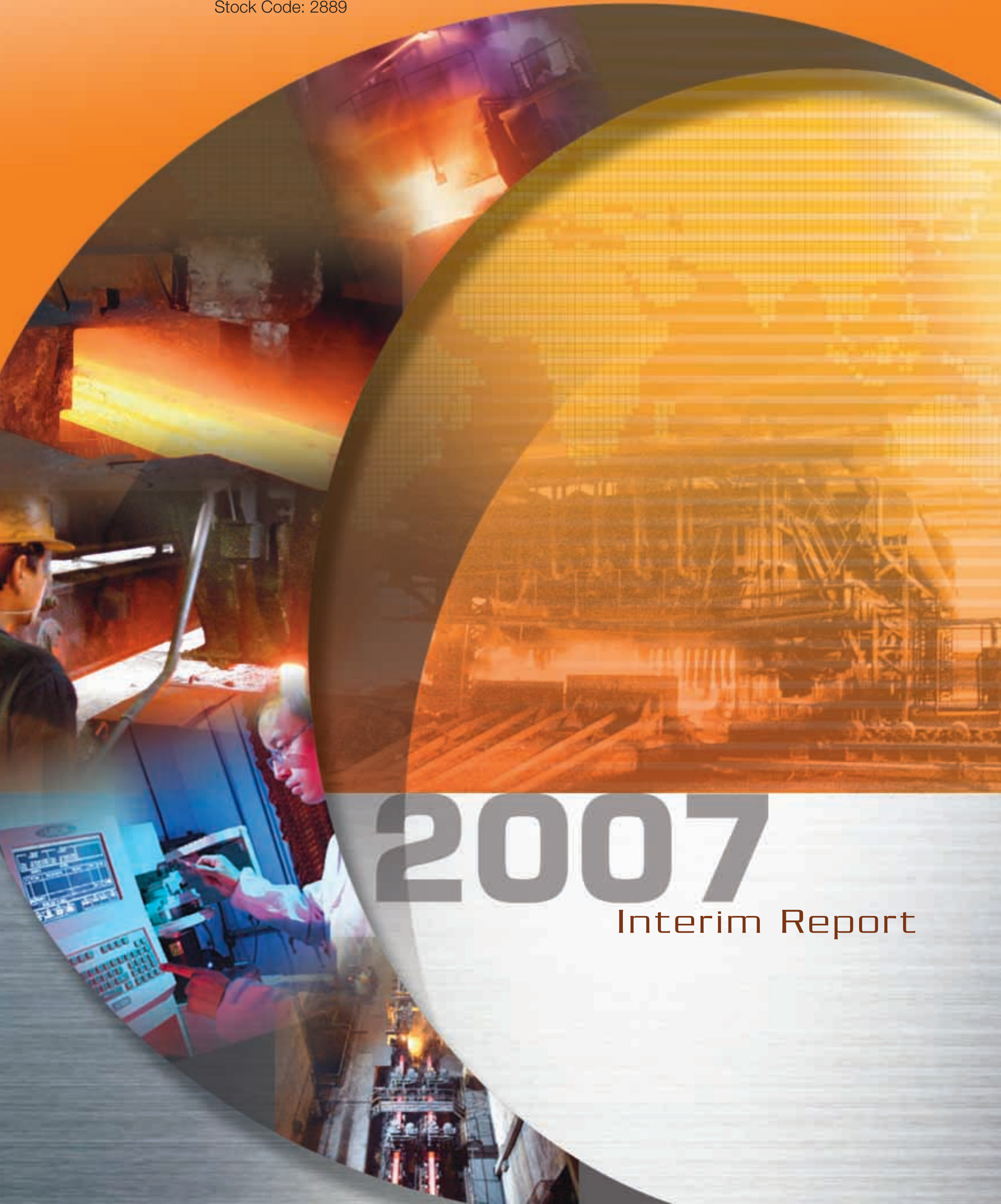
中國鎳資源控股有限公司

CHINA NICKEL RESOURCES HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2889



2007 Interim Report

Interim Report 2007

China Nickel Resources Holdings Company Limited

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Corporate Information

BOARD OF DIRECTORS

Executive directors
Mr. Dong Shutong
Mr. He Weiquan
Mr. Lau Hok Yuk
Mr. Song Wenzhou
Ms. Zhang Ming
Mr. Zhao Ping
Mr. Dong Chengzhe

Non-executive director
Mr. Yang Tianjun

Independent non-executive directors
Mr. Bai Baohua
Mr. Huang Changhuai
Mr. Wong Chi Keung

AUDIT COMMITTEE

Mr. Wong Chi Keung
Mr. Huang Changhuai
Mr. Bai Baohua

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Lau Hok Yuk
MBA, FCPA, FCCA, ATIHK, FLMI, CFA

AUTHORISED REPRESENTATIVES

Mr. Dong Shutong
Mr. Lau Hok Yuk

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE IN PRC

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PRC 450012

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 917–918, 9th Floor
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Deutsche Bank AG, Hong Kong Branch
Oversea-Chinese Banking Corporation Limited

WEBSITE

www.cnrholdings.com

STOCK CODE

2889

Financial Highlights

RESULT SUMMARY

(Unaudited)	For the six months ended 30 June **2007** **RMB'000**	2006 RMB'000	Change %
Turnover	**1,262,069**	374,870	237%
Gross Profit	**418,161**	86,516	383%
Earning before Interest, Tax, Deprecation and Amortization ("EBITDA")	**423,316**	86,213	391%
Profit before Income Tax	**351,466**	53,193	561%
Profit Attributable to Shareholders	**274,350**	45,091	508%
Gross Profit Margin	**33%**	23%	10%
EBITDA Margin	**34%**	23%	11%
Profit Before Tax Margin	**28%**	14%	14%
Net Profit Margin	**22%**	12%	10%

The board of directors ("the Board") of China Nickel Resources Holdings Company Limited (formerly known as China Special Steel Holdings Company Limited) ("the Company") is pleased to announce that the unaudited consolidated turnover of the Company and its subsidiaries (hereinafter collectively referred as "the Group") for the first half of 2007 was RMB1,262.1 million, representing an increase of 237% as compared to that of the corresponding period in 2006. Unaudited profit attributable to shareholders of the Company was RMB274.4 million, representing an increase of 508% when compared to that of the corresponding period in 2006. Unaudited basic earnings per share for the first half of 2007 increased by 252% to RMB0.303 when compared to that of the corresponding period in 2006. Earnings per share was based on the weighted average of 904.4 million shares in issue in first half of 2007, as compared to the weighted average of 525.6 million shares in first half of 2006. The Board are pleased to declare interim dividend of HK$0.048 per share, totalling HK$94.8 million. The unaudited consolidated interim financial statements for the six months ended 30 June 2007 have been reviewed by the Company's Audit Committee.

Business Review

In the first half of 2007, the Group has accomplished several key milestones. In January, the registration of capital injection in Luoyang Yongan Special Steel Company Limited ("Yongan Special Steel") were completed and the total iron ore melting capacity for the Group was increased to 1,000,000 tonnes per annum.

In May, all conditions precedent for the acquisition of entire equity interests of S.E.A. Mineral Limited has completed. S.E.A. Mineral Limited owns a 14-year exclusive procurement right of a iron-nickel ore with deposit based on applying a 45% iron cut-off grade and 0.7% nickel cut-off grade of over 150 million tonnes in Indonesia, thus enabling the Group to purchase iron-nickel ores of not less than 40 million tonnes at the unit purchase price of US$16 per each dry tonne in 14 years. The Group is now able to secure rich and stable supply of iron-nickel resources at a low price, which will boost its competitiveness markedly.

In accordance with the acquisition agreement and the share investment agreement, additional consideration shares and subscription shares were issued on 18 May 2007 and as a result the total market capitalization of the Company as at the end of June 2007 has been enlarged to over HK$6 billions. After the completion of the above acquisition projects, the Group has become a well integrated enterprise.

It is encouraging that the new nickel based product, stainless steel base material, launched in the first quarter received very good market reception. This successfully diversifies the Group's product mix and significantly increases the Group's turnover and gross profit as well.

To more accurately reflect the Group's strategic focus on developing nickel chromium resources and becoming a vertically integrated steel and mineral enterprise, the Company's name was changed to China Nickel Resources Holdings Company Limited (formerly known as China Special Steel Holdings Company Limited) with effect from 13 June 2007. Armed with abundant nickel resources, the Group will strive to introduce more product types by extending its nickel chromium-base product range and improve its product portfolio with the aim of broadening its customer base. Braced by expanding production capacity, the Group is well prepared to satisfy the increasing industrial demand for special steel in China and take its business forward into the next phase.

TURNOVER AND SALES VOLUME

Major products of the Group were stainless steel base material and bearing steel. The tables below set out the sales volume and turnover of our major products for the periods indicated:

Sales Volume

	For the six months ended 30 June			
	2007		2006	
	(tonnes)	**%**	(tonnes)	%
Stainless steel base material	**100,674**	**65%**	—	0%
Bearing steel	**49,221**	**32%**	103,162	90%
Spring steel	**1,205**	**1%**	10,256	9%
Carbon structure steel and other steel	**4,141**	**2%**	1,017	1%
Total	**155,241**	**100%**	114,435	100%

Turnover

	For the six months ended 30 June			
	2007		2006	
	RMB'000	**%**	RMB'000	%
Stainless steel base material	**1,083,167**	**85%**	—	0%
Bearing steel	**168,330**	**13%**	338,690	90%
Spring steel	**3,877**	**1%**	32,905	9%
Carbon structure steel and other steel	**6,695**	**1%**	3,275	1%
Total	**1,262,069**	**100%**	374,870	100%

The Group's turnover in the first half of 2007 increased by RMB887.2 million, or 2.4 times, to approximately RMB1,262.1 million (2006 corresponding period: RMB374.9 million). This increase was principally due to the change in product mix and increase in unit sale prices.

As a corporate strategy to diversify the Group's product range to nickel based special steel products, the Group reallocated its capacity and resources from ordinary bearing steel to stainless steel base material. In the first half of 2007, the Group's sales in stainless steel base material was 100,674 tonnes (nil in 2006 corresponding period), representing 65% of total sales volume and sales in bearing steel was 49,221 tonnes (2006 corresponding period: 103,162 tonnes).

During the first half of 2007, the average unit selling price per tonne for stainless steel base material was RMB10,759 (nil in 2006 corresponding period) while the average unit selling price per tonne for bearing steel was RMB3,420 (2006 corresponding period: RMB3,283).

COST OF SALES

The cost of sales in the first half of 2007 increased by RMB555.5 million, or 1.9 times, to approximately RMB843.9 million (2006 corresponding period: RMB288.4 million).

The unit cost of sales for stainless steel base material was RMB6,914 per tonne in the first half of 2007 (nil in 2006 corresponding period). The unit cost of sales for bearing steel in the first half of 2007 increased by RMB258 per tonne, or 10% to RMB2,781 per tonne (2006 corresponding period: RMB2,523).

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

Cost of sales

	For the six months ended 30 June			
	2007		2006	
	RMB'000	**%**	RMB'000	%
Raw Materials	**503,953**	**59%**	160,916	55%
Fuel	**180,083**	**21%**	65,084	22%
Utilities	**85,030**	**10%**	33,412	12%
Depreciation	**45,268**	**5%**	20,957	7%
Staff Cost	**21,261**	**3%**	6,670	2%
Repair	**6,471**	**1%**	1,000	1%
Others	**1,842**	**1%**	315	1%
	843,908	**100%**	288,354	100%

GROSS PROFIT

The unit gross profit for stainless steel base material in the first half of 2007 was RMB3,845 per tonne (nil in 2006 corresponding period), representing a unit gross profit margin of 36%. The unit gross profit for bearing steel in the first half of 2007 was RMB639 per tonne (2006 corresponding period: RMB760 per tonne), representing a unit gross profit margin of 19%.

As a result, the Group's gross profits in the first half of 2007 increased by RMB331.7 million, or 3.8 times, to RMB418.2 million (2006 corresponding period: RMB86.5 million). The Group's gross profit margin in the first half of 2007 increased by 10 percentage points to 33% (2006 corresponding period: 23%). High gross profit of stainless steel based material is the major contributor to the Group's improved turnover and soaring gross profit.

OTHER INCOME

Other income in the first half of 2007 increased by RMB15.4 million, or 2.4 times, to RMB21.7 million (2006 corresponding period: RMB6.3 million). This is mainly due to the discount on debt restructuring of RMB13.2 million in the settlement of Yongan Special Steel with its creditors by the Group after the completion of the capital injection in Yongan Special Steel on 5 January 2007.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs in the first half of 2007 increased by RMB17.4 million, or 1.3 times, to RMB30.7 million (2006 corresponding period: RMB13.3 million), representing 2.4% of turnover (2006 corresponding period: 3.5%). This is in line with the increase in the turnover of the Group.

ADMINISTRATIVE COSTS

Administrative costs in the first half of 2007 increased by RMB17.8 million, or 1.1 times, to RMB34.0 million (2006 corresponding period: RMB16.2 million), representing 2.7% of turnover (2006 corresponding period: 4.3%). This is in line with the increase in the turnover of the Group.

FINANCE COSTS

Finance costs in the first half of 2007 increased by RMB13.0 million, or 1.3 times, to RMB23.2 million (2006 corresponding period: RMB10.2 million). This is mainly due to the increase in interest expenses for bank loans raised in the fourth quarter of 2006 as additional working capital to finance the increasing business turnover and the interest on convertible bonds issued in May 2007.

PROFIT BEFORE INCOME TAX

As a result of the factors discussed above, the profit before income tax in the first half of 2007 increased to RMB351.5 million (2006 corresponding period: RMB53.2 million).

The unit profit before tax for stainless steel base material in the first half of 2007 was RMB3,415 per tonne (nil in 2006 corresponding period). The unit profit before tax for bearing steel in the first half of 2007 was RMB209 per tonne (2006 corresponding period: RMB469 per tonne).

In the first half of 2007, the Group's profit before tax margin increased by 14 percentage points to 28% (2006 corresponding period: 14%). The earning before interest, tax, depreciation and amortization (EBITDA) margin increased by 11 percentage points to 34% (2006 corresponding period: 23%).

INCOME TAX EXPENSE

The applicable Hong Kong corporate income rate of the Company which operates in Hong Kong is 17.5% based on existing legislation. Yongtong Special Steel is entitled to a 50% reduction in income of PRC for the year ended 31 December 2006, and years ending 31 December 2007 and 2008. In accordance with relevant tax laws and regulations in the PRC and pursuant to approval from the relevant local tax authority dated 6 September 2002, Yongtong Special Steel is also fully exempted from the 3% attributable to local municipal income tax. Accordingly, Yongtong Special Steel was subject to PRC corporate income tax at an applicable income tax rate of 15% for the year ending 31 December 2007. The applicable income tax rate of Luoyang Yongan Special Steel Co., Ltd. is 33% for the year ending 31 December 2007.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

As a result of the factors discussed above, the profit attributable to shareholders in the first half of 2007 increased to RMB274.4 million (2006 corresponding period: RMB45.1 million).

The unit net profit in the first half of 2007 was RMB1,767 per tonne (2006 corresponding period: RMB394 per tonne).

The Group's net profit margin in the first half of 2007 increased by 10 percentage points to 22% (2006 corresponding period: 12%).

KEY FINANCIAL RATIOS

	Notes	**Six months ended 30 June 2007**	Year ended 31 December 2006
Current ratio	1	**176%**	135%
Inventories turnover days	2	**89 days**	121 days
Debtor turnover days	3	**20 days**	61 days
Creditor turnover days	4	**118 days**	151 days
Interest cover	5	**16 times**	6 times
Gearing ratio	6	**26%**	48%
Debt to EBITDA ratio*	7	**2.35 times**	4.6 times

* EBITDA used in this ratio is only a half-year result. The annualized ratio for 2007 is 1.18 times (2006 annualized ratio: 2.3 times).

Notes:

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

2. $$\frac{\text{Inventories}}{\text{Cost of sales}} \times \text{181 days or 365 days}$$

3. $$\frac{\text{Trade and notes receivables}}{\text{Turnover}} \times \text{181 days or 365 days}$$

4. $$\frac{\text{Trade and notes payables}}{\text{Cost of sales}} \times \text{181 days or 365 days}$$

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

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

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

CONSTRUCTION IN PROGRESS

The construction in progress as at 1 January 2007 and 30 June 2007 were RMB48.7 million and RMB106.7 million, respectively, which increased by RMB58 million. This was mainly due to the addition of construction of rolling system in Yongan Special Steel after the completion of acquisition. The project was expected to complete before the middle of 2008.

CASH AND BANK BALANCES

The increase in cash and bank balances by approximately RMB843.3 million to RMB1,053.1 million as at 30 June 2007 compared to that as at 31 December 2006 was mainly due to the net proceeds of approximately HK$709.7 million (equivalent to RMB691.5 million) received from the issuance of convertible bonds and subscription shares to Deutsche Bank AG and the cash inflow from operating activities of approximately RMB485 million.

TRADE AND NOTES RECEIVABLES

The debtor turnover days decreased from 61 days in 2006 to 20 days for the six months period ended 30 June 2007. As at 30 June 2007, trade and notes receivables balance decreased by RMB7.2 million to RMB140.7 million. This was mainly due to shorter credit period for major customers of stainless steel base material.

INVENTORIES

The inventories turnover days decreased from 121 days in 2006 to 89 days for the six months period ended 30 June 2007. As at 30 June 2007, inventories balance increased by RMB184.2 million to RMB413 million. This was mainly due to the increase in raw materials (imported iron ore) and work-in-process by RMB135.1 million and RMB38.4 million respectively as a result of increasing turnover.

TRADE AND NOTES PAYABLES

As at 30 June 2007, trade and notes payables balance increased by RMB262.5 million to RMB549.1 million, mainly due to the business expansion of the Group and the increase in turnover. However, the creditor turnover days decreased from 151 days in 2006 to 118 days for the six months period ended 30 June 2007. This was mainly due to early repayment of notes payables financed by operating profit in order to reduce finance costs.

INTEREST-BEARING LOANS AND OTHER BORROWINGS

As at 30 June 2007, the total interesting-bearing loans and other borrowings increased by RMB596.9 million to RMB996.8 million. This was mainly due to the issuance of convertible bonds to Deutsche Bank AG in May 2007 for the Group's expansion plan of production capacity. Since the Group's equity has also increased in May this year, the gearing ratio decreased from 48% as at 31 December 2006 to 26% as at 30 June 2007.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital has been principally sourced from cash generated from operations and from long-term and short term debt. We also make prepayments to our suppliers which amounted to RMB33.4 million as at 30 June 2007.

As at 30 June 2007, the Group had current liabilities of RMB954.1 million, of which RMB123.7 million were interest-bearing loans and other borrowings repayable within one year, and RMB549.1 million were trade and notes payables in respect of purchase of raw materials.

FOREIGN CURRENCY EXPOSURE

Since July 2004, the Group has begun the purchase of imported iron ore from different countries such as Australia, Philippines, Indonesia and India. All these contracts are in US$ and therefore lead the Group to foreign exchange exposure. As the US$ and RMB exchange rate is quite stable and the RMB is in a favourable trend now, no hedging is considered necessary at the moment. However, the Group will closely monitor the foreign currency risk and use necessary financial instruments for hedging purposes. The trust receipt loan related to the imported iron ore of US$1.3 million (equivalent to RMB9.8 million) and syndication loan of US$24.5 million, net of transaction cost (equivalent to RMB187.5 million) are in US$. The convertible bonds issued to Deutsche Bank AG of HK$625 million are in HK$. Besides, all other bank loans and other borrowings are in RMB.

SECURITY

As at 30 June 2007, the Group had an aggregate banking facility of RMB684.4 million, which consisted of long-term bank loans of approximately RMB187.5 million, short term bank loans of approximately RMB94.8 million, notes payables of RMB278.7 million (secured by pledged deposit of RMB283.9 million) and unutilized bank facilities of USD16.2 million (equivalent to RMB123.4 million). The Group's banking facilities are secured by:

(i) certain buildings, plant and machinery situated in Gongyi factory with a net book value of approximately RMB275.9 million as at 30 June 2007;

(ii) land use rights with a net book value of approximately RMB5.2 million as at 30 June 2007;

(iii) pledged deposits of RMB283.9 million;

(iv) the Group's entire equity interests in Infonics International Limited ("Infonics") and Group Rise Trading Limited.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 30 June 2007, the Group had capital commitments of approximately RMB8.6 million for remaining parts of equipment refinement project, and capital commitments in the amount of approximately RMB14.5 million for acquisition of Zhengzhou Xiangtong Electricity Co., Ltd.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2007, the Group had approximately 3,100 employees, of whom 19 were management personnel. As at the same date, about 98% of our workforce had completed technical school or higher education.

The Group implemented remuneration distribution policy of linkage between duties and efficiency. The remuneration of an employee consists of a basic salary and a performance-based bonus. During the period, the staff costs of the Group amounted to RMB35.3 million (2006 corresponding period: RMB13.8 million).

Prospects

PRODUCT DEVELOPMENT

The new nickel based product launching in the first quarter of 2007, stainless steel base material, received very good market reception. The filing of the patent application for this product has been made and accepted by the State Intellectual Property Office of People's Republic of China on 30 April 2007. This new product signifies not only our technological capability and advancement, it also contribute significantly to the Group's turnover and gross profit. Going forward, the Group will continuously dedicate itself to the production of special steel products, using our technological and technical knowhow to produce new special steel products which are considered to be crucial for some of China's largest and fastest-growing industries. On this front, the Group will focus on products that are nickel and chromium-based with high value added and strong market demand in order to further improve the Group's financial performance. Key product category includes 200 and 300 series stainless steel, nickel-based bearing and gear steel. The management believes by producing nickel and chromium-based final special steel product rather than base material, the Company will minimise the profit correlation with nickel metal price and the potential value of our ore resources can be unlocked.

CAPACITY EXPANSION

Further to the capital injection in Luoyang Yongan Special Steel in January 2007, total iron ore melting capacity of the Group reaches 1,000,000 tonnes per annum. With this melting capacity, the Group is able to produce 300,000 tonnes of stainless steel base material per annum. The Group plans to further increase its production capacity gradually from a melting capacity of 1,000,000 tonnes to 3,000,000 tonnes per annum through self-build, lease or merger and acquisition in order to maximize the benefits of its rich resources. The expansion plan in PRC has been filed and accepted by the local government. It is currently waiting for environmental assessment. To further utilize the resourceful iron-nickel ore in Indonesia, the Group is planning to build a steel plant with melting capacity of 3,000,000 tonnes of ore per annum by phases. A location adjacent to the iron-nickel mine at South Kalimantan is identified and this area is also mapped out by Indonesia government as a special zone for steel industry with certain incentives to the investors. The estimated initial investment will be approximately RMB1 billion. The product ranges to be developed may include nickel and chromium-based corten steel construction steel, and ship steel products which are strongly demanded by the overseas market such as Indonesia, South East Asia and Middle East. The Group expects this project will have significant contribution to the Group's profitability and cash flow. We look forward to consolidating our leadership in the industry and bringing the best returns to our shareholders.

RESEARCH AND DEVELOPMENT

The Group has made another technological break through of developing a non-coking coal iron-making process. Contrary to the conventional blast-furnace process, no coking coal nor blast furnace will be used in this coal-based direct reduction iron-making process. This environmental friendly process can save energy, reduce capital expenditures and production cost as well. In addition, this process is especially crucial for the Group's future expansion in those locations, e.g. Indonesia with limited supply of coking coal. As a result, the Group's competitiveness can be further improved. The filing of the patent application for this new process has been made and accepted by the State Intellectual Property Office of People's Republic of China on 22 August 2007.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Revenue	3	**1,262,069**	374,870
Cost of sales		**(843,908)**	(288,354)
Gross profit		**418,161**	86,516
Other income and gains	3	**21,679**	6,308
Selling and distribution costs		**(30,736)**	(13,294)
Administrative expenses		**(34,038)**	(16,154)
Other expenses		**(408)**	(5)
Finance costs	4	**(23,192)**	(10,178)
Profit before income tax	5	**351,466**	53,193
Income tax expenses	6	**(77,084)**	(8,132)
Profit for the period		**274,382**	45,061
Attributable to:			
Equity holders of the Company		**274,350**	45,091
Minority interests		**32**	(30)
		274,382	45,061
Dividends	8	**91,793**	11,829
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		**RMB0.303**	RMB0.086
Diluted		**RMB0.274**	RMB0.084

Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**893,475**	672,195
Construction in progress		**106,733**	48,660
Prepaid land lease payments	10	**203,660**	5,077
Intangible assets	11	**2,692,317**	—
Prepayments	12	**37,047**	171,730
Goodwill	21	**56,694**	—
Deferred tax assets	18	**20,018**	—
Total non-current assets		**4,009,944**	897,662
CURRENT ASSETS			
Inventories		**413,016**	228,768
Trade and notes receivables	13	**140,691**	147,909
Prepayments, deposits and other receivables		**69,018**	108,842
Pledged time deposits	14	**283,896**	129,085
Cash and cash equivalents	14	**769,218**	80,777
Total current assets		**1,675,839**	695,381
TOTAL ASSETS		**5,685,783**	1,593,043
CURRENT LIABILITIES			
Trade and notes payables	15	**549,050**	286,572
Accrued liabilities and other payables		**231,181**	60,455
Interest-bearing loans and other borrowings	16	**123,652**	164,600
Tax payable		**50,265**	4,091
Total current liabilities		**954,148**	515,718

Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
NET CURRENT ASSETS		**721,691**	179,663
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,731,635**	1,077,325
NON-CURRENT LIABILITIES			
Interest-bearing loans and other borrowings	16	**279,659**	235,303
Convertible bonds	17	**593,461**	—
Deferred tax liabilities	18	**27,504**	2,231
Total non-current liabilities		**900,624**	237,534
NET ASSETS		**3,831,011**	839,791
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	19	**198,518**	61,119
Other reserves		**3,601,075**	761,512
Proposed final dividend		**—**	17,153
		3,799,593	839,784
Minority interests		**31,418**	7
TOTAL EQUITY		**3,831,011**	839,791

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Issued capital			
Issued and fully paid share capital	19		
Ordinary shares of HK$0.10 each			
At beginning of period		**61,119**	53,000
Issue of ordinary shares		**137,399**	8,058
At end of period		**198,518**	61,058
Reserves			
Contributed surplus			
At beginning and end of period		**51,599**	51,599
Share premium account			
At beginning of period		**326,217**	184,462
Issue of ordinary shares		**2,239,598**	167,207
Share issue expenses		**(2,964)**	(5,576)
At end of period		**2,562,851**	346,093
Capital reserves			
At beginning of period		**122,147**	122,147
Issue of convertible notes		**311,135**	—
At end of period		**433,282**	122,147

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June **2007** **(Unaudited)** **RMB'000**	2006 (Unaudited) RMB'000
Reserves (continued)			
Share option reserve			
At beginning of period		**3,565**	1,448
Equity-settled share option arrangements	20	**2,106**	1,579
At end of period		**5,671**	3,027
Equity component of convertible bonds			
At beginning of period		**—**	—
Issue of convertible bonds	17	**13,559**	—
At end of period		**13,559**	—
Statutory surplus reserve and statutory reserve fund			
At beginning of period		**47,949**	32,998
Transferred from retained earnings		**18,585**	5,199
At end of period		**66,534**	38,197
Statutory public welfare fund			
At beginning and end of period		**—**	5,309
Exchange fluctuation reserve			
At beginning of period		**(2,176)**	(317)
Exchange realignment		**1,779**	(1,140)
At end of period		**(397)**	(1,457)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Reserves (continued)			
Retained earnings			
At beginning of period		**212,211**	143,410
Profit for the period		**274,350**	45,091
Transferred to statutory surplus reserve and statutory reserve fund		**(18,585)**	(5,199)
At end of period		**467,976**	183,302
Total reserves		**3,601,075**	748,217
Proposed final dividend			
At beginning of period		**17,153**	21,689
Declared dividend	8	**(17,153)**	(21,689)
At end of period		**—**	—
Total equity attributable to equity holders of the Company		**3,799,593**	809,275
Minority interests			
At beginning of period		**7**	37
Acquisition of a subsidiary	21	**31,379**	—
Profit for the period		**32**	(30)
At end of period		**31,418**	7
Total equity		**3,831,011**	809,282
Included in the total equity attributable to equity holders of the Company:			
Total income and expenses for the period recognised directly in equity — exchange fluctuation realignment		**1,779**	(1,140)
Profit for the period		**274,350**	45,091
Total income and expenses for the period		**276,129**	43,951

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**485,356**	22,044
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(343,749)**	(64,330)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**551,214**	209,879
NET INCREASE IN CASH AND CASH EQUIVALENTS	**692,821**	167,593
Cash and cash equivalents at beginning of period	**80,777**	15,232
Effect of foreign exchange rate changes, net	**(4,380)**	(620)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**769,218**	182,205
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	**520,489**	182,205
Unrestricted time deposits with original maturity of less than 3 months	**248,729**	—
	769,218	182,205

Significant non-cash transactions

During the six months ended 30 June 2007, other than cash paid of HK$95.56 million (equivalent to RMB94,050,000) and transaction cost of HK$9,447,000 (equivalent to RMB9,298,000), the Group issued 1,340,067,052 ordinary shares and convertible notes which will be converted to 182,736,416 ordinary shares of the Company in three years after the issuance of convertible notes, to acquire the intangible asset, exclusive offtake right, which was valued at RMB2,696,164,000, further details of which are set out in note 11.

1. CORPORATION INFORMATION

China Nickel Resources Holdings Company Limited (the "Company", formerly known as China Special Steel Holdings Company Limited) was incorporated as an exempted company with limited liability in the Cayman Islands on 11 March 2003 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The principal place of business of the Group is located at 4 Third Street, Jinshui District, Zhengzhou, Henan Province, the People's Republic of China (the "PRC"). The principal place of business of the Company is Room 917 and 918, 9th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. Pursuant to a special resolution passed at the Annual General Meeting held on 13 June 2007, the Company changed its name to China Nickel Resources Holdings Company Limited.

The principal activities of the Company are investment holding and the trading of iron ores. The Group is principally engaged in the manufacture and sale of special steel products in Mainland China.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 May 2005.

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 is wholly owned by Mr. Dong Shutong ("Mr. Dong"), is the ultimate holding company of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial information, which comprise the condensed consolidated balance sheet of the Group as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flow for the six months ended 30 June 2007, has been prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2006.

Significant accounting policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information are the same as those used in the annual financial statements for the year ended 31 December 2006, except for the adoption of new and revised standards and interpretations and accounting policies adopted for new transactions as described below. Adoption of the new and revised standards and interpretations did not have any effect on the financial position or performance of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Impact of new and revised International Financial Reporting Standards ("IFRSs")

In 2007, the Group adopted the following new and revised IFRSs, which are relevant to its operations:

IAS 1 Amendment	Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The adoption of these new/revised IFRSs has not have any significant impact on the accounting policies of the Group and the method of computation in the interim condensed consolidated financial information.

Accounting policies adopted for new transactions

Share-based payment transactions

Acquisition of exclusive offtake right

The Company measures the exclusive offtake right acquired, and the corresponding increase in equity, directly, at the fair value of the exclusive offtake right. The fair value of exclusive offtake right is determined by the directors of the Company with reference to the valuation performed by an independent valuer. The independent valuer used Income Approach by applying discounted cash flow method in its valuation.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Accounting policies adopted for new transactions (Continued)

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Exclusive offtake right

The exclusive offtake right represents the exclusive right to purchase iron ores at a fixed price by the Group from an iron ore supplier for a period of approximately 14 years. The exclusive offtake right is stated at cost less accumulated amortisation and any impairment losses. The exclusive offtake right is amortised based on the actual iron ores purchased during the period over the total planned purchase volume during the contractual period.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Estimation uncertainty for new transactions

Fair value of exclusive offtake right on initial recognition

Fair value of exclusive offtake right is determined by the directors of the Company with reference to the valuation performed by an independent valuer. The independent valuer used Income Approach by applying discounted cash flow method in its valuation. The estimation of fair value requires management judgement and estimates and the fair value could change significantly as a result of change of discount rate, estimation of market price of nickel and other risk factors related to the exclusive offtake right.

Amortisation of exclusive offtake right

Amortisation of exclusive offtake right is made based on the actual iron ore purchase during the period over the total planned purchase volume during the contractual period. The estimation of total planned purchase volume requires management judgement and estimates. It could change significantly as a result of market demand on nickel-based products, technical innovations and other relevant factors. Management will review the actual purchase volume with the total planned purchase volume at least annually, and adjust the total planned purchase volume accordingly.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Impact of issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial information.

IFRS 8	Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
IFRIC 11	IFRS 2 — Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007)
IFRIC 12	Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008)
IFRIC 13	Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008)
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008)
IAS 23 (Revised)	Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Impact of issued but not yet effective IFRSs (Continued)

IFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. This standard will supersede IAS 14 *Segment Reporting*.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial information in the period of initial application.

3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of value-added tax, after allowances for returns, trade discounts and various types of government surcharges, where applicable.

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sale of goods:		
Stainless steel base material	**1,083,167**	—
Bearing steel	**168,330**	338,690
Spring steel	**3,877**	32,905
Carbon structure steel and other steel	**6,695**	3,275
	1,262,069	374,870
Interest income	**4,026**	2,614
Amounts waived by creditors	**13,157**	2,589
Exchange gain, net	**3,898**	—
Sale of scrap materials and others	**598**	1,105
Other income and gains	**21,679**	6,308
Total revenue	**1,283,748**	381,178

The principal activities of the Group are the manufacture and sale of special steel products to customers in the PRC. The principal assets employed by the Group are located in the PRC. Accordingly, no segmental analysis by business or geographical segment is provided.

4. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**16,143**	10,178
Interest on convertible bonds	**7,049**	—
Total finance costs	**23,192**	10,178

5. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**777,379**	260,727
Depreciation of property, plant and equipment	**46,483**	22,688
Amortisation of prepaid land lease payments	**2,175**	154
Minimum lease payments under operating leases in respect of land and buildings	**767**	464

6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits of the Company arising in Hong Kong during the six months ended 30 June 2007. Hence, the applicable Hong Kong corporate income tax rate of the Company which operates in Hong Kong is 17.5% based on existing legislation. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable income tax rate of Zhengzhou Yongtong Special Steel Co., Ltd. ("Yongtong Special Steel"), Zhengzhou Yongtong Alloy Material Co., Ltd. ("Yongtong Alloy Material") and Luoyang Yongan Special Steel Co., Ltd. ("Yongan Special Steel"), subsidiaries of the Group, was 33% for the six-month periods ended 30 June 2007 and 2006.

Yongtong Special Steel was re-registered as a wholly-foreign-owned company on 10 November 2003. In accordance with the relevant tax laws and regulations in the PRC and pursuant to the approval from the local tax authority dated 4 June 2004, with effect from 1 January 2004, Yongtong Special Steel was exempted from corporate income tax of the PRC for the years ended 31 December 2004 and 2005, and is entitled to a 50% reduction in corporate income tax of the PRC for the year ended 31 December 2006 and years ending 31 December 2007 and 2008. Accordingly, Yongtong Special Steel was subject to PRC corporate income tax at an applicable income tax rate of 15% for the six months ended 30 June 2007.

6. INCOME TAX EXPENSES (Continued)

Major components of income tax expenses are as follows:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Provision for income tax in respect of profit for the period:		
Current — PRC		
— charge for the period	**36,728**	9,177
Current — Hong Kong	**5,461**	—
Deferred	**34,895**	(1,045)
Tax expense	**77,084**	8,132

On 16 March 2007, the National people's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. Yongtong Special Steel was re-registered as a wholly-foreign-owned company, and subject to tax exemption till 31 December 2008, income tax of Yongtong Special Steel will become 25% from 1 January 2009. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to IAS 12, deferred tax assets and deferred

6. INCOME TAX EXPENSES (Continued)

tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate has had the following impact on the results and financial position of the Group for the period ended 30 June 2007:

	For the six months ended 30 June 2007 (Unaudited) RMB'000
Decrease: income tax expense of current period	**4,067**
Decrease: deferred tax assets	**(4,069)**
Decrease: deferred tax liabilities	**8,136**

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic

The calculation of basic earnings per share for the current period is based on the profit attributable to the equity holders of the parent of RMB274,350,000 (six months ended 30 June 2006: RMB45,091,000), and the weighted average of 904,372,000 (six months ended 30 June 2006: 525,567,000) ordinary shares in issue during the period.

Diluted

The calculation of diluted earnings per share amounts is based on the profit for the six months ended 30 June 2007 attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the current period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise and conversion of all dilutive potential ordinary shares into ordinary shares.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

Diluted (Continued)

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Profit attributable to ordinary equity holders of the Company	**274,350**	45,091
Interest on convertible bonds (note 4)	**7,049**	—
Profit attributable to ordinary equity holders before interest on convertible bonds	**281,399**	45,091

	Number of shares for the six months ended 30 June	
	2007 '000	2006 '000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**904,372**	525,567
Effect of dilution — weighted average number of ordinary shares:		
— Share options	**13,551**	10,609
— Convertible bonds	**64,815**	—
— Convertible notes	**42,638**	—
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**1,025,376**	536,176

8. DIVIDENDS

(a) Interim dividend attributable to the interim period

Subsequent to the balance sheet date, pursuant to the Directors' resolution of the Company dated 6 September 2007, the Directors declared an interim dividend of HK$0.048 per share (for the six months ended 30 June 2006: HK$0.02 per share).

(b) Final dividend attributable to the previous financial year, declared and paid during the interim period

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Final dividend in respect of financial year ended 31 December 2006 of HK$0.03 per ordinary share (2005: HK$0.042 per share): Declared and paid during the interim period	**17,153**	21,689

9. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment (Unaudited) RMB'000
Carrying value at beginning of period	672,195
Acquisition of a subsidiary (note 21)	207,438
Additions	10,550
Transferred from construction in progress	49,776
Depreciation charge for the period	(46,484)
Carrying value at end of period	893,475

As at 30 June 2007, certain buildings and plant and machinery of the Group with a net book value of RMB275,870,000 (31 December 2006: 391,199,000) in aggregate were pledged to banks to secure bank loans amounting to RMB85,000,000 (31 December 2006: RMB125,000,000), as set out in note 16(a).

10. PREPAID LAND LEASE PAYMENTS

	Six months ended 30 June 2007 (Unaudited) RMB'000	Year ended 31 December 2006 (Audited) RMB'000
Carrying amount at beginning of period/year	**5,382**	5,687
Acquisition of a subsidiary (note 21)	**202,260**	—
Addition	**2,543**	—
Recognised during the period/year	**(2,175)**	(305)
Carrying amount at end of period/year	**208,010**	5,382
Current portion included in prepayments, deposits and other receivables	**(4,350)**	(305)
Non-current portion	**203,660**	5,077

The leasehold land is held under a medium term lease and is situated in PRC.

As at 30 June 2007, the Group was in process of applying for land use right certificate for leasehold land with a net book value of RMB120,387,000.

As at 30 June 2007, certain leasehold land with a net book value of RMB5,228,000 (31 December 2006: RMB5,382,000) were pledged to banks to secure bank loans amounting RMB85,000,000 as set out in note 16(a).

11. INTANGIBLE ASSETS

	Note	Exclusive offtake right (Unaudited) RMB'000
Cost:		
Acquisition of the exclusive offtake right	(a)	2,696,164
Amortisation provided during the period		(3,847)
At 30 June 2007		2,692,317
At 30 June 2007:		
Cost		2,696,164
Accumulated amortisation		(3,847)
Net carrying amount		2,692,317

Note:

(a) On 5 March 2007, Infonics International Limited ("Infonics"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with, amongst others, Easyman Assets Management Limited ("Easyman"), a company incorporated in BVI and is wholly owned by Mr. Dong, Morgan Corporation, a company incorporated in the BVI with limited liability and Mr. Soen Bin Kuan, an independent third party (the "Vendors"), pursuant to which Infonics conditionally agreed to purchase from the Vendors the entire interests in S.E.A. Mineral Limited ("S.E.A.M", formerly known as Murray Global Enterprises Limited), which was incorporated on 12 January 2007 in BVI.

On 5 March 2007, S.E.A.M entered into an Exclusive Offtake Agreement with PT Yiwan Mining ("Yiwan Mining"), a limited company incorporated in the Indonesia, which is substantially owned by Mr. Soen Bin Kuan. Pursuant to the Exclusive Offtake Agreement, Yiwan Mining agreed to exclusively sell and S.E.A.M agreed to buy the iron ores produced by Yiwan Mining at a fixed price of US$16 per dry tonne, for a period of approximately 14 years expiring on 24 January 2021.

11. INTANGIBLE ASSETS (Continued)

Note: (Continued)

The acquisition of S.E.A.M was approved by independent shareholders of the Company in an Extraordinary General Meeting held on 2 May 2007. Following the completion of the Exclusive Offtake Agreement, S.E.A.M has secured the exclusive offtake right on the iron ores of Yiwan Mining.

S.E.A.M had not carried on any business since the date of its incorporation save for entering into Exclusive Offtake Agreement with Yiwan Mining as described above. In the opinion of the directors of the Company, the acquisition of S.E.A.M is solely for the acquisition of the exclusive offtake right.

The purchase consideration of the acquisition of S.E.A.M was satisfied by cash of HK$95.56 million (equivalent to RMB94,050,000), issuance of 1,340,067,052 ordinary shares, and issuance of convertible notes which will be converted to 182,736,416 ordinary shares of the Company in three years after the issuance of convertible notes and is neither transferable nor redeemable. The fair value of the exclusive offtake right is determined at RMB2,686,866,000 by the Directors with reference to the valuation performed by Greater China Appraisal Limited, an independent valuer. The transaction cost directly attributable to the acquisition of the exclusive offtake right amounted to RMB9,298,000, and was capitalised as cost of this intangible asset.

12. PREPAYMENTS

	Note	Prepayments for acquisition of a subsidiary RMB'000	Prepayments for operating lease RMB'000	Prepayments for purchases of raw material RMB'000	Total RMB'000
Carrying amount at 1 January 2007	(a)	171,730	—	—	171,730
Capital contribution to a subsidiary	(a)	(77,628)	—	—	(77,628)
Elimination upon consolidation of a subsidiary		(94,102)	—	—	(94,102)
Addition		—	24,352	28,889	53,241
Carrying amount at 30 June 2007		—	24,352	28,889	53,241
Current portion included in prepayments, deposits and other receivables		—	(974)	(15,220)	(16,194)
Non-current portion		—	23,378	13,669	37,047

12. PREPAYMENTS (Continued)

Note:

(a) On 11 June 2006, the Company, through its indirect wholly-owned subsidiary, Yongtong Special Steel, entered into a capital injection agreement ("Capital Injection") with Anyang Steel Group Company Limited ("ASG"), Luoyang State-owned Asset Committee ("LSAC") and Anyang Steel Group Luoyang Anlong Steel Company Limited ("Anlong Steel", a Company incorporated in the PRC with limited liabilities) pursuant to which (i) Yongtong Special Steel conditionally agreed to inject an aggregate amount of RMB171,730,000 by way of contribution to the registered capital of Anlong Steel and (ii) LSAC conditionally agreed to make additional capital contribution of RMB75,000,000 in the form of a parcel of land to increase the registered capital of Anlong Steel. Upon completion of the Capital Injection, Yongtong Special Steel will be interested in approximately 51% of the enlarged registered capital of Anlong Steel.

The Group has advanced RMB171,730,000 to Anlong Steel as at 31 December 2006 as long-term prepayments.

As set out in note 21, the Capital Injection by Yongtong Special Steel amounting to RMB77,628,000 was completed in January 2007. Yongtong Special Steel held 46% of the enlarged registered capital of Anlong Steel as at 30 June 2007, and Anlong Steel became a subsidiary of the Group and was renamed as Luoyang Yongan Special Steel Company Limited.

According to the Capital Injection Agrement, the full capital verification will be completed in two years after the business licence date of Luoyang Yongan Special Steel Company Limited of 5 January 2007.

13. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade receivables and notes receivables as at the balance sheet date, based on the due date and net of impairment is as follows:

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Outstanding balances aged:		
Within 90 days	**125,156**	139,270
91 to 180 days	**9,606**	4,929
181 to 270 days	**3,535**	3,352
271 to 365 days	**1,951**	—
1 to 2 years	**46**	358
2 to 3 years	**397**	19
Over 3 years	**592**	573
	141,283	148,501
Less: Impairment of trade receivables	**(592)**	(592)
	140,691	147,909

The balance of the above trade and notes receivables are unsecured, interest-free and generally have credit terms of 30 to 60 days.

14. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Cash and bank balances	**520,489**	78,702
Time deposits	**532,625**	131,160
	1,053,114	209,862
Less: Pledged time deposits for notes payable	**(283,896)**	(129,085)
	769,218	80,777

The time deposits amounting to RMB283,896,000 as at 30 June 2007 were pledged to banks to secure notes payable of RMB278,721,000 (31 December 2006: RMB176,330,000) as set out in note 15.

The pledged time deposits bear interest at a rate of 3.06% (2006: 2.07%) per annum.

15. TRADE AND NOTES PAYABLES

An aged analysis of the trade payables and notes payables as at the balance sheet date, based on the due date, is as follows:

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Outstanding balances aged:		
Within 90 days	**201,797**	139,560
91 to 180 days	**245,766**	131,040
181 to 270 days	**12,718**	5,207
271 to 365 days	**1,996**	3,846
1 to 2 years	**82,845**	4,064
2 to 3 years	**2,521**	1,127
Over 3 years	**1,407**	1,728
	549,050	286,572

Trade payables are unsecured, interest-free and generally have credit terms of 30 to 60 days.

As at 30 June 2007, notes payable of RMB278,721,000 (31 December 2006: RMB176,330,000) was secured by time deposits amounting to RMB283,896,000 (31 December 2006: RMB129,085,000) as set out in note 14.

16. INTEREST-BEARING LOANS AND OTHER BORROWINGS

	Notes	**30 June 2007 (Unaudited) RMB'000**	31 December 2006 (Audited) RMB'000
Bank loans:			
Secured	(a)	**85,000**	135,000
Guaranteed	(b)	**187,465**	192,303
Unsecured	(c)	**52,750**	72,600
		325,215	399,903
Borrowings:			
Unsecured	(d)	**78,096**	—
Total		**403,311**	399,903
Repayable:			
Within one year		**123,652**	164,600
In the second year		**37,652**	58,002
In the third to fifth years, inclusive		**242,007**	177,301
		403,311	399,903
Portion classified as current liabilities		**(123,652)**	(164,600)
Long term portion		**279,659**	235,303

16. INTEREST-BEARING LOANS AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 30 June 2007, bank loans of the Group totalling RMB85,000,000 (31 December 2006: RMB125,000,000) bearing fixed interest at rates of 5.58% to 6.12% per annum (31 December 2006: 5.58% to 6.12%) were secured by fixed charges over the Group's leasehold land, certain buildings, plant and machinery with a net book value of RMB281,098,000 (31 December 2006: RMB396,581,000) in aggregate as set out in notes 9 and 10.

As at 31 December 2006, bank loans of the Group totalling RMB10,000,000 bearing fixed interest at a rate of 3.2% per annum were secured by fixed charges over the notes receivables amounting to RMB10,000,000.

(b) As at 30 June 2007, syndicated loans of US$24,500,000 (equivalent to RMB187,465,000) (31 December 2006: RMB192,303,000) bearing floating interest at a rate of 1.55% over and above London Interbank Offered Rate per annum were repayable from April 2008 to October 2009. These loans were guaranteed by Infonics and Mr. Dong, and secured by fixed charges of the Group's entire equity interests in Infonics and Group Rise Limited, a wholly-owned subsidiary of Infonics.

In the opinion of the Directors, the estimated fair values of syndicated loans approximates to their carrying amounts.

(c) As at 30 June 2007, unsecured bank loans of US$1,281,000 (equivalent to RMB9,750,000) (2006: US$2,501,000, equivalent to RMB19,600,000) bearing floating interest at a rate of 2% over and above London Interbank Offered Rate per annum were repayable by September and November 2007.

As at 30 June 2007, unsecured bank loans of RMB43,000,000 (31 December 2006: RMB53,000,000) bearing fixed interest at a rate of 6.93% per annum (31 December 2006: 5.58% to 6.14%).

(d) As at 30 June 2007, an unsecured borrowing of approximately RMB10,000,000 (31 December 2006: Nil) bearing fixed interest at a rate of 6.93% per annum from Luoyang Municipal Ministry of Finance, and was repayable within one year.

As at 30 June 2007, an unsecured borrowing of approximately RMB68,096,000 (31 December 2006: Nil) bearing fixed interest at a rate of 6.93% per annum from ASG, which will be repayable by Yongan Special Steel from the second anniversary of its business licence date of 5 January 2007 with full repayment to be made within five years from 5 January 2007.

17. CONVERTIBLE BONDS

On 18 May 2007, the Company issued 625 convertible bonds at HK$1,000,000 each with an aggregate nominal value of HK$625,000,000 (equivalent to RMB613,812,000), in the same currency as the Company's functional currency, due 18 May 2012. Each bond will, at the option of the holder, be convertible on or after 2 June 2007 up to and including 3 May 2012 into fully paid ordinary shares of the Company with a par value of HK$0.10 each at a conversion price of HK$2.25 per share. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at 137% of their principal amounts on 18 May 2012. The bonds carry interest at a rate of 3% per annum, which is payable half-yearly in arrears on 18 May and 18 November each year.

Redemption

The Company may redeem the convertible bonds at sum of the principal amount of the convertible bonds and Redemption Premium upon occurrence of certain events, including, but not limited to:

(i) on at any time after the third anniversary of the date of issue of the convertible bonds and prior to the maturity date, the volume-weighted average price of the Company's shares for each of the 60 consecutive trading days, the last day of such 60-trading day period falls within five trading day prior to the date upon which notice of such redemption is given, was at least 190% of the conversion price in effect on such trading day; or

17. CONVERTIBLE BONDS (Continued)

Redemption (Continued)

(ii) if at any time at least 95% of the principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled.

The Redemption Premium of the convertible bonds is calculated as follow:

$$A = B \times (1+6.5\%)^{N} + D$$

Where

A = Redemption Premium;

B = the principal amount of the convertible bonds;

C = the number of days to be calculated pursuant to the convertible bonds subscription agreement with respect to the occurrence of relevant redemption event;

D = accrued but unpaid interest in respect of the relevant convertible bonds; and

N = C divided by 365.

Put option

On any interest payment date on or after the second anniversary of the date of issue of the convertible bonds and prior to the maturity date, each holder of the convertible bonds will have the right, to require the Company to redeem all or some only of the convertible bonds of such holder at sum of the principal amount of the convertible bonds and Redemption Premium.

17. CONVERTIBLE BONDS (Continued)

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate of a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the period have been split as to the liability and equity components, as follows:

	(Unaudited) RMB'000
Proceeds from issue of convertible bonds (net of transaction cost of RMB9,207,000)	604,605
Equity component	(13,559)
Liability component at the issuance date	591,046
Accrued interest expense	7,049
Foreign exchange realignment to exchange fluctuation reserve	(4,634)
Carrying amount of liability component as at 30 June 2007	593,461

The fair value of the liability component is calculated by using cash flows discounted at a rate of 10.10%.

18. DEFERRED TAXATION

The movements of deferred taxes in current period are as follows:

Deferred tax assets

	Losses available for offset against future taxable profit RMB'000	Decelerated tax depreciation RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2007	—	—	—	—
Acquisition of a subsidiary (note 21)	47,061	16,787	—	63,848
Deferred tax (charged)/credited to the income statement during the period	(47,061)	(2,177)	5,408	(43,830)
As at 30 June 2007	—	14,610	5,408	20,018

18. DEFERRED TAXATION (Continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Capitalised interest RMB'000	Total RMB'000
As at 1 January 2007	—	2,231	2,231
Acquisition of a subsidiary (note 21)	34,208	—	34,208
Deferred tax credited to the income statement during the period	(8,698)	(237)	(8,935)
As at 30 June 2007	25,510	1,994	27,504

19. ISSUED CAPITAL

	Notes	**Six months ended 30 June 2007** Number of ordinary shares	RMB'000 (Unaudited)	Year ended 31 December 2006 Number of ordinary shares	RMB'000 (Audited)
Authorised:					
At beginning of period/year		**1,000,000,000**	**106,000**	1,000,000,000	106,000
Increase during period	(a)	**2,000,000,000**	**196,420**	—	—
At end of period/year		**3,000,000,000**	**302,420**	1,000,000,000	106,000
Issued and fully paid:					
At beginning of period/year		**578,600,000**	**61,119**	500,000,000	53,000
For the acquisition of the exclusive offtake right	(b)	**1,340,067,052**	**131,889**	—	—
New placement	(c)	**56,100,000**	**5,510**	78,000,000	8,058
Exercise of share options		**—**	**—**	600,000	61
At end of period/year		**1,974,767,052**	**198,518**	578,600,000	61,119

Notes:

(a) Pursuant to a Directors' resolution of the Company dated 2 May 2007, the authorised share capital of the Company was increased from HK$100,000,000, divided into 1,000,000,000 shares of HK$0.10 each, to HK$300,000,000, divided into 3,000,000,000 shares of HK$0.10 each.

(b) On 18 May 2007, 1,340,067,052 ordinary shares of HK$0.10 each were issued as a consideration for acquisition of the exclusive offtake right as set out in note 11.

(c) On 18 May 2007, 56,100,000 ordinary shares of HK$0.10 each were issued at a price of HK$1.73 per ordinary share for a total cash consideration, before related issue expenses of HK$3,018,000 (equivalent to RMB2,964,000), of HK$97,053,000 (equivalent to RMB95,316,000) by way of private placing.

20. SHARE OPTION SCHEME

On 2 May 2005, the Company approved a share option scheme (the "Share Option Scheme") under which the Directors may, at their discretion, grant options to the Directors and employees of the Company to subscribe for shares in the Company. The subscription price for shares under the Share Option Scheme will be determined by the Directors, which shall be calculated at the time of grant of the relevant option and shall not be less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day; and (iii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option (provided that the new issue price shall be used as the closing price for any business day falling within the period before the listing of the shares, where the Company has been listed for less than five business days as at the date of grant of the relevant option).

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not exceed 10% of the share capital of the Company in issue and may not exceed in nominal value 30% of the issued share capital of the Company in issue for a period of 10 consecutive years. The Share Option Scheme will remain in force for the period of 10 years commencing on 2 May 2005. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and which may fall to be issued to him under all the options previously granted to such person pursuant to the Share Option Scheme in any 12-month period up to the date of grant exceeding 1% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Share Option Scheme.

20. SHARE OPTION SCHEME (Continued)

At the Company's Directors' meeting held on 6 March 2007, the Company granted certain employees under the Share Option Scheme a total of 11,075,000 share options to subscribe for the Company's shares of HK$0.1 each, at an exercise price of HK$1.91 per share.

At the Company's Directors' meeting held on 20 April 2007, the Company granted certain employees under the Share Option Scheme a total of 3,000,000 share options to subscribe for the Company's shares of HK$0.1 each, at an exercise price of HK$2.37 per share.

Exercise prices were determined with reference to the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. Share options do not confer rights on the holders to dividends or vote at shareholders' meetings.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six month ended 30 June 2007	
	Average Exercise price (HK$) (Unaudited)	**Options ('000) (Unaudited)**
At beginning of period	**1.07**	**19,450**
Granted on 6 March 2007	**1.91**	**11,075**
Granted on 20 April 2007	**2.37**	**3,000**
At end of period	**1.46**	**33,525**

20. SHARE OPTION SCHEME (Continued)

The options granted during the six months ended 30 June 2007 will have a vesting schedule of five years whereby only 20% of the option shall be exercisable 12 months after the grant date, i.e. 6 March 2007 and 20 April 2007 respectively, and an additional 20% may be exercised by the grantee in each subsequent year until 5 March 2017 and 19 April 2017, respectively, when 100% of the options may be exercised.

The fair values of the equity-settled share options granted during the six months ended 30 June 2007 were estimated as at the date of grant using a binomial model, taking into accounts the terms and conditions upon which the options were granted. The following table lists the inputs to the model used in estimating the fair value of the equity-settled share options granted for the current period:

Grant date	**6 March 2007**	**20 April 2007**
Dividend yield (%)	4.02	4.02
Expected volatility (%)	52.83	52.18
Historical volatility (%)	52.83	52.18
Risk-free interest rate (%)	4.21	4.21
Expected life of option (years)	10	10
Weighted average share price (HK$)	1.88	2.25

The Group recognised a total share option expense of RMB2,106,000 during the six months ended 30 June 2007 (six months ended 30 June 2006: RMB1,579,000).

21. BUSINESS COMBINATION

As set out in note 12(a), on 11 June 2006, the Company, through its indirect wholly-owned subsidiary, Yongtong Special Steel, entered into a Capital Injection Agreement with ASG, LSAC and Anlong Steel to acquire ultimately 51% of the enlarged capital of Anlong Steel.

On 5 January 2007, upon capital injection of RMB77,628,000 by Yongtong Special Steel as set out above, share capital of Anlong Steel increased to RMB167,628,000. The Group held 46% of the enlarged registered capital of Anlong Steel, and Anlong Steel was renamed as Luoyang Yongan Special Steel Company Limited ("Yongan Special Steel"). The principal activities of Yongan Special Steel include the production and sale of stainless steel base material and other steel products.

21. BUSINESS COMBINATION (Continued)

Yongtong Special Steel also entered into the Management Agreement with ASG and LSAC on 11 June 2006, pursuant to which all parties agreed that Yongtong Special Steel will be responsible to manage the operations of Yongan Special Steel for a period of 15 years from its business licence date of 5 January 2007. During such period, ASG and LSAC will be entitled to a fixed annual payment of RMB2,270,000 and RMB4,040,000, respectively from Yongan Special Steel. Except for the fixed annual payment above, ASG and LSAC will neither share the profits nor bear the losses of Yongan Special Steel. According to the Management Agreement, if Yongan Special Steel fails to meet its payment obligations under the Management Agreement, Yongtong Special Steel will be responsible for such fixed annual payment. Based on the Capital Injection Agreement and the Management Agreement as described above, the Group is entitled to all remaining undistributable profits of Yongan Special Steel.

According to the Management Agreement, during the first year of the Management Agreement, the fixed annual payment to ASG and LSAC shall not be less than 50% of the amounts mentioned above. Accordingly, fixed payment payable to minority shareholders of RMB1,578,000 have been charged to the financial statements as expenses for the six months ended 30 June 2007.

21. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Yongan Special Steel as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition (Unaudited) RMB'000	Carrying amount (Unaudited) RMB'000
Property, plant and equipment	207,438	201,696
Construction in progress	62,966	62,966
Prepaid land leasehold payments	202,260	104,342
Inventories	158,753	158,753
Notes receivable and trade receivables	230	230
Prepayments, deposits and other receivables	3,672	3,672
Deferred tax assets	63,848	63,848
Amount due from ASG and its related parties	331	331
Cash and cash equivalents	610	610
Interest-bearing loans	(10,000)	(10,000)
Amounts due to Yongtong Special Steel	(161,264)	(161,264)
Accrued liabilities and other payables	(66,822)	(66,822)
Deferred tax liabilities	(34,208)	—
Tax payables	(11,401)	(11,401)
Trade and notes payables	(204,937)	(204,937)
Amounts due to ASG and its related parties	(153,367)	(153,367)
Net assets	58,109	(11,343)
Minority interests	(31,379)	
Goodwill on acquisition	56,694	
Total consideration	83,424	
Satisfied by:		
Prepayments	77,628	
Direct expenses paid in connection with the acquisition	5,796	
	83,424	

21. BUSINESS COMBINATION (Continued)

An analysis of the net outflow of cash and cash equivalent in respect of the above acquisition of a subsidiary is as follows:

	(Unaudited) **RMB'000**
Direct expenses paid in connection with the acquisition	5,796
Cash and cash equivalents acquired	(610)
Net cash outflow arising on acquisition	5,186

In the opinion of the Directors, the principal items that are expected to generate goodwill are the strategic location of the plant of Yongan Special Steel and the acquired workforce, neither of which qualifies as a separate amortisable intangible asset.

Since its acquisition, Yongan Special Steel contributed revenue of approximately RMB553,379,000 and profit before tax of approximately RMB146,173,000 to the Group during the period from 5 January 2007 (date of acquisition) to 30 June 2007.

22. RELATED PARTY TRANSACTIONS

(I) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company and its subsidiaries had the following material transactions with related parties:

		For the six months ended 30 June	
Name of related party	**Nature of transactions**	**2007 (Unaudited) RMB'000**	2006 (Unaudited) RMB'000
East Grow Management Limited ("East Grow") (note a)	Purchases of materials from the related party (note b)	**—**	11,241
Easyman (note c)	Purchase of exclusive offtake right (note d)	**2,686,866**	—

Notes:

(a) East Grow is a company controlled by Mr. Dong, an executive director and a substantial shareholder of the Company.

22. RELATED PARTY TRANSACTIONS (Continued)

(I) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company and its subsidiaries had the following material transactions with related parties: (Continued)

Notes: (Continued)

(b) According to the master agreement entered into between East Grow and the Company (the "Master Agreement") on 13 December 2005 in connection with the sourcing of iron ore, East Grow agreed to supply iron ore to the Group from 1 January 2006 to 31 December 2008. According to the Master Agreement, the prices for these continuing connected transactions are set on the basis of 90% of the market price, at the maximum, and these transactions will be entered into in the usual and ordinary course of business of the Group. The annual caps for these transactions for years ending 31 December 2006, 2007 and 2008 will not exceed HK$318 million, HK$438 million and HK$588 million, respectively.

(c) Easyman is a company wholly owned by Mr. Dong, an executive director and a substantial shareholder of the Company.

(d) As set out in note 11 (a), the Group through the acquisition of S.E.A.M from Easyman and other Vendors, has acquired an exclusive offtake right from Yiwan Mining where Yiwan Mining agreed to exclusively sell and S.E.A.M agreed to buy the iron ores produced by Yiwan Mining at a fixed price of US$16 per dry tonne, for a period of approximately 14 years expiring on 24 January 2021. The exclusive offtake right is valued at RMB2,686,866,000 upon acquisition.

(II) Guarantee for the Group by a related party

As at 30 June 2007, Mr. Dong provided a guarantee, free of charge, in favour of bank borrowings of RMB187,465,000 granted to the Company.

22. RELATED PARTY TRANSACTIONS (Continued)

(III) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**396**	410
Salaries, allowances and benefits	**1,730**	1,440
Employee share option benefits	**2,106**	644
Pension scheme contributions	**16**	10
Total compensation paid to key management personnel	**4,248**	2,504

In the opinion of the Directors, key management personnel of the Group consist of all the Directors of the Company.

23. COMMITMENTS

Capital commitments

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Capital commitments in respect of property, plant and equipment, contracted, but not provided for	**8,559**	6,419
Capital commitments in respect of the acquisition of Zhengzhou Xiangtong Electricity Co., Ltd. ("Xiangtong Electricity") (note 25)	**14,477**	15,071
	23,036	21,490

23. COMMITMENTS (Continued)

Operating lease commitments

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases in respect of equipment and land and buildings falling due as follows:

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Within one year	**1,341**	1,127
In the second to fifth years, inclusive	**818**	1,403
	2,159	2,530

24. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities.

25. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2007:

(a) Acquisition of Xiangtong Electricity

In August 2007, upon the payment of cash consideration of HK$15,000,000 (equivalent to RMB14,477,000) and obtaining the new business licence, the Group gained the 50.01% equity interest in Xiangtong Electricity, a company incorporated on 30 December 2005 in PRC with limited liabilities. The principal activities of Xiangtong Electricity include the generation and sale of electricity to Yongtong Special Steel and other electricity users.

The fair value of the acquiree's identifiable assets, liabilities and contingent liabilities acquired are expected to be RMB14 million and the goodwill is estimated at RMB7 million. The fair value of the net assets acquired is subject to changes upon the finalisation of the completion accounts.

(b) Declare of interim dividend

Pursuant to the Directors' resolution of the Company dated 6 September 2007, the Directors declared an interim dividend of HK$0.048 per share.

26. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current period's presentation.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of Directors on 6 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The book close dates of the Group's interim dividend payment of HK$0.048 per share for the six months ended 30 June 2007 was set in the period from Tuesday, 9 October 2007 to Thursday, 11 October 2007. The dividend will be paid on Thursday, 18 October 2007 to the shareholders whose names appear on the Company's Register of Members on Thursday, 11 October 2007.

The Register of Members of the Company will be closed from Tuesday, 9 October 2007 to Thursday, 11 October 2007 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the entitlement to the interim dividend for the six months ended 30 June 2007, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Branch Share Registrars and Transfer Office in Hong Kong, at shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 8 October 2007.

DISCLOSURE OF INTERESTS

a) **Disclosure of interests by the directors**

As at 30 June 2007, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by

Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the underlying shares of the Company

Name of director	**Capacity in which interests are held**	**Number of shares**	**Approximate percentage to the issued share capital of the Company**
Mr. Dong Shutong	Beneficial owner	1,481,074,705 (note 1)	75.0%

(ii) Long positions in the underlying shares of the Company attached to the share options granted by the Company

Name of director	**Options to subscribe for Shares** (note 2)	**Capacity in which interests are held**	**Approximate percentage to the issued share capital of the Company**
Mr. Dong Shutong	5,000,000	Beneficial owner	0.25%
Mr. He Weiquan	4,250,000	Beneficial owner	0.22%
Mr. Lau Hok Yuk	3,000,000	Beneficial owner	0.15%
Mr. Song Wenzhou	1,275,000	Beneficial owner	0.06%
Ms. Zhang Ming	1,275,000	Beneficial owner	0.06%
Mr. Zhao Ping	4,250,000	Beneficial owner	0.22%
Mr. Dong Chengzhe	1,275,000	Beneficial owner	0.06%

Notes:

1. The shares are held directly by Easyman Assets Management Limited ("Easyman") which is wholly-owned by Mr. Dong Shutong ("Mr. Dong"). By virtue of the SFO, Mr. Dong is deemed to have beneficial interests in the above shares.

2. The above share options are unlisted equity-settled options granted pursuant to the Company's share option scheme adopted on 2 May 2005. Upon exercise of the options in accordance with such share option scheme, the Company's shares of HK$0.10 each are issuable.

b) Particulars of directors' service contracts

As at 30 June 2007, no director had a service contract with any member of the Group which is not determinable by the Company within one year without the payment other than statutory compensation.

c) Save as disclosed above, as at 30 June 2007:

(i) none of the directors and chief executive hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange;

(ii) none of the directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and

(iii) none of the directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this report and which is significant in relation to the business of the Group.

d) Directors' interests in competing businesses

As at 30 June 2007, no director has an interest in the businesses (other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies (other than the directors or chief executive of the Company) were interested in 5% or more in the Shares or underlying Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Long and short positions in the Shares as at 30 June 2007:

Name of shareholder	Capacity in which interests are held	Number of shares/ underlying shares held		Approximate percentage to the issued share capital of the Company	
		Long positions	Short positions	Long positions	Short positions
Easyman Assets Management Limited (Note 1)	Beneficial owner	1,481,074,705	Nil	75.0%	Nil
Deutsche Bank Aktiengesellschaft	Beneficial owner	29,410,000	138,000	1.49%	0.01%
Ping An Insurance (Group) Company of China, Limited	Beneficial owner	28,050,000	Nil	1.42%	Nil
Morgan Corporation (Note 2)	Beneficial owner	152,280,347	Nil	7.71%	Nil
Yap E. Hock	Corporate interest (Note 3)	152,280,347	Nil	7.71%	Nil
	Beneficial owner	948,000	Nil	0.05%	Nil

Notes:

1. Easyman Assets Management Limited is wholly owned by Mr. Dong Shutong, chairman of the Company.

2. Morgan Corporation is wholly owned by Mr. Yap E. Hock.

3. These shares are beneficially owned by Morgan Corporation. It is a controlled corporation of Mr. Yap E. Hock.

(ii) **Long positions in the underlying Shares of the 2012 convertible bonds of the Company as at 30 June 2007:**

Name of the holder of the 2012 convertible bonds	Amount of the 2012 convertible bonds HK$	Number of underlying shares held	Approximate percentage to the issued share capital of the Company
Deutsche Bank Aktiengesellschaft (Note 1)	313,000,000	139,111,111	7.04%
Ping An Insurance (Group) Company of China, Limited (Note 2)	312,000,000	138,666,666	7.02%

Notes:

1. As at 30 June 2007, Deutsche Bank Aktiengesellschaft was the holder of a convertible bond in the principal amount of HK$313 million which could be converted upon exercise, into shares of the Company at HK$2.25 per share, by no later than the close of business on 15 days before 18 May 2012. This constituted a long position in physically settled equity derivatives under the SFO.

2. As at 30 June 2007, Ping An Insurance (Group) Company of China Limited was the holder of a convertible bond in the principal amount of HK$312 million which could be converted upon exercise, into shares of the Company at HK$2.25 per share, by no later than the close of business on 15 days before 18 May 2012. This constituted a long position in physically settled equity derivatives under the SFO.

(iii) **Long positions in the underlying Shares of the 2010 convertible notes of the Company as at 30 June 2007:**

Name of the holder of the 2010 convertible notes	Amount of the 2010 convertible notes HK$	Number of underlying shares held	Approximate percentage to the issued share capital of the Company
Mr. Soen Bin Kuan (also known as Tju Bin Kuan) (Note 1)	316,130,000	182,736,416	9.25%

Note:

1. As at 30 June 2007, Mr. Soen Bin Kuan was the holder of a convertible notes in the principal amount of HK$316.13 million which is obliged to convert the principal outstanding amount of convertible notes into shares of the Company at the conversion price of HK$1.73 per share, upon maturity on 18 May 2010. This constituted a long position in physically settled equity derivatives under the SFO.

Save as disclosed above, so far as was known to the directors, there was no other person (other than the directors or chief executive of the Company) who, as at 30 June 2007, had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company; or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Save as disclosed herein, none of the directors is a director or employee of a company which has an interest in the Company's shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Share option scheme

Pursuant to an ordinary resolution passed on 2 May 2005, the Company adopted a share option scheme for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are valuable to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 2 May 2015.

As at June 30, 2007, the interest of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (SFO), or as otherwise notified to the Company and The Stock

Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code contained in the Listing Rules ("Model Code") were as follows:

	No. of share options					
	At 1 January 2007	Granted during the period	**At 30 June 2007**	Exercise price of share options*** HK$	Exercisable from	Exercisable until
Name of director						
Mr. Dong Shutong	5,000,000	—	**5,000,000**	1.07	30 July 2006	29 July 2015
Mr. He Weiquan	4,250,000	—	**4,250,000**	1.07	30 July 2006	29 July 2015
Mr. Lau Hok Yuk	—	3,000,000*	**3,000,000**	1.91	6 March 2008	5 March 2017
Mr. Song Wenzhou	1,275,000	—	**1,275,000**	1.07	30 July 2006	29 July 2015
Ms. Zhang Ming	—	1,275,000*	**1,275,000**	1.91	6 March 2008	5 March 2017
Mr. Zhao Ping	—	4,250,000*	**4,250,000**	1.91	6 March 2008	5 March 2017
Mr. Dong Chengzhe	—	1,275,000*	**1,275,000**	1.91	6 March 2008	5 March 2017
Sub-total for number of share options to directors	10,525,000	9,800,000	**20,325,000**			
Other employees	8,925,000	—	**8,925,000**	1.07	30 July 2006	29 July 2015
	—	1,275,000*	**1,275,000**	1.91	6 March 2008	5 March 2017
	—	3,000,000**	**3,000,000**	2.37	20 April 2008	19 April 2017
Sub-total for number of share options to employees	8,925,000	4,275,000	**13,200,000**			
Total	19,450,000	14,075,000	**33,525,000**			

Notes:

* The date of grant was 6 March 2007. The closing price of the Company's shares immediately before the date on which the options were granted was HK$1.90.

** The date of grant was 20 April 2007. The closing price of the Company's shares immediately before the date on which the options were granted was HK$2.27.

*** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The Options will have a vesting schedule of 5 years whereby only 20% of the Options shall be exercisable 12 months after the Offer Date and an additional 20% may be exercised by the Grantee in each subsequent year until 5 years from the Offer Date when 100% of the Options may be exercised.

As of the date of this report, no share option has been exercised by the above directors and senior managers to subscribe for shares in the Company.

Except as disclosed above, as at the date of this report, no other share option has been granted by the Company pursuant to the Company's share option scheme.

Save as disclosed above, at no time during the Relevant Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Purchase, redemption or sale of listed shares of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company listed securities during the Relevant Period.

Audit Committee

The Audit Committee is comprised of three independent non-executive directors, namely Mr. Wong Chi Keung, Mr. Bai Baohua and Mr. Huang Changhuai and Mr. Wong Chi Keung is the chairman of the audit committee. The primary duties of the audit committee are to review the financial reporting process and internal control procedures of the Group.

Corporate governance

(a) Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions (the "Code Provisions") set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2007.

The executive director, 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 internal rules, and compliance with statutory requirements and promoting the corporate governance of the Company, whereas the Company did not appoint another individual to act as a chief executive for the period ended 30 June 2007 and up to the date of the report. This constitutes a deviation from Code Provision A.2.1. The Board believes that it is in the best interest of the Company and the shareholders as a whole for Mr. Dong Shutong, who is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board. The significant decision-making and the day-to-day management of the Company is carried out by all of the executive directors. Therefore, the roles of the Chairman and the chief executive of the Company are not segregated in the sense that two different individuals took up these roles. The role of the Chairman and chief executive are not exercised by the same individual.

Under the Code Provisions A.4.1 and A.4.2, non-executive directors should be appointed for a specific term. The existing non-executive directors of the Company were not appointed for a specific term. This constitutes a deviation from Code Provision A.4.1. However, according to the Articles of Association, 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 practices are similar to those provided in the Code.

(b) Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code for the six months ended 30 June 2007.

On behalf of the Board
Mr. Dong Shutong
Chairman

Hong Kong, 6 September 2007