weighted average of 2,404,301,562 ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 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.

10. TRADE AND NOTES RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**108,125**	30,792
Notes receivable	**11,193**	19,034
	119,318	49,826

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to two months. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of trade and notes receivables approximate to their fair values.

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

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**104,758**	38,543
91 to 180 days	**9,052**	3,944
181 to 365 days	**32**	—
Over 1 year	**9,020**	10,883
	122,862	53,370
Less: Provision for impairment of trade receivables	**(3,544)**	(3,544)
	119,318	49,826

The movements in the provision for impairment of trade receivables are as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**3,544**	2,364
Impairment losses recognised	**—**	1,180
At 31 December	**3,544**	3,544

At 31 December 2010, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB3,544,000 (2009: RMB3,544,000) with a carrying amount before provision of RMB3,544,000 (2009: RMB3,544,000). The individually impaired trade receivables relate to customers that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of trade and notes receivables that are not individually nor collectively considered to be impaired is as follows:

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**113,810**	42,042
Less than 90 days past due	**—**	445
91 to 180 days past due	**—**	—
181 to 365 days past due	**32**	—
Past due over 1 year	**5,476**	7,339
	119,318	49,826

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

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

11. TRADE AND NOTES PAYABLES

		2010	2009
	Note	***RMB'000***	*RMB'000*
Trade payables		**249,412**	234,891
Notes payable	*(a)*	**423,119**	344,403
		672,531	579,294

Note:

(a) At 31 December 2010, notes payable of RMB423,119,000 (2009: RMB344,403,000) were secured by time deposits amounting to RMB301,505,000 (2009: RMB304,403,000).

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

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**162,969**	354,290
91 to 180 days	**410,474**	118,430
181 to 365 days	**47,145**	36,082
1 to 2 years	**16,036**	31,543
2 to 3 years	**11,987**	8,325
Over 3 years	**23,920**	30,624
	672,531	579,294

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

12. CONTINGENT LIABILITIES

(a) 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 the 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 these financial statements, and therefore the awards to the salvors have not been determined and are subject to arbitrators' further adjustment of portions among CNR Group Holdings, its carrier and the owner of the vessel and no provision for the Group's share of the salvage expenses was made as at 31 December 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) as the alternative, equitable damages in lieu of the claimed injunction; and

(iii) as the further alternative, damages for breach of contract in respect of 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 was secured, amongst others, by the aircraft which was 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 repayment of the advance.

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 above 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.

OPERATING ENVIRONMENT ANALYSIS

The global financial market fluctuated in the first half of 2010 due to the sovereign debt crisis. Most of the developed countries cut debts while maintaining a loose monetary policy to minimize the structural risks in the financial market. On the other hand, the emerging markets were capable to lead the economy back to rising trend by implementing economic stimulus policies when necessary. Inflation pressure, however, is the concern of most developing countries and the currency supply is expected to be tightened in the future. In general, the financial market has become stable and the world economy is on the road of steady recovery.

The economy in Hong Kong and mainland China showed healthy growth in the second half of 2010. Based on the experience of the Eleventh Five-Year Plan, the PRC government formulated the Twelfth Five-Year Plan. The Draft Resolution on Outline of the Twelfth Five-Year Socioeconomic Development Plan（國民經濟和社會發展第十二個五年規劃綱要的決議草案）(the "Outline") was adopted in the Eleventh National People's Congress on 14 March 2011, which stressed on enhancing "efficiency" and "quality" in economic development. The Outline also redefined the directions of development for various industries that low carbon concept aiming to save energy and reduce emission, and advanced energy-saving technology and products will be promoted through developing cyclic economy and raising resources output efficiency, with an ultimate goal to develop low carbon economy, stimulate domestic demands and promote prosperous development.

In the light of an upturn in world economy and increasing demand in the international steel market, the prices of resources and steel kept increasing, in which prices of nickel and special steel recovered to the pre-crisis level three years ago. Recently, various countries have suffered from earthquakes and tsunamis, which will lead to a significant increase in steel and related resources for reconstruction of infrastructure. At present, the PRC economy continues to grow steadily, and fixed asset investment and demands of steel consumption industries have increased. According to "Twelfth Five-Year Plan", the development of steel industry will focus on efficiency, which include low energy consumption, low carbon, low emission, high recycle rate and high value-added product outputs. Domestic markets will become quality-oriented, which will impose higher requirements on products in terms of environmental-friendliness, safe and durability, sustainability and recycling. It is expected that quantitative demand for steel will increase significantly, and product development will incline to the high-end market. Therefore, the Group believes that the demand and market shares of special steel, alloy steel and nickel base stainless steel products will increase in the future.

BUSINESS REVIEW

Project Progress

Lianyungang commenced construction on 28 October 2009 and the project company was renamed as Lianyungang East Harvest Minerals Co., Ltd ("East Harvest Minerals"). The project has commenced partial operation after overcoming various challenges arising from technologies, construction, weather and other uncontrollable factors during the construction period. It is expected that the project will be in full operation in the second half of the year, and will produce high-quality ferro-nickel for other steel plants to process into stainless steel or alloy steel. Lianyungang project

applies low carbon metallurgical technology and innovative technology developed by the Group. Ordinary coal, rather than coke used in traditional process, is used in the reduction purification process, under which the consumption of carbon may decrease by up to 40% and the cost of nickel is much lower than that of general production process. The project is highly recognised by the local government. Moreover, the plant of East Harvest Minerals is situated at the port and enjoys geographical advantages. Ores and other raw materials from overseas can be conveniently transported to the plant of East Harvest Minerals, largely reducing the inland transportation costs and logistics pressure. This project plays an important role in the Group's development of an operating mode with high efficiency and low costs.

Yongtong and Yongan completed the facilities upgrade and construction of stainless steel equipment in the fourth quarter of 2010, which can support the production of East Harvest Minerals and facilitate flexible readjustment of production volume and optimization of product mix based on the market situation and the overall needs of the Group. In current, the production volume of the two plants has already bounced back to the level before financial crisis. With the expansion of production capacity, the two plants can produce more high-end products with better profit margin to cater for the demand of customers.

Business Development

The Group purchases ore from Indonesia through exclusive offtake agreement at fixed low price for self-use or sales, and has started to sell ore to third parties since the end of 2009. Thanks to the growth of the industry and the increasing demand of resources and steel materials, the Group achieved a remarkable results in 2010 with an annual sales volume reaching 1,451,301 ton, exceeding the sales target of 1.2 million ton. The Group is actively developing relationship with up and down-stream trading partners to further expand the resources trading business in order to bring a steady growth of revenue. The sales target of ores in 2011 is above 3 million ton.

Financing Arrangement

The Company issued Convertible Bonds of HK$2 billion ("Existing Bonds") on 12 December 2007. Pursuant to which, the holders of outstanding Convertible Bonds with a principal amounting to HK$1.405 billion were entitled to request an early redemption by the Company on 12 December 2010. In order to meet the capital requirement of the above projects which are going to start their operation, the Company negotiated and agreed on a resolution with the bondholders. The Company issued new bonds in the principal amount of HK$1,374.8 million and the cash consideration in the total amount of HK$275 million was paid by the Company to those Existing Bondholders who have accepted the offer on 13 December 2010. Existing holders holding approximately 97.85% of the outstanding principal amount of the Existing Bonds have accepted the offer, and the outstanding principal amount of the Existing Bonds reduced to HK$8.8 million as at the end of December, 2010. The New Bonds have not attached any early redemption option and will be due on 12 December 2012.

On 2 December 2010, the Company and Asia Equity Value Limited entered into an agreement in connection with a US$ loan facility in an amount equivalent to RMB330 million (equivalent to approximately HK$384 million) and the issue of warrants to the lender. The term of the facility is two years. The Company intended to apply the proceeds to pay for the cash consideration to the Existing holders who have accepted the above offer and as the funds for the development of East Harvest Minerals.

The Group received supports and assistance from various banks for developing trading business and bringing the new projects into operation. These banks provided additional trading financial facilities to our subsidiaries in Singapore and additional working fund to East Harvest Minerals. Besides, the Company has received offers of financing arrangement proposals and loan facilities plans from several banks. Negotiations are under progress and it is expected that those plans will be taken into practice in next few months.

The Group believes that the above financing arrangement can improve the financial position of the Group and lay a solid foundation for our business expansion.

Turnover and sales volume

Major products of the Group were stainless steel base material and ferro-nickel alloys. Sale of limonitic ores has also become one of the major contributors to the turnover for the year ended 31 December 2010. The table below sets out the turnover and sales volume of our major products for the years indicated:

Turnover

	For the year ended 31 December 2010		For the year ended 31 December 2009	
	RMB'000	**%**	*RMB'000*	%
Stainless steel base material	**408,030**	**27%**	582,305	66%
Bearing steel	**26,598**	**2%**	73,847	8%
Ni-Cr alloy steel ingot	**107,422**	**7%**	73,874	8%
Ni-Cr bearing steel	**2,371**	**—**	4,433	—
Ferro-nickel alloys and others	**496,865**	**32%**	112,258	13%
Limonitic ores	**494,576**	**32%**	41,017	5%
Total	**1,535,862**	**100%**	887,734	100%

Sales volume

	For the year ended 31 December 2010		For the year ended 31 December 2009	
	(tonnes)	**%**	*(tonnes)*	%
Stainless steel base material	**56,711**	**3%**	142,712	40%
Bearing steel	**6,632**	**—**	19,959	6%
Ni-Cr alloy steel ingot	**15,391**	**1%**	11,100	3%
Ni-Cr bearing steel	**212**	**—**	489	—
Ferro-nickel alloys and others	**139,211**	**8%**	38,185	11%
Limonitic ores	**1,451,301**	**88%**	144,864	40%
Total	**1,669,458**	**100%**	357,309	100%

The Group's turnover in 2010 increased by RMB648.2 million, or 73%, to approximately RMB1,535.9 million (2009: RMB887.7 million). This increase was principally due to the increase in trading of limonitic ore and sales of ferro-nickel alloys.

The Group's sales volume of steel products in 2010 increased by 5,712 tonnes, or 3%, to approximately 218,157 tonnes (2009: 212,445 tonnes). Group's sales volume of limonitic ores in 2010 increased sharply by 1,306,437 tonnes to approximately 1,451,301 tonnes (2009: 144,864 tonnes).

During 2010, the Group's average selling price per tonne for stainless steel base material and ferro-nickel alloys were RMB7,195 (2009: RMB4,080) and RMB6,980 (2009: RMB6,655) respectively while the average unit selling price per tonne for limonitic ores was RMB341 (2009: RMB283), reflecting the result of increasing ore demand and prices in the market.

Cost of sales

The cost of sales in 2010 increased by RMB282.7 million, or 26%, to approximately RMB1,366.6 million (2009: RMB1,083.9 million). Comparing to the increase in turnover of 73%, the cost effectiveness was improved significantly.

The unit cost of sales for stainless steel base material and ferro-nickel alloys were RMB6,525 and RMB3,447 per tonne respectively in 2010 (2009: RMB4,919 and RMB3,882 per tonne respectively). The unit cost of limonitic ores in 2010 decreased by RMB94 per tonne, or 26%, to RMB270 per tonne (2009: RMB364 per tonne).

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

Cost of sales

	For the year ended 31 December 2010		For the year ended 31 December 2009	
	RMB'000	**%**	*RMB'000*	%
Raw Materials	**785,406**	**57%**	493,404	46%
Fuel	**389,589**	**29%**	405,545	37%
Utilities	**83,846**	**6%**	79,987	7%
Depreciation	**72,863**	**5%**	66,054	7%
Staff Cost	**21,417**	**2%**	26,965	2%
Repair	**2,623**	**—**	2,095	—
Others	**10,832**	**1%**	9,859	1%
Total	**1,366,576**	**100%**	1,083,909	100%

Gross profit/(loss)

The unit gross profit for stainless steel base material and ferro-nickel alloys in 2010 was RMB670 and RMB106 per tonne respectively (2009: Unit gross loss RMB839 and RMB943 per tonne respectively). The unit gross profit for limonitic ores in 2010 was RMB71 per tonne (2009: Unit gross loss RMB81 per tonne).

As a result of the factors discussed above, the Group turnaround from gross loss RMB196.2 million in 2009 to gross profit RMB169.3 million in 2010.

The unit gross profit (exclude ore trading) in 2010 was RMB306 per tonne (2009: Unit gross loss RMB868 per tonne).

Other income and gains

Other income in 2010 decreased by RMB29.4 million, to RMB81.1 million (2009: RMB110.5 million). This is mainly due to the decrease in gain arising from the drop in repurchase and cancellation of the Company's convertible bonds from market at a lower (discounted) price than their carrying amount.

Selling and distribution costs

Selling and distribution costs in 2010 decreased by RMB1.6 million to RMB23.3 million (2009: RMB24.9 million), representing 2% of turnover (2009: 3%).

Administrative costs

Administrative costs in 2010 increased by RMB12.4 million, or 9%, to RMB146.4 million (2009: RMB134.0 million), representing 10% of turnover (2009: 15%).

Finance costs

In November 2010, principal amount HK$1,374.8 million out of total outstanding principal amount HK$1,405.0 million of the Zero Coupon Convertible Bonds due 2012 ("Existing Bonds") agreed to exchange each HK$100,000 in principal amount of their Existing Bonds for a combination of (a) HK$100,000 in principal amount of 10.00 per cent Convertible Bonds due 2012 (the "New Bonds") and (b) HK$20,000 in cash. In December 2010, the Company entered into a term loan with warrant in the amount equivalent of RMB330.0 million. Interest paid and accrued in the form of coupon payment amounted to RMB16.2 million in 2010 (2009: RMB1.5 million). According to relevant IFRSs, estimated future cash flow for convertible bonds were discounted at effective interest rates. Therefore, the deemed effective interest included both coupon payment and financial charges accrued for redemption in the future. The total financial charges for convertible bonds based on effective interest method amounted to RMB121.6 million in 2010 (2009: RMB92.4 million), of which RMB59.7 million was capitalised as part of the cost of construction in progress. Finance costs in 2010 was RMB90.4 million (2009: RMB86.5 million).

Loss before tax

As a result of the factors discussed above, the loss before income tax for the year ended 31 December 2010 was RMB 23.0 million (2009: RMB439.3 million).

The Group's loss before tax margin was 2% (2009: 49%) The earnings before interest, tax, depreciation and amortization (EBITDA) margin was 13% (2009: loss before interest, tax, depreciation and amortization (LBITDA) margin: 25%)

Income tax credit

The applicable Hong Kong corporate income tax 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 and Singapore are subject to corporate income tax at a rate of 25% and 5% respectively for the year ended 31 December 2010.

Profit/(loss) for the year

The Group turnaround from 2009 loss for the year RMB330.6 million to 2010 profit for the year RMB2.6 million.

Profit/(loss) attributable to shareholders

As a result of the factors discussed above, the profit attributable to shareholders in 2010 was RMB1.5 million (2009: loss attributable to shareholders RMB332.1 million).

Key financial ratios

		For the year ended 31 December	
	Note	**2010**	2009
Current ratio	*1*	**104%**	71%
Inventories turnover days	*2*	**230 days**	296 days
Debtor turnover days	*3*	**28 days**	20 days
Creditor turnover days	*4*	**180 days**	195 days
Interest cover	*5*	**0.75 times**	N/A
Interest-bearing gearing ratio	*6*	**50%**	49%
Debt to EBITDA/(LBITDA) ratio	*7*	**9.3 times**	(8.2) times
Net debt/Capital and net debt ratio	*8*	**42%**	35%

Note:

1. current asset/current liabilities X 100%

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

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

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

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

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

7. $\frac{\text{Interest-bearing loans and other borrowings}}{\text{EBITDA}}$

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

Construction in progress

Our construction in progress as at 31 December 2010 was increased to RMB1,034.9 million (2009: RMB507.2 million) which comprised of addition of new facilities and conversion of existing facilities in PRC to accommodate the production of new products in China.

Cash and cash equivalents and pledged time deposit

The decrease in cash and bank balances by approximately RMB205.7 million, or 30%, to approximately RMB474.1 million as at 31 December 2010 compared to that as at 31 December 2009 was mainly due to the net cash inflow generated from operation by approximately RMB172.8 million, offset by the acquisition of property, plant and equipment and other long-term assets by approximately RMB470.9 million, net increase in bank loans and other borrowings RMB387.2 million, interest payment of RMB28.4 million, dividend payment of RMB4.0 million to the shareholders of the Company, and the cash consideration for exchange of New Bonds of RMB 234.7 million.

Trade and notes receivables

The debtor turnover days increased from 20 days in 2009 to 28 days in 2010. As at 31 December 2010, trade and notes receivables balance increased by RMB69.5 million, or 1.4 times, to RMB119.3 million. This was mainly due to the expansion of trading business.

Inventories

The inventories turnover days decreased from 296 days in 2009 to 230 days in 2010. As at 31 December 2010, inventories balance decreased by RMB19.6 million, or 2%, to RMB859.7 million. This was mainly due to stronger sales since the fourth quarter of 2010 and the management's effort paid for better control over the inventories.

Prepayments, deposits and other receivables

As at 31 December 2010, prepayment, deposit and other receivables balance decreased by RMB14.8 million, or 5% to RMB272.7 million. This was mainly due to the decrease of value-added tax receivable by RMB16.6 million.

Trade and notes payables

The creditor turnover days decreased from 195 days in 2009 to 180 days in 2010. As at 31 December 2010, trade and notes payables balance increased by RMB93.2 million, or 16%, to RMB672.5 million. This was mainly due to the expansion of the trading business and commissioning of new plant in Lianyungang.

Interest-bearing loans and other borrowings

As at 31 December 2010, the total interest-bearing loans and other borrowings balance increased by RMB320.2 million, or 64%, to RMB819.7 million. The gearing ratio increased slightly from 49% in 2009 to 50% in 2010.

Use of proceeds

In December 2007, the net proceeds from the issue of the Existing Bonds were approximately HK$1,950 million. As at 31 December 2010, the planned usage of net proceeds was as follows:

Use of proceeds	**Usage as disclosed in prospectus** *HK$' million*	**Utilised** *HK$' million*
Capital expenditures of steel mill expansion in the PRC and Indonesia	**1,462.5**	1,113.0
General working capital	**487.5**	487.5

The Group has repurchase of Existing Bonds for a total amount of approximately HK$595 million for consideration of approximately HK$268 million and has redemption of Convertible Bond for a total amount of approximately HK$21.4 million for consideration of approximately HK$25.2 million. The utilized amount of Existing Bonds include the consideration paid for respective repurchase and redemption of Existing Bonds. The unutilized balance was placed in short term bank deposits.

On 19 October 2010, the Company proposed an offer to exchange the Existing Bonds for the consideration comprising a combination of the 10.00 per cent convertible bonds due 2012 ("New Bonds") and the cash portion of the Exchange Consideration payable by the Company, being HK$20,000 in respect of each HK$100,000 in principal amount of Existing Bonds validly tendered and accepted for exchange by the Company. The New Bonds in the principal amount of HK$1,374,800,000 has been issued by the Company on 12 November 2010.

Liquidity and capital resources

Our working capital has been principally sourced from cash generated from operations and from long-term and shorten term debt. We also utilise advances we received from our customers to finance part of our working capital requirements. As at 31 December 2010, the advance from customers amounted to RMB108.4 million. We also make prepayments to our suppliers which amounted to RMB77.5 million as at 31 December 2010.

As at 31 December 2010, we had current liabilities of RMB1,667.4 million, of which RMB476.0 million were interest-bearing loans repayable within one year, and RMB672.5 million were trade and notes payables in respect of purchase of raw materials.

Foreign currency risk

Since 2004, the Group has begun the purchase of iron ore from overseas suppliers. Since the contracts are in US$ and the RMB is in a favourable trend now, no hedging is considered necessary at the moment. However, the Group will closely monitor the foreign currency risk and consider to use necessary financial instruments for hedging purposes. As at 31 December 2010, all bank loans are denominated in RMB.

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

Security

As at 31 December 2010, the Group had following assets pledged: 1) certain parcels of the Group's leasehold lands situated in the PRC with the carrying amounts of RMB159.8 million and building and plant and machinery with net carry amounts of RMB56.5 million were secured for bank loans granted to the Group of RMB177.7 million (2009: RMB15 million); and 2) The entire registered capital of Lianyungang East Harvest Minerals Co., Ltd. ("East Harvest Minerals"), a subsidiary of the Company, is pledged in favor of Asia Equity Value Ltd. for the availability of a term loan. At 31 December 2010, the paid-up capital of East Harvest Minerals amounted to US$109,000,000 (equivalent to RMB740,207,000).

Capital commitment

As at 31 December 2010, the Group had capital commitments in the amount of approximately RMB380.7 million for remaining parts of equipment refinement project.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, the Group had approximately 4,100 employees, of whom 28 were management personnel.

The Group implemented remuneration policy of linkage between duties and efficiency. The remuneration of employee consists of a basic salary and a performance-based bonus. In 2010, the staff costs of the Group amounted to RMB55.1 million (2009: RMB63.6 million).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company redeemed a total of HK$21,400,000 principal amount of zero coupon convertible bonds due 2012 (the "Zero Coupon Convertible Bonds") on 13 December 2010. The redemption involved a total cash outlay of HK$25.2 million. The redemption resulted in a reduction in the liability component of the Zero Coupon Convertible Bonds by HK$24.6 million and a gain of HK$3.1 million (equivalent to RMB2.7 million) was recorded in the consolidated income statement for the year.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

CONCLUSION AND PROSPECTS

Realization of strategic plans of "two-year preparation and three-year adjustment"

2010 marks the conclusion of the Eleventh Five Year Plan and the start of the Twelfth Five Year Plan. It is also a meaningful year to China Nickel Resources. During the past five years, the Group had the following major three achievements:

1. Consolidation of resources;

2. Research and development of new technology;

3. Commercialised of research results and optimisation of product portfolio.

The Group implemented its strategic plan of "two-year preparation and three-year adjustment" at the end of 2010.

The "two-year preparation and three-year adjustment" refers to the strategic plan to transform China Nickel Resources from a special steel producer into an integrated enterprise engaging in resources development and production of nickel-chromium steel alloy of high technology. During the "two-year preparation" since 2006, the Group focused on the development of innovative technology of Ni-Cr resources. Through the listing platform of the Group and capitalized on our abundant mineral resources, and we seized the opportunities to launch the stainless steel base materials, an innovative stainless steel product series developed by the Company at the beginning of 2007. By the end of 2007, China Nickel Resources raised fund successfully and entered the new period of "three-year adjustment". The Group also made several breakthroughs in production technology of

metallurgy, including the green and low carbon non-coke reduction purification technology, and the Integrated Processing of Limonitic Lateritic Nickel Ore technology, which was granted a certificate of accreditation by China Nonferrous Metals Industry Association and accredited as a leading innovative application process in the world.

In the three years, the Group was committed to putting the achievement of research and development into commercial operation. Yongtong and Yongan focused on the development of stainless steel business by accentuating high value-added special steel through various adjustments. In 2009, the Group established a new plant in Lianyungang, a coastal city with excellent geographical environment. Non-coke reduction purification technology was applied to produce ferro-nickel alloy products, which were energy-saving and with low pollution, low costs and high recovery rate. Major construction of the project was successfully completed in the third quarter of 2010 and the first production line commenced production on 29 November 2010. Generally speaking, the Group has substantially completed the restructuring project. The existing production plants can adjust the processing capability with the renovated and upgraded facilities according to the market and economic situation, and effectively coordinate with the production capacity of new production plants, so to utilize resources in a more efficient way.

Although the restructuring process was affected by the financial crisis, the Group successfully overcame the challenges and achieved the targets in our Eleventh Five Year Plan.

Rapid Growth in the "Twelfth Five Years"

In the next five years, the Group will continue to focus in the following areas of works:

1. Further consolidation of resources;

2. Further research and development of new technologies;

3. Global expansion of operations.

Leveraging on the above foundation, the Company believes that it will further expand in 2011. Moreover, being the first year of the five-year development period, various indicators will record substantial growth in 2011, primarily driven by the expanded capacity after the facility improvement of Yongtong and Yongan, the commencement of production of Lianyungang project, and the rapid growth of the trading of ore. According to the plan of the Company, the targets of 2011 of the Group are as follows:

Production/Trading Targets

Product	First half of 2011 Weight *(tonnes)*	First half of 2011 Nickel equivalent *(tonnes)*	Second half of 2011 Weight *(tonnes)*	Second half of 2011 Nickel equivalent *(tonnes)*	For the year of 2011 Weight *(tonnes)*	For the year of 2011 Nickel equivalent *(tonnes)*
Nickel-based						
— nickel metal equivalent *(Note 1)*	N/A	5,500	N/A	7,900	N/A	13,500
Special steel base						
— Stainless steel and other special steel *(Note 2)*	25,000	500	45,000	2,100	70,000	2,500
Minerals base						
— Trades of ores	1,200,000	N/A	1,800,000	N/A	3,000,000	N/A

Note:

(1) Nickel-based products are sold as high nickel stainless steel based materials.

(2) Stainless steel products under the category of special steel base products have an average of 8% nickel per tonne, while other special steel products have an average of 2% nickel per tonne.

(3) According to our preliminary data, most of the production/trading targets for the first quarter of 2011 are achieved.

Growth targets

Product	2011 Weight *(tonnes)*	2011 Nickel equivalent *(tonnes)*	2010 Weight *(tonnes)*	2010 Nickel equivalent *(tonnes)*	%
Nickel-based	N/A	13,500	N/A	4,550	297%
Special steel base	70,000	2,500	22,235	450	315%(Note)
Minerals base	3,000,000	N/A	1,451,301	N/A	207%

Note:

The growth in special steel base products is based on the weight of the products.

As a general practice of nickel market related to statistical data, production of high-nickel products is measured in terms of "nickel equivalent". Nickel-based products sold by the Group in 2010 amounted to approximately 5,000 tonnes (nickel equivalent). The production target of nickel based and special steel products for 2011 is 16,000 tonnes (nickel equivalent).

The Group's steel mill project in Kalimantan Island, Indonesia was in progressive development. The project is selected as a key project of Indonesia. The project has completed the acquisition of land and feasibility studies, and environmental assessment is almost completed. Construction of the project is expected to commence in this year. Upon completion of the first phase of the project, it will have an annual production capacity of steel of 1,000,000 tonnes. When compared to production in China, the project will save shipping fee, loading and unloading charges and inland port charges of approximately USD80 millions per year, based on the current market prices.

With the strong profitability of our major business, completion of upgrade and renovation of existing production plants, successful operation of new projects, growth of resources trading business and implementation of financing arrangement, the Group is confident that the Company will have another year of strong performance and bring satisfactory returns for investors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year with the exception that the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Dong Shutong. The Chairman is responsible for over seeing the Company's operations in respect of compliance with internal rules, and compliance with statutory requirements and promoting the corporate governance of the Company. The Company did not appoint the Chief Executive Officer for the year ended 31 December 2010 and as to the date of this 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 since Mr. Dong Shutong, who is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board. The significant decision-making and the day-to-day management of the Company is carried out by all of the Executive Directors. Therefore, the roles of the Chairman and the chief executive of the Company are not segregated in the sense that two different individuals took up these roles, however, the functions of the chief executives were carried out by all of the Executive Directors.

MODEL CODE

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

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 Mr. Wong Chi Keung, Mr. Bai Baohua and Mr. Huang Changhuai — Independent Non-executive Directors of the Company and Mr. Wong Chi Keung is the Chairman of the audit committee.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2010.

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 Mr. Wong Chi Keung, Mr. Bai Baohua, Mr. Huang Changhuai — Independent Non-executive Directors of the Company and Mr. Dong Shutong — Executive Director of the Company.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement will be published on the Company's website (www.cnrholdings.com) and the Stock Exchange's website (www.hkexnews.hk). The full Annual Report 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, 30 March 2011

As at the date of this announcement, the executive directors of the Company are Mr. Dong Shutong, Mr. Lau Hok Yuk, Mr. Song Wenzhou, Mr. Zhao Ping, Mr. Dong Chengzhe and Mr. Yang Fei. 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.