中國鎳資源
CHINA NICKEL RESOURCES

China Nickel Resources Holdings Company Limited
中國鎳資源控股有限公司

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

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Revenue	**1,635,170**	1,810,036
Gross (Loss)/Profit	**(29,450)**	153,979
(Loss)/Earnings before Interest, Tax, Depreciation and Amortisation#	**(80,049)**	(12,323)
Loss before Tax	**(1,340,463)**	(31,423)
Loss Attributable to Equity Holders of the Company	**(1,366,411)**	(278,301)
Gross (Loss)/Profit Margin	**–1.8%**	8.5%
EBITDA Margin	**–4.9%**	–0.7%

(Loss)/Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") also excluded impairment losses of property, plant and equipment and prepaid land lease payments of HK$746.9 million (2012: HK$151.9 million) and a gain on disposal of Luoyang Yongan Special Steel Co., Ltd, a former subsidiary of the Group in the PRC, of HK$675.3 million for the year ended 31 December 2012.

The board of directors (the "Board" or the "Directors") of China Nickel Resources Holdings Company Limited (the "Company") would like to announce the audited results of the Company and its subsidiaries (collectively referred as to the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding year in 2012:

BOARD'S CONSIDERATION — MITIGATION MEASURES TO GOING CONCERN ISSUE

The Board has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(1) to finalise the proposed disposal of up to 30% equity interest S.E.A. Mineral Limited. On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital") in relation to the disposal of a 30% equity interest in S.E.A. Mineral Limited ("SEAM"), a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately RMB900 million (approximately HK$1.1 billion). The proposed transaction is at the finalisation stage and no formal sales and purchase agreement has been entered into up to the date of this announcement. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed. The proposed transaction can significantly strengthen the cash flow position of the Group as a whole in the near future;

(2) on 13 June 2014, the Group completed the restructuring of the senior bonds and the convertible bonds of the Group, mainly including (i) the extension of the principal repayment schedule under the terms of the convertible bonds and the maturity date from March 2015 to March 2018 in relation to the convertible bonds; and (ii) the extension of the interest repayment schedule under the terms of the senior bonds and the final maturity date from March 2015 to December 2018 in relation to the senior bonds;

(3) the Group has been actively negotiating with the lenders for the renewal of its borrowings as necessary when those borrowings fall due in 2014. Based on the past experience, the Group did not encounter any significant difficulties in renewing the borrowings and the directors are confident that all necessary borrowings can be renewed when necessary. Subsequent to year end and up to the date of this announcement, bank borrowings with aggregate principal amounts of HK$152.6 million were successfully renewed for another twelve months from their respective original due dates;

(4) the Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

(5) on 8 July 2014, the Group obtained support from its Controlling Shareholder, Easyman Assets Management Limited ("Easyman") to charge over 1,307,786,705 ordinary shares in the par value of HK$0.10 each in the share capital of the Company held by Easyman to a third party, representing approximately 51.22% of the issued share capital of the Company for additional financing of RMB49.2 million;

(6) the Group is maximising its sales effort, including speeding up of sales of its existing inventories and seeking new orders from overseas markets (including Taiwan) on developed new products, and implementing more stringent cost control measures with a view to improving operating cash flows; and

(7) the Group is also actively identifying to dispose of its non-core assets of the Group, which is estimated to be about HK$40 million. A sales agent has been appointed to assist in the disposal of some of these assets.

REASON FOR DELAY IN PUBLICATION OF THE 2013 ANNUAL RESULTS AND 2014 INTERIM RESULTS AND FURTHER DELAY IN 2013 ANNUAL REPORT AND 2014 INTERIM REPORT

Under Rules 13.46(2)(a) and 13.49(1) of the Listing Rules, the Company is required to publish the announcement in relation to its preliminary annual results for the year ended 31 December 2013 (the "2013 Annual Results") on a date not later than three months after the end of the financial year of the Company, i.e. on or before 31 March 2014; and despatch its annual report for the year ended 31 December 2013 (the "2013 Annual Report") on a date not more than four months after the end of the financial year of the Company, i.e. on or before 30 April 2014; and under Rules 13.48(1) and 13.49(6) of the Listing Rules, publish the announcement in relation to its preliminary interim results for the six months ended 30 June 2014 (the "2014 Interim Results") on a date not later than two months after the end of the period of the Company, i.e. on or before 31 August 2014; and despatch its interim report for the six months ended 30 June 2014 (the "2014 Interim Report") on a date not more than three months after the end of the financial period of the Company, i.e. on or before 30 September 2014. The delay in publication of the results to the date of this announcement has constituted a non-compliance with Rules 13.46(2)(a), 13.48(1) and 13.49(1) and 13.49(6) of the Listing Rules.

As set out in the announcements of the Company dated 27 March 2014, 14 May 2014, 15 August 2014 and 23 September 2014, additional time is required by the Company to gather further information to enable its auditors, PricewaterhouseCoopers ("PwC"), to perform and complete their audit procedures. Such information included, among others, the following:

(a) legal opinions (the "Legal Opinions") in connection with certain disputes and litigation involving the Group (the "Disputes"); and

(b) additional financial information of the Company (the "Financial Information"), including the cashflow projection of the Company and the cashflow projections of various overseas and PRC subsidiaries of the Company.

The Legal Opinions in connection with the disputes

For the purposes of ascertaining the provisions to be made in the financial statements of the Group in connection with the Disputes, the Company obtained the Legal Opinions in connection with (i) the statutory demands issued by Rock Resource Limited ("RR") and United Mineral Limited ("UM") (collectively referred to as the "Buyers") and (ii) the winding-up petition instigated by TORM A/S ("TORM").

Statutory Demands

On 20 March 2014, the Company, in its capacity as the guarantor of the seller (CNR Group Holdings Pte Ltd, a wholly owned subsidiary of the Group) to the relevant agreements, received the statutory demands (the "Statutory Demands") from RR and UM in demand for (i) an amount of US$10,347,698 (equivalent to approximately HK$80,242,000); and (ii) an amount of RMB70,355,783 (equivalent to approximately HK$89,485,000).

Upon receipt of the Statutory Demands, the Company engaged its legal advisers on 2 April 2014 to, among others, defend against the Statutory Demands and had been actively defending against the Statutory Demands. The Company will make further announcement(s) as appropriate on the developments of the litigation involving the Statutory Demands.

As the Company was involved in lengthy negotiations to settle the disputes with RR and UM, the finalisation of the Legal Opinions was delayed.

No provision had been made in connection with the Statutory Demands as the directors, after obtaining legal advice, considered that it is not probable that this litigation would result in any material outflow of economic benefits from the Group.

Winding up petition

The Company, as charterers, entered into Contracts of Affreightment and Addendum ("COA") with a marine vessel owner, TORM. Pursuant to the COA, the Company had committed to hire a nominated vessel for the carriage of a certain minimum number of cargoes per calendar month for shipment in connection with the export of iron ores from Indonesia. As a result of the Export Ban (as defined in the announcement of the Company dated 10 January 2014), the Company was unable to fulfil the committed shipment of cargoes as stipulated in the COA.

On 28 January 2014 onwards, the Group received various legal letters from TORM in demand for (i) an outstanding freight charges payable by the Group to TORM of approximately US$1,834,000 (equivalent to approximately HK$14,300,000) ("Outstanding Freight Charges"); and (ii) losses suffered by TORM as a result of the Company's failure to comply with its obligation under the COA, namely, the shipment of approximately 51 cargoes ("Other Losses"), which was estimated by TORM to be in the amount of approximately US$11,828,000 (equivalent to approximately HK$91,721,000) up to 27 March 2014.

Upon receipt of the above legal letters, the Board commenced liaison with TORM and involved several discussions with its management and representatives in order to compromise an acceptable solution. However, the result of lengthy discussion was not satisfactory. The Board appointed an overseas legal advisor to handle the disputes, performing fact-finding process, meeting with TORM management, understanding the background information and obtained the preliminary legal advice. Then the Group commenced to re-negotiate again with TORM management representative. The negotiation might have certain positive feedback at the beginning. However following the Export Ban not uplifted, on 15 May 2014, TORM filed a winding up petition against the Company to the High Court.

The Outstanding Freight Charges payable by the Group to TORM up to 31 December 2013 had been fully accounted for in the consolidated financial statements of the Group for the year ended 31 December 2013 and the Outstanding Freight Charges were fully settled by the Group in June 2014 and the winding up petition was withdrawn by TORM on 24 June 2014.

In connection with the claims on other losses, the Group has engaged legal advisors to commence arbitration procedures with TORM in February 2014. The said arbitration procedures are still in progress as at the date of this announcement. The Company will make further announcement(s) as appropriate on the development of the arbitration procedures in due course.

As the Company was involved in lengthy negotiations to settle the disputes with TORM, the finalisation of the Legal Opinions was delayed.

The Financial Information

Subsequent to the withdrawal of the winding-up petition and the approval of the Holders to amend certain terms of the Bonds on 13 June 2014, PwC re-started audit works in July 2014 in connection with the 2013 Annual Results. However, the Disputes and the Export Ban casted significant doubts on the Group's financial performance and cash flows position and in light of the current market situation of steel industry in the Mainland China, additional audit work was required from PwC, including, among others, the following:

— Obtaining the Legal Opinions in connection with the Disputes for the purposes of assessing whether provisions in respect of the Disputes are required to be made in the 2013 Annual Results;

— Obtaining the updated working capital projections of the Group from the management together with the underlying assumptions for the purposes of assessing the Group's ability to operates as a going concern; and

— conducting review on impairment assessment on the recoverable amounts on certain assets and the amounts of impairment provisions in relation to, among others, the Exclusive Offtake Agreement (as defined in the announcement of the Company dated 10 January 2014) and certain operating property, plant and equipment of the Group.

The Company had provided, among others, all the available information to enable PwC to conduct the above procedures before this announcement.

In addition, the preparation of the above information and management accounts of the Group was delayed due to the time lapse between the resignation and the appointment of the Company's financial controller and company secretary on 25 April 2014 and 3 June 2014, respectively.

Consequently, the preparation of the Financial Information for the year ended 31 December 2013 was delayed.

MEASUREMENT TO AVOID DELAY IN PUBLICATION OF RESULTS ANNOUNCEMENT

Legal Opinions

In order to avoid future delay in obtaining the legal opinions, the Board plans to actively involve its external legal advisers in the discussions and negotiations to expedite the process and to hold regular meetings with its external legal advisers to facilitate the communication flow.

The Financial Information

In order to avoid future delay in the compilation and provision of information in connection with the Company's financial information, the Board plans to implement the following measures:

- enhance the documentation system to strengthen the information retrieval process;

- involve additional personnel in the preparation of the Company's management accounts and financial projections to avoid delay; and

- hold more regular meetings with its auditors to facilitate the communication flow and to update the auditors of the Company's financial position regularly.

The Company expects the 2013 Annual Report to be despatched to the shareholders on or about 27 October 2014.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated — Note 2.1(b))
Revenue	4	**1,635,170**	1,810,036
Cost of sales		**(1,664,620)**	(1,656,057)
Gross (loss)/profit		**(29,450)**	153,979
Other gains/(losses), net	4	**49,477**	(100,414)
Selling and distribution expenses		**(5,196)**	(19,225)
Administrative expenses		**(284,672)**	(243,040)
Finance income	6	**17,735**	20,546
Finance costs	6	**(280,927)**	(356,547)
Other expenses	5	**(67,737)**	(10,981)
Gain on disposal of a subsidiary	5	**–**	675,291
Impairment loss on property, plant and equipment	5	**(726,185)**	(151,883)
Share of (loss)/profit of an associate		**(13,508)**	851
Loss before income tax	5	**(1,340,463)**	(31,423)
Income tax expense	7	**(25,043)**	(248,293)
Loss for the year		**(1,365,506)**	(279,716)
Attributable to:			
Equity holders of the Company		**(1,366,411)**	(278,301)
Non-controlling interests		**905**	(1,415)
		(1,365,506)	(279,716)
Losses per share attributable to equity holders of the Company			
— Basic (HK dollar)	9	**(0.54)**	(0.12)
— Diluted (HK dollar)	9	**(0.54)**	(0.12)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
		(Restated — Note 2.1(b))
Loss for the year	**(1,365,506)**	(279,716)
Other comprehensive income/(loss)		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Exchange differences reclassified to income statement on disposal of a subsidiary	**–**	(5,495)
Exchange differences on translation of foreign operations	**69,457**	7,998
Other comprehensive income for the year, net of tax	**69,457**	2,503
Total comprehensive loss for the year	**(1,296,049)**	(277,213)
Attributable to:		
Equity holders of the Company	**(1,296,964)**	(275,861)
Non-controlling interests	**915**	(1,352)
	(1,296,049)	(277,213)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	As at 31 December 2013 HK$'000	2012 HK$'000 (Restated — Note 2.1(b))	As at 1 January 2012 HK$'000 (Restated — Note 2.1(b))
ASSETS				
Non-current assets				
Property, plant and equipment		**1,928,122**	2,574,272	2,601,150
Prepaid land lease payments		**202,093**	221,002	239,478
Intangible asset		**2,387,786**	2,498,900	2,578,215
Interest in an associate		**83,449**	89,069	25,899
Pledged time deposits		**495,021**	–	–
Deferred tax assets		**1,932**	889	188,166
Other non-current asset		**3,987**	1,233	–
		5,102,390	5,385,365	5,632,908
Current assets				
Inventories		**474,600**	702,024	706,813
Trade and notes receivables	*10*	**108,388**	111,188	182,918
Prepayments, deposits and other receivables		**213,546**	1,019,438	324,425
Pledged time deposits		**363,929**	464,397	270,878
Cash and cash equivalents		**54,065**	141,610	141,636
		1,214,528	2,438,657	1,626,670
Asset of a disposal group classified as held for sale		**–**	–	891,490
		1,214,528	2,438,657	2,518,160
Total assets		**6,316,918**	7,824,022	8,151,068
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		**255,304**	230,606	230,433
Reserves		**2,553,223**	3,755,085	4,048,871
		2,808,527	3,985,691	4,279,304
Non-controlling interests		**9,450**	18,905	150,004
Total equity		**2,817,977**	4,004,596	4,429,308

	Notes	As at 31 December 2013 HK$'000	2012 HK$'000 (Restated — Note 2.1(b))	As at 1 January 2012 HK$'000 (Restated — Note 2.1(b))
LIABILITIES				
Non-current liabilities				
Bank and other borrowings		**880,221**	473,609	83,602
Convertible bonds		**129,182**	177,660	–
Derivative financial instruments		**21,652**	101,592	–
Other long term payables		**8,751**	8,115	6,513
Deferred tax liabilities		**1,369**	3,043	2,962
		1,041,175	764,019	93,077
Current liabilities				
Trade payables	*11*	**184,566**	175,949	237,260
Notes payables	*11*	**587,614**	645,087	494,768
Other payables and accruals		**445,081**	612,407	526,886
Derivative financial instruments		**–**	–	10,823
Bank and other borrowings		**1,201,404**	1,557,409	496,719
Current portion of convertible bonds		**–**	–	1,436,314
Tax payable		**39,101**	64,555	37,893
		2,457,766	3,055,407	3,240,663
Liabilities directly associated with the assets classified as held for sale		**–**	–	388,020
		2,457,766	3,055,407	3,628,683
Total liabilities		**3,498,941**	3,819,426	3,721,760
Total equity and liabilities		**6,316,918**	7,824,022	8,151,068
Net current liabilities		**(1,243,238)**	(616,750)	(1,110,523)
Total assets less current liabilities		**3,859,152**	4,768,615	4,522,385

NOTES:

1 GENERAL 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 Company and its subsidiaries (collectively referred to as the "Group") is located at No. 7, Block F, Runhua Business Garden, No. 24, Jinshui Road, Jinshui District, Zhengzhou City, Henan Province, the People's Republic of China (the "PRC"), 450012. The principal place of business of the Company is located at Room 3501, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activities of the Company are investment holdings and the trading of ore. The Group is principally engaged in the manufacture and sale of iron and steel products in the PRC and the trading of ore. The Company's Shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), unless otherwise stated, and have been approved for issue by the board of Directors on 7 October 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and liabilities (including derivative financial instruments) are measured at fair value, as appropriate.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(a) Going concern

During the year ended 31 December 2013, the Group incurred a loss of approximately HK$1,365,506,000 and had a net operating cash outflow of approximately HK$100,033,000 due to the market downturn and significant change in operating and regulatory environment of the Group's subsidiaries. As at 31 December 2013, the Company and the Group had net current liabilities of HK$420,309,000 and HK$1,243,238,000, respectively. The Group's total borrowings amounted to HK$2,210,807,000, out of which HK$1,201,404,000 will be due within twelve months as at 31 December 2013. The current borrowings mainly included the current portion of the 39,099 10% coupon senior (the "10% Coupon Senior Bonds") of HK$422,758,000 and certain bank and other borrowings of HK$778,646,000. The cash and cash equivalents of the Group amounted to HK$54,065,000 as at 31 December 2013. In addition, the Company and certain of its subsidiaries are parties to various legal claims as detailed in Note 12.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern such that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(1) On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital") in relation to the disposal of a 30% equity interest in S.E.A. Mineral Limited ("SEAM"), a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately RMB900 million (approximately HK$1.1 billion). The proposed transaction is at the finalisation stage and no formal sale and purchase agreement has been entered into up to the date of approval of the consolidated financial statements. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed. In connection with the proposed disposal, Beijing Wincapital arranged a loan finance to the Group in the amount of RMB200 million (equivalent to approximately HK$254 million) as at 31 December 2013. Such borrowing has a term of two years to January 2015 and can be settled by offsetting against the disposal consideration should the proposed disposal be completed. Subsequent to the year end, Beijing Wincapital arranged further loan finance to the Group totaling RMB500 million (equivalent to approximately HK$636 million) which can also be settled by offsetting against the disposal consideration should the proposed disposal be completed. These RMB500 million borrowings are unsecured, bearing interest at commercial terms and will be due for repayment within three to six months from the respective drawdown dates. Currently, management expects that all the details and terms of the proposed disposal can be finalised before the end of year 2014; and the Group will be able to offset all these borrowings and collect the remaining disposal consideration in full immediately upon completion of the disposal. The directors believe that the disposal can significantly strengthen the cash flow position of the Group as a whole in the near future.

(2) In June 2014, the Group completed the restructuring of its 10% Coupon Senior Bonds and the 6% Coupon Convertible Bonds with carrying amounts of HK$477,769,000 and HK$150,834,000 respectively at 31 December 2013 as detailed in Note 13. Pursuant to the said restructuring, the maturity of these bonds will be extended for three years with the repayment of principal being deferred to 2017 and thereafter. The Group is obliged to repay the related interest obligations on a quarterly basis before the relevant maturity date. The current portion of these liabilities included in the Group's consolidated financial statements as at 31 December 2013 amounted to HK$422,758,000 in the aggregate, which have been reclassified as non-current liabilities upon completion of the restructuring.

(3) Apart from the liabilities mentioned in points (1) and (2) above, the Group had total bank and other borrowings of HK$1,349,478,000 as at 31 December 2013, out of which approximately HK$524,268,000 will be due for repayment in the coming twelve months from the end of the reporting period. The Group has been actively negotiating with the lenders for the renewal of these borrowings as necessary when those borrowings fall due in 2014. Based on the past experience, the Group did not encounter any significant difficulties in renewing the borrowings and the directors are confident that all necessary borrowings can be renewed when necessary. Subsequent to year end, bank borrowings with aggregate principal amounts of HK$152,627,000 were successfully renewed for another twelve months from their respective original due dates.

(4) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future.

(5) The Group is also maximising its sales effort, including speeding up of sales of its existing inventories and seeking new orders from overseas markets (including Taiwan) on developed new products, and implementing more stringent cost control measures with a view to improving operating cash flows.

(6) The Group has engaged legal advisors to handle all major litigation matters as detailed in Note 12. In preparing the financial statements, the directors have also obtained advice from legal advisors on these matters and, based upon which, are of the view that the Group will be able to resolve these matters with no significant cash outflows in the next twelve months.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through:

(1) successful completion of the proposed disposal of the 30% interest in SEAM before the end of year 2014 at a disposal consideration of RMB900 million, and be able to collect the remaining disposal consideration of approximately RMB200 million in full immediately upon completion of the transaction after properly offsetting the remaining consideration of RMB700 million in aggregate against the abovementioned borrowings;

(2) successful negotiation with the lenders for the renewal of all the existing current and other borrowings upon their maturity or obtaining additional new financing as and when required;

(3) successful implementation of its operation plans described above to control costs and generate adequate operating cash flows; and

(4) successful resolution of the litigation matters without significant cash outflows in the next twelve months.

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

(b) Change in presentation currency

In prior years, the Group's consolidated financial statements have been presented in Renminbi ("RMB"). As a result of the Group's expanded operations outside the PRC and the increased level to financing and other activities determined based upon currencies other than RMB, the directors considered that HK$ is a more appropriate presentation currency of the Group's financial statements, which also aligned with the Company's functional currency.

The change in presentation currency of the Group has been applied retrospectively and the comparative figures in the consolidated financial statements have been translated from RMB to HK$ using the closing rates at the end of the relevant reporting periods for the items in the consolidated statement of financial position, average rate for the relevant period for consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows items and historical rates for the items in the consolidated statement of changes in equity. The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2013, 31 December 2012 and 1 January 2012, or the results and cash flows for the year ended 31 December 2013 and 2012.

(c) Effect of adopting new standards, amendments and interpretation to existing standards

The following new standards, amendments and interpretation to standards are mandatory for accounting periods beginning on or after 1 January 2013. The adoption of these new standards, amendments and interpretation to standards does not have any significant impact to the result and financial position of the Group.

IFRSs (amendment)	Improvements to IFRSs 2011
IFRS 1 (amendment)	Government loans
IFRS 7 (amendment)	Disclosures — offsetting financial assets and financial liabilities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 10, IFRS 11, IFRS 12 (amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
IFRS 13	Fair value measurements
IAS 1 (amendment)	Presentation of financial statements
IAS 19 (2011)	Employee benefits
IAS 27 (2011)	Separate financial statements
IAS 28 (2011)	Investments in associates and joint ventures
IFRIC Int 20	Stripping costs in the production phrase of a surface mine

(d) New standards, amendments and interpretation to standards that have been issued but are not effective

The following new standards, amendments and interpretation to standards have been issued but are not effective for the financial year beginning on 1 January 2013 and have not been early adopted by the Group:

IFRS 9 (2014)	Financial instruments[5]
IFRS 11 (amendment)	Accounting for acquisitions of interests in Joint Operations[3]
IFRS 10, IFRS 12 and IAS 27 (2011) (amendment)	Investment entities[1]
IFRS 14	Regulatory deferred accounts[4]
IFRS 15	Revenue from Contracts with Customers[4]
IAS 16 and IAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation[3]
IAS 19 (amendment)	Defined benefit plans: employee contribution[3]
IAS 27 (amendment)	Equity method in separate financial statements[3]
IAS 32 (amendment)	Offsetting financial assets and financial liabilities[1]
IAS 36 (amendment)	Recoverable amount disclosures for non-financial assets[1]
IAS 39 (amendment)	Financial instruments: recognition and measurement[1]
IFRIC Int 21	Levies[1]
IFRSs (amendment)	Improvements to IFRS 2010–2012 cycle and 2011–2013 cycle[2]
IFRSs (amendment)	Improvements to IFRS 2012–2014 cycle[4]

(1) Effective for the Group for annual period beginning on 1 January 2014
(2) Effective for the Group for annual period beginning on 1 January 2015
(3) Effective for the Group for annual period beginning on 1 January 2016
(4) Effective for the Group for annual period beginning on 1 January 2017
(5) Effective for the Group for annual period beginning on 1 January 2018

The directors are in the process of assessing the impact of the adoption of these new standards, amendments and interpretation to standards on the results and financial position of the Group.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: the trading of ore and the manufacturing and sale of iron and special steel products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2013	2012
	HK$'000	*HK$'000*
Mainland China	**1,437,490**	1,207,775
Singapore	**94,735**	341,875
Hong Kong	**102,556**	188,098
Others	**389**	72,288
	1,635,170	1,810,036

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

(b) Non-current assets

	2013	2012
	HK$'000	*HK$'000*
Mainland China	**2,513,768**	2,743,410
Indonesia	**2,542,290**	2,594,984
Others	**44,400**	46,082
	5,100,458	5,384,476

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

Information about major customers

Revenue of approximately HK$1,033,788,000 (2012: HK$905,584,000) was derived from sales to three (2012: three) major customers.

4 REVENUE AND OTHER GAINS/(LOSSES), NET

An analysis of revenue and other gains is as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of goods:		
Stainless steel base materials	**19,446**	379,096
Ni-Cr alloy steel ingot	**79,517**	140,324
Ferro-nickel alloys and others	**42,277**	162,716
Limonitic ores	**1,493,930**	1,127,900
Total revenue	**1,635,170**	1,810,036
Other gains/(losses), net		
Loss on restructure of convertible bonds, net	**–**	(354)
Change in fair value of derivative financial instruments	**46,688**	(21,703)
Loss on cancellation of warrants	**–**	(77,832)
(Loss)/Gain on disposal of items of property, plant and equipment, net	**(5,723)**	70
Foreign exchange gains/(losses), net	**3,725**	(1,639)
Others	**4,787**	1,044
Total other gains/(losses), net	**49,477**	(100,414)

5 LOSS BEFORE INCOME TAX

The Group's loss before income tax is stated at after charging/(crediting) the following:

	2013	2012
	HK$'000	*HK$'000*
Costs of inventories sold	**1,523,930**	1,557,664
Employee benefits expense	**88,140**	122,392
Research expenses	**28,262**	33,372
Auditors' remuneration	**3,800**	4,851
Provision of impairment for items of properly, plant and equipment *(note (i))*	**726,185**	151,883
Depreciation	**133,836**	122,023
Provision of impairment for prepaid land lease payments*	**20,713**	–
Amortisation of intangible asset	**111,114**	79,315
Amortisation of prepaid land lease payments	**5,374**	5,169
Provision/(Reversal of provision) of impairment for trade receivables, net*	**16,298**	(1,293)
Provision for impairment of prepayments and other receivables*	**11,592**	–
Impairment losses of inventories	**88,765**	19,077
Minimum lease payments under operating leases in respect of buildings and equipment	**7,818**	6,384
Gain on disposal of a subsidiary *(note (ii))*	**–**	(675,291)

* Included in other expenses

Notes:

(i) During the year, as a result of the continuous unfavourable operating environment experienced in the steel industry and significant adverse changes in the nickel related product market, the Group significantly reduced its manufacturing output and temporarily suspended some of its manufacturing operations in certain plants located in Zhengzhou ("Zhengzhou's plants") and decided to postpone the commencement of its Lianyungang operation ("Lianyungang's plant"). The Directors of the Company considered these as impairment indicators and conducted an impairment assessment on the property, plant and equipment of Zhengzhou's plants and Lianyungang's plant.

The reviews have resulted in the recognition of impairment losses on property, plant and equipment and prepaid land lease payments of HK$195,783,000 and HK$15,623,000, respectively for Zhengzhou's plants, and recognition of an impairment loss of HK$530,402,000 for Lianyungang's property, plant and equipment, which have been recognised in the income statement.

(ii) On 19 December 2011, the Group entered into a relocation agreement with the Government of Luoyang City (the "Relocation Agreement") in relation to the relocation of Yongan Special Steel. On 20 February 2012, in order to implement the Relocation Agreement, the Group and the non-controlling shareholder of Yongan Special Steel entered into an equity transfer agreement with Luoyang Anhui Trading Services Center (Limited Liabilities Partnership) (洛陽安匯貿易服務中心(有限合夥)) ("Anhui Center"), a limited liability partnership nominated by the Government of Luoyang City, to dispose of the Group's entire shareholding of a 51% equity interest in Yongan Special Steel for a total consideration of RMB1 billion. In accordance with IFRS 5, as at 31 December 2011, the Group reclassified the assets and liabilities of Yongan Special Steel to a disposal group classified as held for sale in the Group's consolidated statement of financial position. The disposal was completed on 26 April 2012 with a gain of HK$675,291,000.

6 FINANCE COSTS, NET

	2013 *HK$'000*	2012 *HK$'000*
Finance income		
Interest income on time deposits	**5,242**	20,546
Unwinding interest on receivables arising from disposal of a subsidiary	**12,493**	–
	17,735	20,546
Finance cost		
Interest on bank and other borrowings, wholly repayable within five years	**(238,594)**	(203,578)
Interest on convertible bonds	**(42,333)**	(254,110)
Total interest expenses	**(280,927)**	(457,688)
Less: Interest capitalised	**–**	101,141
	(280,927)	(356,547)
Finance costs, net	**(263,192)**	(336,001)

7 INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the Group' entities are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The applicable Hong Kong profits tax rate of the Company, and its subsidiaries, which operate in Hong Kong, is 16.5% (2012: 16.5%).

The applicable Singapore income tax rate of the Group's Singaporean subsidiary, the CNR Group Holding Pte Ltd ("CNR Singapore") is 17% (2012: 17%). Effective 1 July 2013, CNR Singapore has been granted to a tax concessionary rate of 10% as it was awarded Global Trader Programme Status by International Enterprise Singapore for a period of five and a half years from 1 July 2013 to 31 December 2018.

The subsidiaries of the Company incorporated in Indonesia are subject to a single income tax rate of 25% (2012: 25%).

According to the PRC Corporate Income Tax Law, the applicable income tax rate of the Group's PRC subsidiaries is 25% for the year (2012: 25%).

	2013 *HK$'000*	2012 *HK$'000*
Current income tax:		
Current — Mainland China	**(145)**	11,735
Current — Singapore	**27,875**	49,537
Current — Others	**44**	–
Deferred income tax	**(2,731)**	187,021
Income tax expense	**25,043**	248,293

8 DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim, paid, of HK1 cent per ordinary share	**–**	23,043

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

9 LOSS PER SHARE

Basic

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 2,527,602,083 (2012: 2,304,394,577) in issue during the year.

Diluted

The calculation of the diluted loss per share for the year ended 31 December 2013 is based on the loss for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on and change in fair value of the derivative component of the 6% Coupon Convertible Bonds and share options. 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 loss 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.

Diluted loss per share is the same as basic loss per share for the year ended 31 December 2013 and 2012 because the impact of dilution of the 6% Coupon Convertible Bonds and share options is anti-dilutive.

10 TRADE AND NOTES RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**107,440**	102,576
Notes receivable	**24,262**	15,182
Less: Provision of impairment losses	**(23,314)**	(6,570)
	108,388	111,188

The Group's trading terms with its customers are mainly on credit, except for new customers and customers of limonitic ores, where payment in advance is normally required. The credit period is generally one to two months. During the year, the Group generated its revenue from sales of ore and special steel products to other steel producers, thereby exposing the Group to the concentration of credit risk in the steel industry. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing. The carrying amounts of trade and notes receivables approximate to their fair values.

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

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**52,801**	66,537
91 to 180 days	**10,989**	30,994
181 to 365 days	**37,181**	7,725
Over 1 year	**30,731**	12,502
	131,702	117,758
Less: Provision of impairment	**(23,314)**	(6,570)
	108,388	111,188

11 TRADE AND NOTES PAYABLES

	Notes	2013	2012
		HK$'000	*HK$'000*
Trade payables	*(a)*	**184,566**	175,949
Notes payables	*(b)*	**587,614**	645,087
		772,180	821,036

Notes:

(a) Trade payables

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

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**40,681**	55,357
91 to 180 days	**14,931**	45,031
181 to 365 days	**25,114**	10,931
1 to 2 years	**48,744**	52,305
2 to 3 years	**43,277**	8,731
Over 3 years	**11,819**	3,594
	184,566	175,949

The trade payables are unsecured, interest-free and are normally settled on terms of 60 to 180 days.

The carrying amounts of trade payables approximate to their fair values at the end of the reporting period.

(b) Notes payables

At 31 December 2013, notes payables of HK$587,614,000 (2012: HK$645,087,000) were secured by a parcel of leasehold land in Mainland China with net carrying amount of HK$3,548,000 (2012: HK$4,376,000) and time deposits amounting to HK$350,644,000 (2012: HK$349,266,000).

An ageing analysis of the notes payables at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**419,725**	262,600
91 to 180 days	**167,889**	382,487
	587,614	645,087

12 CONTINGENT LIABILITIES

(i) Litigation with Rock Resource Limited ("RR") and United Mineral Limited ("UM") (collectively referred to as the "Buyers")

Subsequent to the financial reporting period in March 2014, the Company, received certain legal letters (the "Letters") from the Buyers dated 20 March 2014, which purported to be statutory demands serviced to the Company pursuant to section 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) ("Statutory Demands").

The Letters concern disputes between the Group and the Buyers relating to certain primary contracts for the sale and purchase of Indonesian iron ores, and contain claims for (i) an amount of US$10,347,698 (equivalent to approximately HK$80,242,000) which comprise the demand for return of an advance payment made by RR to the Group of US$3,000,000 (equivalent to approximately HK$23,264,000) and interest thereon to the extent of US$7,347,698 (equivalent to approximately HK$56,978,000) payable up to 20 March 2014; and (ii) an amount of RMB70,355,783 (equivalent to approximately HK$89,485,000) which comprise the demand for return of an advance payment made by UM to the Group of RMB20,000,000 (equivalent to approximately HK$25,438,000) and interest thereon to the extent of RMB50,355,783 (equivalent to approximately HK$64,050,000) payable up to 20 March 2014. The Company as guarantor to the abovementioned primary contracts is therefore also a party to these litigations.

On 4 April 2014, the Group issued a legal letter to the legal representative of the Buyers requesting them to withdraw the Statutory Demands as the Group considers that it has bona fide defences on substantial grounds to the claims asserted from the Buyers, and the Group also considers it has very substantial counterclaims against the Buyers as a result of their non-performance of the relevant contracts.

On 7 April 2014, the Group received another legal letter from the legal representative of the Buyers informing that the Buyers will not present their winding up petition against the Company without serving a 3-day notice.

On 11 April 2014, the Company received another statutory demand from the legal representative of UM to claim for certain interest charge ("Interest Charge") on certain loans provided by UM to the Group (the principal of which had been fully repaid before the end of the period) calculated up to 11 April 2014 (as supplemented by another legal letter dated 15 April 2014), together with the related penalty, to the extent of US$3,839,000 (equivalent to approximately HK$29,770,000). The Group has subsequently replied, through its legal representative, that most of the claimed Interest Charge are unenforceable at law but agreed to pay the relevant interest charge (after tax) calculated under normal contract terms in the amount of US$345,000 (equivalent to approximately HK$2,675,000) which has been provided for in these consolidated financial statements.

On 9 May 2014, the Group received another legal letter from the legal representative of UM informing that UM will not present its winding up petition against the Company without serving a 3-day notice.

There has been no further correspondence between the Group and the Buyers since then and up to the date of this announcement. The directors, after seeking legal advice on the above claims, consider that the Group has bona fide defences on substantial grounds to the claims asserted from the Buyers such that (i) the aforementioned advance payments received to the extent of approximately HK$48,702,000 in aggregate are presently not due for repayment by the Group; (ii) the resulting interest so calculated are therefore miscalculated and grossly inflated; and (iii) other than an amount of HK$2,675,000 relating to the Interest Charge which has already been provided by the Group, the remaining sums of the claims are without merit. The directors are also of the opinion that the Group has significant ground for very substantial counterclaims and cross-claims against each of the Buyers as a result of their non-performance of the relevant contracts as mentioned in the Letters. Consequently, no provision has been made for these claims on these consolidated financial statements as the directors consider that it is not probable that the above legal claims would result in any material outflow of economic benefits from the Group.

(ii) Dispute on Contracts of Affreightment ("COAs")

The Group entered into certain COAs with various marine vessel owners committing certain minimum number of cargoes per calendar month for exporting iron ores from Indonesia. As a result of the unfavourable economic environment and the various changes in rules and regulations stipulated by the Indonesian government authorities since year 2012, the Group's ores export was adversely affected and therefore unable to fulfil the minimum cargoes commitment as stipulated by some of these COAs.

Subsequent to the end of the reporting period end, the Group received various legal letters from TORM A/S ("TORM"), a marine vessel owner, to (i) claim for an outstanding freight charges payable by the Group to TORM of approximately US$1,834,000 (equivalent to approximately HK$14,268,000) ("Outstanding Freight Charges"); and (ii) notify the commencement of arbitration proceedings pursuant to the terms of the relevant COAs to claim for loss and damage suffered by TORM ("Other Losses") with respect to approximately 51 unfulfilled cargoes under the terms of the relevant COAs which is estimated by Torm to be approximately US$11,828,000 (equivalent to approximately HK$91,721,000) up to 27 March 2014 (the amount stated in the latest claimed submissions from Torm).

The relevant freight charges payable by the Group to TORM up to 31 December 2013 have been fully accounted for in the consolidated financial statements of the Group for the year ended 31 December 2013. The dispute with TORM in respect of the Outstanding Freight Charges has been fully settled and discharged in June 2014.

In connection with the claims on Other Losses, the Group has engaged legal advisors to commence arbitration procedures with TORM in February 2014. The said arbitration procedures are still in progress as at the date of approval of the consolidated financial statements.

In preparing these consolidated financial statements, the directors have obtained legal advice in this respect and, based upon which, consider that as the arbitration is still at an early stage, they are not currently in a position to estimate the financial effect (if any) relating to the arbitration and it may take a substantial time to complete the aribitration process.

Accordingly, no provision in respect of such legal dispute was made in the consolidated financial statements.

As at 31 December 2013 and up to the date of approval of the consolidated financial statements, based on the best knowledge and information of the directors, there is no further claims in relation to any COAs that the Group has entered into.

Should the resolution of these legal claims and disputes turn out to be unfavourable to the Group, the Group may need to record additional losses in respect of these claims and disputes in future reporting period.

13 EVENTS AFTER THE REPORTING PERIOD

(a) During the year ended 31 December 2013, the relevant Indonesian governmental authorities promulgated that unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") will be banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to the relevant regulations regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with those relevant laws. Consequently, PT. Yiwan Mining ceased to export unprocessed iron ores and the Group's iron ores trading business suspended with effect from 12 January 2014.

(b) Litigation and claims

Subsequent to the financial reporting period, the Group received a number of significant legal claims, details of which have been disclosed in Note 12.

(c) Amendments to the 6% Coupon Convertible Bonds, 10% Coupon Senior Bonds and issued by the Group

On 13 June 2014, a senior bonds extraordinary resolution and a convertible bonds extraordinary resolution were duly passed by the holders of the 10% Coupon Senior Bonds and holders of the 6% Coupon Convertible Bonds, respectively to amend terms and conditions governing the 10% Coupon Senior Bonds and 6% Coupon Convertible Bonds.

As at 31 December 2013, the Group carrying amounts of the 10% Coupon Senior Bonds with aggregate nominal amount of HK$390,990,000 and the 6% Coupon Convertible Bonds (including the liability component and derivative component) with aggregate nominal amount of HK$181,575,000 were HK$477,769,000 and HK$150,834,000 respectively.

The major terms and conditions governing the 10% Coupon Senior Bonds are summarised as follows:

(i) Amend the interest rate payable from 10% per annum to 12% per annum;

(ii) extend the final maturity date of the Modified 10% Coupon Senior Bonds from 12 March 2015 to 12 December 2018;

(iii) amend the amortisation schedule to provide for principal payments to be made to be postponed until March 2017;

(iv) amend the Reserve Account arrangements to reduce the Required Minimum Balance from US10,000,000 to US$1,000; and

(v) the addition of provisions which will require the Company to credit to the balance of the Reserve Account amounts calculated by reference to the volume of dry tonnes of ore exported to S.E.A. Mineral in the event that the current restrictions imposed on the export of ores under the Off-take Agreement are lifted and which will require the Company to accelerate the amortization schedule in such circumstances.

The major terms and conditions governing the 6% Coupon Convertible Bonds are summarised as follows:

(i) Amend the interest rate payable from 6% per annum to 8% per annum;

(ii) extend the maturity date of the Modified 6% Coupon Convertible Bonds from 12 March 2015 to 12 March 2018;

(iii) amend the conversion price from HK$0.7834 to HK$0.30 per Share, subject to adjustment in the manner provided in the relevant Convertible Bonds Trust Deed;

(iv) amend the Conversion Price reset mechanics to provide a reduced Floor Price of HK$0.18;

(v) amend the definition of "Relevant Event" to ensure that the current suspension of trading of the Company's share on the Hong Kong Stock Exchange will not constitute a Relevant Event unless it continues for a period of 120 consecutive calendar days following 12 June 2014;

(vi) amend the Reserve Account arrangements to reduce the Required Minimum Balance from US10,000,000 to US$1,000; and

(vii) the addition of provisions which will require the Company to credit to the balance of the Reserve Account amounts calculated by reference to the volume of dry tonnes of ore exported to S.E.A. Mineral in the event that the current restrictions imposed on the export of ores under the Off-take Agreement are lifted and which will require the Company to accelerate the amortization schedule in such circumstances.

As the amendments to the terms and conditions governing the 10% Coupon Senior Bonds and the 6% Coupon Convertible Bonds are regarded as a substantial modification, the amendments will be treated as a derecognition of the original liability and a recognition of a new liability at fair value and a potential gain from the amendments will be recognised in the income statement for the year ending 31 December 2014.

UPDATES ON RECENT DEVELOPMENT

Proposed disposal of up to 30% equity interest in S.E.A. Mineral Limited (the "Investment")

Reference is made to the announcements of the Company dated 24 January 2013, 28 March 2013, 26 June 2013, 6 November 2013, 27 January 2014, 30 April 2014 and 15 August 2014, in relation to the Investment. The Board wishes to inform the shareholders that the Company is still in the process of negotiating and finalising the terms of the Investment and the relevant agreement(s) and there had not been any material developments.

The Company will keep the shareholders informed of any further material development in relation to, among others, the Company's business operations, financial position and other matters by way of further announcement(s) as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT ANALYSIS

In 2013, the PRC's steel market continued to be negatively affected by over-supply and the structural reform of the PRC's economy. As a result, price and demand of steel products remained low which narrowed the profit margins for most steel products.

The weak demand for steel products in the PRC created immense pressure on the commodity prices of iron ores. Nevertheless, the commodity price of iron ores in 2013 did not experience significant fluctuations as compared with 2012. Overall, the iron ores market was more stable in 2013 and the Group sold approximately 3.5 million dry tonnes of iron ores, representing an increase of 1.1 million dry tonnes when compared with 2012.

We remain pessimistic about the steel market in the PRC in the short term due to the continuation of over-supply and the structural reform of the PRC's economy. We expect the prices of steel products and iron ores will not have significant rebound in the near future. However, in the long term, we expect the global economy will gradually recover and the economy of the PRC will maintain its healthy growth trend under the new leadership. Going forward, domestic market in the PRC will become quality-oriented, which will impose higher requirements on products in terms of environmental-friendliness, safety and durability, sustainability and recycling. We expect that quantitative demand for high quality steel products will increase significantly in the long run, and product development will incline to the high-end market.

To capture these business opportunities, the Group has shifted to the production of high quality iron and steel products through the application of more environmental-friendly production method. Moreover, the Group had completed a re-adjustment of product mix and upgrade of production facilities in 2013 to focus on the production of steel products catering for household, photovoltaic and animal husbandry uses etc. The Directors believe that the re-adjustment of product mix and upgrade of production facilities will help the Group to capture the increasing demand in high-end steel products. The Directors believe that the demand of our special steel, alloy steel and stainless steel products will increase in the future.

However, as the current operating environment as a whole remains weak, the Directors have reviewed the recoverable amounts of the property, plant and equipment and prepaid land lease payments in the Group's plants in Zhengzhou and made a provision for impairment of HK$211.4 million.

BUSINESS REVIEW

Project Progress

In the PRC

Lianyungang City East Harvest Mining Company Limited, a wholly owned subsidiary of the Company, has constructed a production plant to produce nickel fine powder. The first production line of the production plant had started trial production in the second half year of 2012. The nickel fine powder can be treated as finished product for direct sales; alternatively, it can be treated in a blast furnace and possessed into nickel-iron alloy fluid, which becomes a high-quality raw material for the production of stainless steel. The Lianyungang plant applies low carbon metallurgical 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%. In addition, the plant can utilise low grade nickel ore for production, the cost of which is much lower than that used in traditional production process. The project is highly recognised by the local government. Moreover, the plant is situated at the Lianyungang port and benefits from geographical advantages. Ores and other raw materials from overseas can be conveniently transported to the plant, largely reducing the inland transportation costs and logistics pressure.

Although the Lianyungang plant is ready for commercial production, it would not be profitable in the short term due to depression in nickel price. Therefore, management has decided to suspend the production plan to a later period when the nickel price rebound. Due to suspension of production together with the Export Ban, the expected recoverable amount of the plant decreased from last year. As a result, the Directors made a provision for impairment of the property, plant and equipment of the plant amounted to HK$530.4 million in 2013.

In Indonesia

PT. Mandan Steel, our wholly-owned subsidiary incorporated in Indonesia, is our future processing and manufacturing arm in overseas. PT. Mandan Steel is also recognised as a key iron and steel mill construction project of Indonesia with strong support from Indonesia central government, and offers manufacturing capability that is valuable considering the new mining regulations in Indonesia. The steel mill project will produce steel bar for concrete reinforcement to capture the market opportunities in Indonesia. This processing facility can save shipping fee, loading and unloading charges and inland port charges. The Stage 1 development is facilitated and based on the overall relocation of the equipment from Yongan Special Steel, a former wholly owned subsidiary of the Company. To ensure high quality, environmental protection, energy efficiency and low production cost, new equipment will be added to existing equipment and some existing facilities will be modified. Due to the Export Ban together with the delay in disposal of 30% equity interest of S.E.A. Mineral Limited, a wholly owned subsidiary of the Company, the Group is seeking other financing sources to facilitate the development of the project. The Directors expect that the Stage 1 of the project can be completed within 18 months after the funding from other financing sources is available.

Business Development

Ore trading business

The Group purchases ores from Indonesia through an exclusive offtake agreement at fixed price for self-use or for sale, and has started selling ores to third parties since the end of 2009. The ore trading business had a remarkable contribution to our profitability and cash flows in the past few years due to strong demand from the PRC customers. In 2013, the Group's ore trading business continued to make a significant contribution to our profitability and cash flows. In 2013, approximately 91% of the turnover of the Group was derived from the ore trading business.

However, pursuant to the relevant regulations promulgated in Indonesia, unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") was banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to Government Regulation No. 23 of 2010 regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with Law No. 4 of 2009 regarding minerals and coal mining ("Export Ban"). Due to the Export Ban, the ore trading business of the Group has been interrupted and it is anticipated that this will have a continuous significant negative impact on the financial and operating results of the Group.

It is possible that the relevant mining regulations in Indonesia may be amended but there is no guarantee that the Export Ban will be uplifted in near future. While the Group will continue to identify and develop ore supplies from other sources for trading and self-manufacturing purposes, we expect that the revenue from our ore trading business in 2014 will be significantly lower than that in 2013 if the Export Ban is not uplifted in the near future.

Steel-making operations

For the steel-making operations of the Group, both the sales volume and profit margins of stainless steel base materials and Ni-Cr alloy steel ingot continued to be low during the year as a result of weak demand and intense competition in the PRC. In addition, the production plant of our Yongtong Special Steel took the opportunity of weak market demand to re-adjust its product mix and upgrade its production facilities during March to November 2013. This also led to low production and sales volume in 2013. Since early of May 2014, the Group's steel-making operations has resumed its production gradually.

While we expect the keen competition in the PRC's steel market will continue in 2014, the demand for steel products will gradually pick up. The Group is actively developing new high value-added steel products and identifying overseas markets with growth potentials to strengthen our product portfolio and reduce market concentration risk.

Financing Arrangement

As at 31 December 2013, the Group had net current liabilities of approximately HK$1,243.2 million. The Group has been actively negotiating with PRC and overseas banks and institutional investors for new borrowings and renewal of existing borrowings when they fall due. During the year, the Group had successfully obtained bank and other borrowings of HK$1,598.6 million to finance our operation and for repayment of our borrowings when they fall due. Based on management's past experience, the Group did not encounter significant difficulties in renewing the borrowings.

In addition, based on the framework agreement with a potential investor for the disposal of 30% equity interest of S.E.A. Mineral Limited, a wholly-owned subsidiary of the Group, the aggregate consideration will be approximately RMB900 million. The transaction is still in progress due to the rapid change in operating and regulatory environment of our subsidiary, and the potential investor needs more time for conducting due diligence work. The Directors expect that the transaction will be completed by the end of 2014 and believe that the above financing arrangements can improve the liquidity and financial position of the Group.

FINANCIAL REVIEW

Turnover and sales volume

Major products of the Group were stainless steel base materials, Ni-Cr alloy steel ingot, ferro-nickel alloys and limonitic ores. The table below sets out the turnover and sales volume of our products for the years indicated:

Turnover

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	HK$'000	***%***	*HK$'000*	*%*
Mineral Resources:				
Limonitic ores	**1,493,931**	**91%**	1,127,900	62%
Iron and Steel Products:				
Stainless steel base materials	**19,446**	**1%**	379,096	21%
Ferro-nickel alloy steel ingot	**40,912**	**3%**	161,515	9%
Ni-Cr alloy steel ingot	**79,517**	**5%**	140,324	8%
Service income	**1,364**	**0%**	1,201	0%
Total	**1,635,170**	**100%**	1,810,036	100%

Sales volume

	For the year ended 31 December 2013 (tonnes)	%	For the year ended 31 December 2012 (tonnes)	%
Mineral Resources:				
Limonitic ores	**3,532,417**	**100%**	2,443,447	96%
Iron and Steel Products:				
Stainless steel base materials	**3,808**	**0%**	46,328	2%
Ferro-nickel alloy steel ingot	**10,371**	**0%**	29,296	1%
Ni-Cr alloy steel ingot	**8,281**	**0%**	13,469	1%
Total	**3,554,877**	**100%**	2,532,540	100%

The Group's turnover in 2013 decreased by HK$174.8 million, or 9.7%, to approximately HK$1,635.2 million (2012: HK$1,810.0 million). The decrease was primarily due to the decrease in sales of stainless steel base materials, ferro-nickel alloy steel ingot and Ni-Cr alloy steel ingot.

During the year, the Group's ore trading business continued to be the key profit and cash flows contributor of the Group. In 2013, the Group sold 3,532,417 dry tonnes of ores (2012: 2,443,447 dry tonnes) and achieved a turnover of HK$1,493.9 million (2012: HK$1,127.9 million).

Pursuant to the Export Ban in Indonesia, unprocessed iron ore export from PT. Yiwan Mining to our Group has been suspensed from 12 January 2014 onwards. The ore trading business of the Group has been interrupted and it is anticipated that this will have a significant negative impact on the financial and operating results of the Group in 2014 and after. It is possible that the relevant mining regulations in Indonesia may be amended but there is no guarantee that the Export Ban will be uplifted in future.

In addition, as a result of the weak demand and intense market competition in the PRC, both the sales volume and profit margins of our steel products remained low during the year.

The Group's sales volume of stainless steel base materials and Ni-Cr alloy steel ingot in 2013 decreased by approximately 42,520 tonnes and 5,188 tonnes, or 91.8% and 38.5%, to approximately 3,808 tonnes and 8,281 tonnes respectively (2012: 46,328 tonnes and 13,469 tonnes). The Group's sales volume of limonitic ores in 2013 increased by approximately 1.1 million dry tonnes, or 44.6% to approximately 3.5 million dry tonnes (2012: 2.4 million dry tonnes). During the year ended 31 December 2013, the Group's average selling price per tonne for stainless steel base materials and Ni-Cr alloy steel ingot were HK$5,107 (2012: HK$8,183) and HK$9,602 (2012: HK$10,418) respectively while the average unit selling price per dry tonne for limonitic ores was HK$423 (2012: HK$462).

Cost of sales

The cost of sales in 2013 increased by HK$8.5 million, or 0.5%, to approximately HK$1,664.6 million (2012: HK$1,656.1 million). The increase in cost of sales was mainly due to impairment losses of inventories of HK$88.8 million (2012: HK$19.1 million) recognised in 2013 and partially offsetted by decrease in sales volume.

The unit costs of sales for stainless steel base materials and Ni-Cr alloy steel ingot were HK$6,684 and HK$12,138 per tonne respectively in 2013 (2012: HK$9,059 and HK$12,345 per tonne respectively). The unit cost of limonitic ores in 2013 increased by HK$36 per dry tonne, or 10.0%, to HK$397 per dry tonne (2012: HK$361 per dry tonne).

The table below shows a breakdown of our costs of sales for the year:

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	HK$'000	*%*	*HK$'000*	*%*
Raw materials	**1,333,415**	**80%**	1,217,795	74%
Fuel and Freight	**163,230**	**10%**	189,862	11%
Utilities	**21,223**	**1%**	69,250	4%
Depreciation	**41,865**	**3%**	99,853	6%
Staff costs	**10,060**	**1%**	42,502	3%
Impairment losses of inventories	**88,765**	**5%**	19,077	1%
Others	**6,062**	**0%**	17,718	1%
Total	**1,664,620**	**100%**	1,656,057	100%

Gross (loss)/profit

The unit gross losses for stainless steel base materials and Ni-Cr alloy steel ingot in 2013 were HK$1,578 and HK$2,536 per tonne respectively (2012: unit gross loss of HK$877 and HK$1,927 per tonne respectively). The unit gross loss margin of these products was mainly due to decrease in selling price as a result of weak steel demand in the PRC. The unit gross profit for limonitic ores in 2013 was HK$26 per dry tonne (2012: HK$101 per dry tonne). Decrease in the unit gross profit for limonitic ores in 2013 was primarily due to decrease in selling price and increase in average unit cost. As a result of the above factors, the Group's gross profit (excluding impairment losses of inventories) decreased from HK$173.1 million in 2012 to HK$59.3 million in 2013. Furthermore, impairment losses of inventories of HK$88.8 million (2012: HK$19.1 million) was recognised for the year.

Other gains/(losses), net

Other gains in 2013 was HK$49.5 million (2012: losses of HK$100.4 million). The difference was mainly due to gain of HK$46.7 million (2012: loss of HK$21.7 million) in fair value of derivative financial instruments. On the other hand, there was a loss of HK$77.8 million on cancellation of warrants in 2012 but not in 2013.

Selling and distribution expenses

Selling and distribution expenses in 2013 decreased by HK$14.0 million to HK$5.2 million (2012: HK$19.2 million), representing 0.3% of turnover (2012: 1.1%). Decrease in selling and distribution expenses was mainly due to the reduction in sale of iron and steel products.

Administrative expenses

Administrative expenses in 2013 increased by HK$41.7 million, or 17.1%, to HK$284.7 million (2012: HK$243.0 million), representing 17.4% of turnover (2012: 13.4%). The increase in administrative expenses was mainly due to the increase in non-production depreciation charges upon re-adjustment the product mix and upgrade the production facilities during the year.

Finance costs, net

Net finance costs in 2013 decreased by HK$72.8 million, or 21.7% to HK$263.2 million (2012: HK$336.0 million). Decrease in net finance costs charged to the consolidated income statement in 2013 was mainly due to conversion of convertible bonds at nominal value of HK$143.3 million into the Company's 247.0 million new shares and the repayment of the principal amount of senior bonds of HK$488.7 million during the year.

Other expenses

Other expenses in 2013 increased by HK$56.7 million, or 516.9%, to HK$67.7 million (2012: HK$11.0 million). The increase in other expenses is mainly due to the provision of impairment for (i) prepaid land lease payments of HK$20.7 million (2012: Nil); (ii) prepayments and other receivables of HK$11.6 million (2012: Nil); and (iii) trade receivables of HK$16.3 million (2012: reversal of provision of impairment of HK$1.3 million) in 2013.

Impairment losses on property, plant and equipment

During the year, the Group recorded an impairment loss on its property, plant and equipment totalling HK$726.2 million (2012: HK$151.9 million). Details of the background of the impairment was discussed above.

Loss before income tax

As a result of the factors discussed above, the loss before tax for the year ended 31 December 2013 was HK$1,340.5 million (2012: HK$31.4 million). The Group's loss before tax margin was 82.0% (2012: 1.7%). The loss before interest, tax, depreciation and amortisation (EBITDA) margin was –4.9% (2012: –0.7%).

Income tax expense

The applicable Hong Kong profits tax rate of the Company and its subsidiaries which operate in Hong Kong is 16.5% based on existing legislation. The entities within the Group which operate in the PRC, Singapore and Indonesia are subject to corporate income tax at rates of 10% to 25% for the year ended 31 December 2013. In 2012, there was a deferred tax of HK$187.0 million charged to the income statement in connection with the disposal of Yongan Special Steel. Since there was no such significant deferred tax item in 2013, income tax expense for 2013 decreased significantly when compared with last year.

Loss for the year and loss attributable to shareholders

As a result of the factors discussed above, the Group's 2013 loss for the year was HK$1,365.5 million (2012: HK$279.7 million) and the 2013 loss attributable to shareholders was HK$1,366.4 million (2012: HK$278.3 million).

Key financial ratios

	Notes	**For the year ended 31 December 2013**	2012
Current ratio	*1*	**49%**	80%
Inventory turnover days	*2*	**104 days**	155 days
Debtor turnover days	*3*	**24 days**	22 days
Creditor turnover days	*4*	**169 days**	181 days
Interest cover	*5*	**-4.1 times**	0.9 times
Interest-bearing gearing ratio	*6*	**79%**	55%
Debt to EBITDA ratio	*7*	**-27.6 times**	-179.2 times
Net debt/Capital and net debt ratio	*8*	**47%**	43%

Notes:

1. Current assets/Current liabilities x 100%

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

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

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

5. $\dfrac{\text{Loss before interest and tax}}{\text{Net interest expense}}$

6. $\dfrac{\text{Interest-bearing loans and other borrowings (including convertible bonds)}}{\text{Equity attributable to the owners of the parent}} \times 100\%$

7. $\dfrac{\text{Interest-bearing loans and other borrowings (including convertible bonds)}}{\text{EBITDA}}$

8. $\dfrac{\text{Net debt}}{\text{Capital and net debt}} \times 100\%$

Property, plant and equipment

Property, plant and equipment as at 31 December 2013 mainly comprised plant and machinery, buildings and construction in progress. The decrease in balance to HK$1,928.1 million (2012: HK$2,574.3 million) was mainly due to the depreciation charges for the year of HK$133.8 million and impairment of property, plant and equipment of HK$726.2 million due to change in product mix and production plan as a result of weak steel demand and prolonged depression in Nickel price together with the Export Ban.

Intangible asset

The intangible asset solely represents the unamortised amount of the exclusive offtake right from PT. Yiwan Mining secured by the Group in May 2007. The decrease in balance to HK$2,387.8 million (2012: HK$2,498.9 million) during the year was due to amortisation for the year based on the unit of purchase method and the exchange realignment.

Inventories

The inventory turnover days decreased from 155 days in 2012 to 104 days in 2013. As at 31 December 2013, inventories balance decreased by HK$227.4 million, or 32.4%, to HK$474.6 million (2012: HK$702.0 million). Decrease in inventory balance was mainly due to write down of inventories to their net realisable value in 2013 amounted to HK$88.8 million and management's effort to reduce inventory level to improve the Group's working capital efficiency.

Trade and notes receivables

The debtor turnover days increased from 22 days in 2012 to 24 days in 2013. As at 31 December 2013, trade and notes receivables balance decreased by HK$2.8 million, or 2.5%, to HK$108.4 million (2012: HK$111.2 million).

Prepayments and other receivables

As at 31 December 2013, prepayments and other receivables balance decreased by HK$805.9 million, or 79.1%, to HK$213.5 million (2012: HK$1,019.4 million). The decrease in prepayments and other receivables balance was mainly due to that the receivables arising from disposal of Yongan Special Steel of HK$752.1 million as at 31 December 2012 was fully settled in 2013.

Cash and cash equivalents and pledged time deposits

The aggregate amount of cash and cash equivalents and pledged time deposits increased by approximately HK$307.0 million, or 50.7%, to approximately HK$913.0 million as at 31 December 2013 when compared to that as at 31 December 2012. It was mainly due to the proceeds from disposal of Yongan Special Steel received.

Trade and notes payables

The creditor turnover days decreased from 181 days in 2012 to 169 days in 2013. As at 31 December 2013, trade and notes payables balance decreased by HK$48.8 million, or 6.0%, to HK$772.2 million (2012: HK$821.0 million). The decrease in trade and notes payables balance was mainly due to fewer purchases were made by the Group in 2013. The trade payables are unsecured, interest-free and are normally settled on terms of 60 to 180 days while the bank bills are generally on terms of 90 to 180 days.

Convertible bonds

Decrease in the convertible bonds balance from HK$177.7 million as at 31 December 2012 to HK$129.2 million as at 31 December 2013 was mainly attributable to convertible bonds in the nominal amount of HK$143.3 million were converted into 247.0 million new shares of the Company in year 2013.

Bank and other borrowings

As at 31 December 2013, total bank and other borrowings balance increased by HK$50.6 million, or 2.5%, to HK$2,081.6 million (2012: HK$2,031.0 million). During the year, the Group used certain long-term bank and other borrowings to refinance the short-term borrowings when they fall due.

Liquidity, going concern and capital resources

During the year ended 31 December 2013, the Group incurred a loss of approximately HK$1,365.5 million and had a net operating cash outflow of approximately HK$100.0 million. As at 31 December 2013, the Group's current liabilities exceeded its current assets by HK$1,243.2 million. Its total bank and other borrowings amounted to HK$2,081.6 million, out of which HK$1,201.4 million will be due within 12 months. The cash and cash equivalents of the Group amounted to HK$54.1 million as at 31 December 2013.

Following the 2014 Export Ban which may substantially affect the Group's cash generating ability from operations and from long-term and short-term borrowings, the Group's working capital may further affect and may have foreseeable financial difficulties in coming 12 months period.

However, following the Export Ban, a series of remedial measures to mitigate the liquidity pressure were taken in 2014 to improve its financial and liquidity position of the Group, details of which are set out in the section headed "Board's consideration — mitigation measures to going concern issue" above. Please also refer to the details regarding uncertainties on the going concern of the Group as stipulated in the section headed "Going Concern" in note 2.1(a).

Our working capital has been principally sourced from cash generated from operations and from long-term and short-term borrowings. We also utilise advances received from our customers to finance part of our working capital requirements. As at 31 December 2013, the advances from customers amounted to HK$123.1 million.

As at 31 December 2013, we had current liabilities of HK$2,457.8 million, of which HK$1,201.4 million were bank and other borrowings repayable within one year and HK$772.2 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. The Group's purchase and sales contracts of ore trading business are principally denominated in USD and purchase and sales of iron and steel products are mainly denominated in RMB. As at 31 December 2013, the convertible bonds and senior bonds were denominated in HK$ while bank and other borrowings were mainly denominated in RMB, HK$ and USD, and other assets and liabilities of the Group are mainly denominated in RMB.

As at 31 December 2013, the Group did not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the Directors considered the Group had no significant foreign currency risk. However, the Group will closely monitor the foreign currency risk and consider using necessary financial instruments for hedging purposes if they foresee the foreign currency risk is significant.

CONCLUSION AND PROSPECTS

2013 was a challenging year full of uncertainties for both the market and the Group. Our steel-making business continued to be hindered by over-supply and the structural reform of the PRC's economy. During the year, the ore trading business continued to make significant contribution to the Group's profitability and cash flows. However, the implementation of the Export Ban by the relevant governmental authorities of Indonesia has casted significant doubt on the Group's financial performance and cash flows in 2014.

We expect the economy of the PRC will continue its healthy growth trend under the new leadership and the demand and profitability of our steel products will rebound in future.

In a longer term, we expect the PRC will continue its modernisation and urbanisation that the demand of high quality steel products for public infrastructure and equipment manufacturing will increase steadily. This definitely will bring enormous business opportunities for our Group.

In 2013, Yongtong Special Steel, a wholly owned subsidiary of the Group, completed the production facilities upgrade to achieve an annual production capacity of 500,000 tonnes special steel products. In the short and medium term, the Group has made certain progress in new financing and will strike to complete the overseas steel mill projects as planned.

We believe that after the technology industrialisation and modernization of steel products, the Group will have a stronger competitive advantage in the industry.

EMPLOYEES REMUNERATION POLICY

As at 31 December 2013, the Group had approximately 1,500 employees, of whom 30 were management personnel. The remuneration policy of the Group to reward its employees and Executive Directors is based on their performance, qualifications, competence displayed, market comparable and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, discretionary bonus, other fringe benefits and the Group's contribution to retirement benefits schemes. The remuneration of Executive Directors/senior management are determined by the Remuneration Committee which will review them regularly. The Company has adopted a share option scheme to provide incentive to the relevant participants, including the Directors and eligible employees.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. During the year ended 31 December 2013, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, except for the following deviations:

(1) Code Provision A.1.1

During the year, the Board convened a total of ten meetings (two of which were regular meetings), performing its duties in considering, inter alia, continuing connected transactions and financial and other matters under the provisions of the articles of association of the Company. Only two regular board meetings were held as the Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

(2) Code Provision A.2.1

The Executive Director, Mr. Dong Shutong, served as the Chairman and Chief Executive Officer of the Company. The Chairman is responsible for overseeing the Company's operations in respect of compliance with both internal rules and statutory requirements, and promoting the corporate governance of the Company. The Company did not appoint another individual to act as the Chief Executive Officer for the year ended 31 December 2013. This constitutes a deviation from code provision A.2.1. The Board believes that it is in the best interests of the Company and the shareholders as a whole since Mr. Dong Shutong is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board. Important decision-making and the day-to-day management of the Company are carried out by all of the Executive Directors. Although the roles of the Chairman and the Chief Executive Officer of the Company are not segregated, the functions of the chief executive were carried out by all of the Executive Directors collectively.

The Board considered that the Group's prevailing structures and systems met the code provisions in the CG Code. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

(3) Code Provision A.4.1

Under code provision A.4.1, Non-executive Directors should be appointed for a specific term. Except for Mr. Fahmi Idris, Independent Non-executive Director, who was appointed for a term of three years, Mr. Yang Tianjun, Non-executive Director and the remaining Independent Non-executive Directors including Mr. Bai Baohua, Mr. Huang Changhuai and Mr. Wong Chi Keung were not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, according to the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting and the Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in this respect is in line with that provided in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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. 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 consolidated financial statements of the Group for the year ended 31 December 2013 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2013.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2013:

Basis for Disclaimer of Opinion

Impairment losses of intangible asset and the Company's interests in subsidiaries

As at 31 December 2013, the carrying amount of the Group's intangible asset amounted to HK$2,387,786,000. As detailed in Note 16 to the consolidated financial statements, such intangible asset represents an exclusive offtake right secured from PT. Yiwan Mining ("Yiwan"), a limited company incorporated in Indonesia, whereby Yiwan agreed to exclusively sell the limonitic ores produced by Yiwan to the Group at pre-determined prices within a specific period of time.

During the year 2012, certain Indonesian governmental authorities promulgated several new rules and regulations regarding ores export approval and export tax. During the year ended 31 December 2013, the relevant Indonesian governmental authorities further promulgated that unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") will be banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to the relevant regulations regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with those relevant laws. Consequently, the export of unprocessed iron ores from Yiwan to the Group ceased with effect from 12 January 2014.

As further explained in Note 16 to the consolidated financial statements, in determining the recoverable amount of the intangible asset as at 31 December 2013, the directors of the Company, amongst other considerations, made reference to the disposal consideration as stipulated in a non-binding framework agreement entered into between the Group and Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital"), an independent third party, on 21 January 2013, pursuant to which the Group proposed to dispose of a 30% equity interest in S.E.A. Mineral Limited, a wholly-owned subsidiary of the Group, together with its subsidiaries (collectively, "SEAM Group"), which are engaged in the trading of ores and holding of the intangible asset of the Group, to Beijing Wincapital. As the proposed disposal consideration substantially exceeds the attributable carrying amount of the aforesaid intangible asset, the directors are of the opinion that there was no impairment of the intangible asset as at 31 December 2013.

However, as there is no formal sales and purchase agreement entered into for the proposed disposal up to the date of this audit report and the proposed disposal is yet to complete, we were unable to obtain sufficient appropriate audit evidence we consider necessary to assess the valuation of the intangible asset. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amount of the intangible asset and whether any impairment charge should be made. Any adjustment to the amount of the intangible asset found to be necessary would affect the Group's net assets as at 31 December 2013, the Group's loss for the year then ended and the related note disclosures to the consolidated financial statements.

In addition, as the intangible asset is held by SEAM Group, any adjustment on the amount of the intangible asset found to be necessary would also affect the carrying amount of the Company's interests in subsidiaries which amounted to HK$3,899,048,000 as at 31 December 2013, the Company's profit for the year then ended and the related note disclosures to the consolidated financial statements.

Multiple uncertainties relating to going concern

As described in Note 2.1(a) to the consolidated financial statements, the Group incurred a loss of HK$1,365,506,000 during the year ended 31 December 2013 and, as of that date, it had net current liabilities of HK$1,243,238,000. In addition, the Company and certain of its subsidiaries are parties to various legal claims as detailed in Note 36 to the consolidated financial statements . These conditions, along with other matters as described in Note 2.1(a) to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 2.1(a) to the consolidated financial statements, and to resolve the major litigations as detailed in Note 36 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures and litigation matters, which are subject to multiple uncertainties, including (i) whether the Group is able to complete the proposed disposal of the 30% interest in SEAM Group at the prescribed consideration before the end of year 2014 and be able to collect the disposal consideration in full immediately upon completion of the transaction after properly offsetting the relevant borrowings; (ii) the availability of financing from lenders through successful renewal of the existing current bank and other borrowings and availability of additional new financing as and when required; (iii) whether the Group is able to implement its operation plans to control costs and to generate adequate cash flows from operations; and (iv) whether the Group is able to resolve the litigation matters without significant cash outflows in the next twelve months.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

Disclaimer of opinion

Because we have not been able to obtain sufficient appropriate audit evidence and the potential interaction of the uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards, or accept liability to any other person for the contents of this report.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement will be published on the Company's website (ir.cnrholdings.com) and Stock Exchange's website (www.hkexnews.hk). The 2013 Annual Report for the year ended 31 December 2013 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.

SUSPENSION OF TRADING

Trading in the Company's shares on The Stock Exchange of Hong Kong Limited has been suspended since 9:00 a.m. on 28 March 2014. An application has been made by the Company for resumption of trading in its shares on the Stock Exchange with effect from 9:00 a.m. on 9 October 2014.

For and on behalf of the Board
China Nickel Resources Holdings Company Limited
Dong Shutong
Chairman

Hong Kong, 8 October 2014

At the date of this announcement, the executive directors of the Company are Mr. Dong Shutong (Chairman), Mr. Dong Chengzhe, Mr. Song Wenzhou and Mr. Yang Fei; the non-executive director of the Company is Mr. Yang Tianjun; and the independent non-executive directors of the Company are Mr. Bai Baohua, Mr. Huang Changhuai, Mr. Wong Chi Keung and Mr. Fahmi Idris.