中國鎳資源控股有限公司

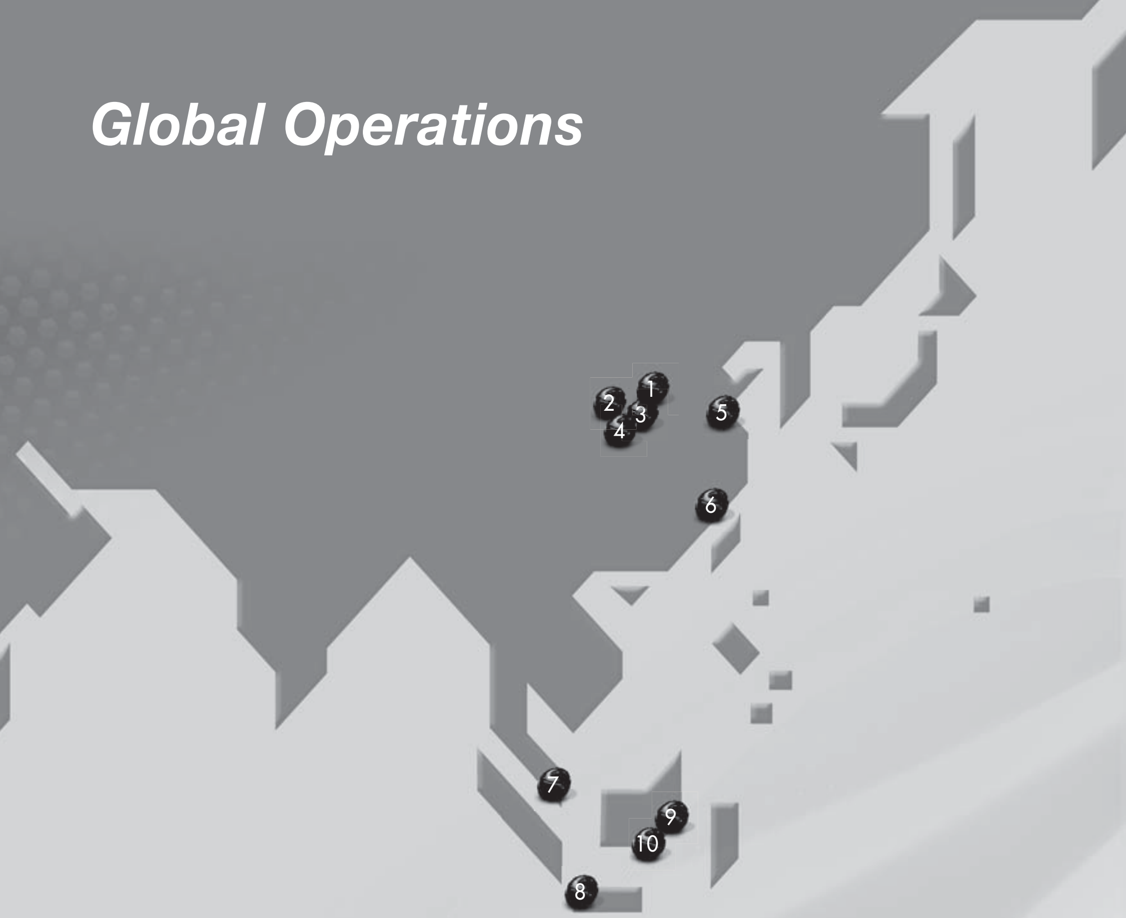
CHINA NICKEL RESOURCES HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code : 2889

Interim Report 2011

Global Operations



1 **Zhengzhou Office and Plant**

2 **Luoyang Plant**

3 **Gongyi Plant 1**

4 **Gongyi Pilot Plant 2**

5 **New Plant in Lianyungang**

6 **Hong Kong Office**

7 **Singapore Office**

8 **Jakarta Office**

9 **Mine in South Kalimantan (exclusive off-take right)**

10 **Plant in South Kalimantan (to be built)**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Dong Shutong (Chairman)
Ms. Ng See Wai Rowena*
Mr. Lau Hok Yuk^
Mr. Song Wenzhou
Mr. Zhao Ping
Mr. Dong Chengzhe
Mr. Yang Fei

* Appointed on 31 August 2011
^ Resigned on 1 August 2011

Non-executive director

Mr. Yang Tianjun

Independent non-executive directors

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Ms. So Hiu Tung Miranda *MBA, CPA*

AUTHORISED REPRESENTATIVES

Mr. Dong Shutong
Mr. Yang Fei

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN PRC

No. 7 Building F
Runhua Business Garden
No. 24 Jinshui Road Jinshui District
Zhengzhou City Henan Province
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

Corporate Information

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Hong Kong:

CITIC Bank International Limited
Oversea — Chinese Banking Corporation Limited
Nanyang Commercial Bank Limited

PRC:

CITIC Bank
Pudong Development Bank
China Construction Bank
Bank of China

Singapore

Oversea — Chinese Banking Corporation Limited
Malayan Banking Berhad
The Hongkong and Shanghai Banking Corporation Limited
Citibank Singapore Limited

WEBSITE

www.cnrholdings.com

STOCK CODE

02889

Financial Highlights

RESULT SUMMARY

	Six months ended 30 June	
	2011	**2010**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Revenue/Turnover	**1,414,343**	589,755
Gross Profit	**217,738**	100,751
Earning before Interest, Tax, Depreciation and Amortization ("EBITDA")	**321,843**	126,974
Profit/(Loss) before Income Tax	**122,486**	(8,492)
Profit Attributable to owners of the Parent	**105,821**	15,283
Gross Profit Margin	**15%**	17%
EBITDA Margin	**23%**	22%
Net Profit Margin	**7%**	3%

The board of directors ("the Board" or "the Directors") of China Nickel Resources Holdings Company Limited ("the Company") is pleased to announce that the unaudited consolidated turnover of the Company and its subsidiaries (hereinafter collectively referred as "the Group") for the six months ended 30 June 2011 was RMB1,414 million, representing an increase of 140% as compared to that of the corresponding period in 2010. Unaudited profit attributable to owners of the parent was RMB106 million. Unaudited basic earnings per share for the six months ended 30 June 2011 was RMB0.0459. Earnings per share was based on the weighted average of 2,304 million shares in issue during the six months ended 30 June 2011. The Board do not recommend the payment of interim dividend for the six months ended 30 June 2011. The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011 have been reviewed by the Company's Audit Committee.

The Group will implement the vertically integrated business model, utilising the mineral resources platform in Indonesia, increasing product types and sales volume, developing production and trading business in parallel, actively expanding domestic markets and optimising the product mix.

Project Progress

The Lianyungang project has commenced partial operation and is expected to be in full operation in 2012. It will then produce high-quality ferro-nickel for other steel plants to process into stainless steel or alloy steel. The Lianyungang project applies low carbon metallurgical technology. Ordinary coal, rather than coke used in the traditional process, is used in the reduction purification process, under which the consumption of carbon may decrease by up to 40% and the production cost of nickel is much lower than that of general production process. Yongtong completed the upgrade of facilities and the construction of stainless steel equipment last year, which can facilitate flexible adjustment of output, optimization of product mix and mass production based on the market situation and the overall needs of the Group. During the first half of this year, in view of the market condition, the Group has produced more stainless steel base materials and less low nickel pig iron. The sales of stainless steel base materials accounted for 49% of the total sales.

Business Review

Business Development

The Group has been purchasing ores from Indonesia through exclusive offtake agreements at fixed low prices for self-use or sale to third parties, and has started to sell ores to third parties since 2009. Thanks to the growth of the industry and the increasing demand for resources and steel materials, the sales volume for ores for the first half of 2011 reached 1.5 million tonnes, which has exceeded our sales target. The Group is actively developing relationship with up and down-stream trading partners to further expand the resources trading business in order to bring a steady growth of revenue. The sales target of ores in 2011 is 3 million tonnes.

With respect to the iron and steel will project which was entered into between the Group, through Henan Yongtong Special Steel Co. Ltd, and PT Mandan Steel, which is based in South Kalimantan of Indonesia and wholly owned by CNR Group Holdings Pte. Ltd., in Singapore, the application of land use rights and feasibility study are basically completed. The environmental assessment is at the final stage and the construction is expected to commence in 2012. The site will be used for ores processing, with an aim to comply with the new mining regulations of Indonesia to be implemented in 2014.

Management Discussion and Analysis

Operating Environment Analysis

The global financial market remains turbulence in the first half of 2011 due to the sovereign debt crisis. Sovereign rating of U.S. being downgraded below AAA has resulted in significant fluctuation in the global financial market. In Europe, the sovereign rating of France may also be downgraded. However, as the underlying impact of the financial crisis has not fully faded, the emergence of new problems have brought more unstable and uncertain factors that affecting the economy, the vulnerability and disequilibrium in the recovery of global economy become more obvious, making the international environment of 2011 becoming more complicated. Therefore, developed countries are expected to strike a balance between reducing debts and promoting sustainable economic recovery, and it is expected that the easing monetary policy will be maintained for a longer period.

Despite the slow global economic growth, the PRC's economy still grows at a steady pace. Strong rigid demand still provides room for the steel industry's development. A series of policies and measures, such as merger and consolidation, elimination outdated production facilities, energy saving and emission reduction, implementation of industry regulation, have created favorable conditions for the stable development of the steel industry and market. However, there are also unfavorable factors in the industry, such as intense market competition, greater pressure to adjust the domestic economic structure, slowdown in steel consumption growth and high fuel prices. With all these unfavorable factors, the operating environment of the steel industry will become more severe and challenging. 2011 is the first year of the "Twelfth Five-Year" plan, protecting and improving people's living standard is the key objective for the State which will encourage spending and boost growth through implementing policy to stimulate consumption. In respect of investment demand, with the commencement of planned new infrastructure projects, construction of more affordable housing and the faster economic development in the Central and Western regions, together with the implementation of the country's strategies for encouraging private investment, social investment will continue to grow steadily. Considering the above factors, the domestic demand in driving up economic growth will be strong in 2011. The Group believes that the demand for and market shares of limonitic ores, nickel-based products and special steel products will increase steadily in the future.

Turnover and sales volume

Major products of the Group were limonitic ores, stainless steel base materials and nickel-chromium alloy steel ingots. The table below sets out the turnover and sales volume of our major products for the periods indicated:

Turnover

	2011 First Half		2010 First Half		2010 Second Half	
	RMB'000	%	RMB'000	%	RMB'000	%
Mineral Resources:						
Limonitic ores	**523,210**	**37%**	255,955	43%	238,621	25%
Nickel:						
Stainless steel base materials	**691,701**	**49%**	53,573	9%	354,457	37%
Ferro-nickel alloys and others	**21,906**	**1%**	206,915	35%	289,950	31%
Special Steel:						
Bearing steel	**–**	**–**	26,598	5%	–	–
Ni-Cr alloy steel ingots	**177,526**	**13%**	44,433	8%	62,989	7%
Ni-Cr bearing steel	**–**	**–**	2,281	–	90	–
Total	**1,414,343**	**100%**	589,755	100%	946,107	100%

Sales volume

	2011 First Half (tonnes)	%	2010 First Half (tonnes)	%	2010 Second Half (tonnes)	%
Mineral Resources:						
Limonitic ores	**1,520,853**	**93%**	699,499	88%	751,802	85%
Nickel:						
Stainless steel base materials	**91,763**	**6%**	16,488	2%	40,223	5%
Ferro-nickel alloys and others	**1,026**	**–**	60,675	8%	78,536	9%
Special steel:						
Bearing steel	**–**	**–**	6,632	1%	–	–
Ni-Cr alloy steel ingots	**22,638**	**1%**	6,585	1%	8,806	1%
Ni-Cr bearing steel	**–**	**–**	212	–	–	–
Total	**1,636,280**	**100%**	790,091	100%	879,367	100%

The Group's turnover for the first half of 2011 was RMB1,414,343,000 (2010 corresponding period: RMB589,755,000), an increase of 140% compared with the corresponding period last year. The increase in turnover was mainly attributable to the volume of ore trading business increased by 117% from 699,499 tonnes in the corresponding period last year to 1,520,853 tonnes this year. The turnover of ore trading business was RMB523,210,000 (2010 corresponding period: RMB255,955,000), representing 37% to the total turnover. The Group believes the ore trading business will continuously make stable contribution to the Group.

In addition, the sales volume of stainless steel base materials was 91,763 tonnes, increased by 457% as compared to the 16,488 tonnes in the corresponding period of last year. Meanwhile, the average unit selling price per ton also increased by 132% compared to the corresponding period last year. The turnover of stainless steel base materials increased by 1,191% to RMB691,701,000 (2010 corresponding period: RMB53,573,000), which also makes contribution to the increase in turnover.

Cost of sales

The cost of sales for the first half of 2011 was increased by RMB707,601,000, or 145%, to approximately RMB1,196,605,000 (2010 corresponding period: RMB489,004,000), the proportion increased was similar to the proportion increased in turnover.

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

Cost of sales

	2011 First Half		2010 First Half		2010 Second Half	
	RMB'000	%	RMB'000	%	RMB'000	%
Raw Materials	**612,603**	**51%**	275,477	56%	509,929	58%
Fuel	**382,798**	**32%**	144,522	30%	245,067	28%
Utilities	**105,410**	**9%**	26,555	5%	57,291	7%
Depreciation	**69,518**	**6%**	28,331	6%	44,532	5%
Staff Cost	**15,979**	**1%**	8,418	2%	12,999	1%
Repair and maintenance	**2,569**	**—**	1,217	—	1,406	—
Others	**7,728**	**1%**	4,484	1%	6,348	1%
	1,196,605	**100%**	489,004	100%	877,572	100%

Gross profit

The Group's total gross profit for the first half of 2011 was RMB217,738,000 (2010 corresponding period: total gross profit RMB100,751,000), and the gross profit margin was 15% (2010 corresponding period: gross profit margin 17%).

During the period, gross profit for our products mainly come from limonitic ores and stainless steel base materials. The average gross profit margin of limonitic ores was 28% (2010 corresponding period: gross profit margin 28%), and the average gross profit margin of stainless steel base materials was 8% (2010 corresponding period: gross profit margin 4%).

Other income and gains

Other income for the first half of 2011 was RMB131,571,000 (2010 corresponding period: RMB21,237,000), which is higher than that of for the corresponding period in 2010. Such increase was mainly attributable to the gain on fair value adjustment of a derivative financial instrument as a result of the decrease in its fair value and the corresponding financial liability.

Selling and distribution costs

Selling and distribution costs for the first half of 2011 increased by RMB16,114,000, or 151%, to RMB26,752,000 (2010 corresponding period: RMB10,638,000), representing 2% of the turnover (2010 corresponding period: 2%).

Administrative expenses

Administrative expenses for the first half of 2011 increased by RMB7,190,000, or 12%, to RMB66,837,000 (2010 corresponding period: RMB59,647,000), representing 5% of the turnover (2010 corresponding period: 10%).

Finance costs

According to relevant IFRSs, estimated future cash flow for convertible bonds were discounted at effective interest rates, the imputed effective interest included both coupon payment and financial charges accrued for redemption in the future. Finance costs for the first half of 2011 was RMB124,723,000 (2010 corresponding period: RMB75,415,000).

Profit before tax

The profit before tax for the first half of 2011 was RMB122,486,000 (2010 corresponding period: loss before tax RMB8,492,000).

Profit before tax margin was 9% (2010 corresponding period: loss before tax margin 1%). The earnings before interest, tax, depreciation and amortization (EBITDA) margin was 23% (2010 corresponding period: earnings before interest, tax, depreciation and amortization (EBITDA) margin 22%).

Income tax

Base on the existing law, the Hong Kong corporate income tax rate applicable to the Company and subsidiaries operate in Hong Kong is 16.5%. The entities within the Group operate in Mainland China, Indonesia and Singapore were subject to corporate income tax at a rate of 25%, 25% and 5% respectively for the period ended 30 June 2011.

Profit attributable to owners of the parent

The profit attributable to owners of the parent for the first half of 2011 was RMB105,821,000 (2010 corresponding period: RMB15,283,000). The net profit margin was 7% (2010 corresponding period: net profit margin 3%).

Key financial ratios

	Notes	Six months ended 30 June 2011	Year ended 31 December 2010
Current ratio	1	**92%**	104%
Inventories turnover days	2	**111 days**	230 days
Debtor turnover days	3	**20 days**	28 days
Creditor turnover days	4	**100 days**	180 days
Interest cover	5	**1.98 times**	0.75 times
Interest-bearing gearing ratio	6	**47%**	50%
Debt to EBITDA ratio	7	**5.5 times**	9.3 times
Net debt/Capital and net debt ratio	8	**41%**	42%

Notes

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

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

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

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

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

6. $\frac{\text{Interest-bearing bank and other borrowings + Convertible bonds}}{\text{Equity attributable to the shareholders}}$ X 100%

7. $\frac{\text{Interest-bearing bank and other borrowings + Convertible bonds}}{\text{EBITDA}}$

8. $\frac{\text{Net debt}}{\text{Capital and net debt}}$ X 100%

Investment in an associate

The Group invested in an associate, Full Harvest Development Limited ("FHD"), in October 2009. FHD's principal activities are investment holding and trading of coal resources. Since coal is the major fuel for the new plant of the Group in Lianyungang, investment in FHD can secure the stability in price and supply of coal to the Group.

Management Discussion and Analysis

Cash and cash equivalents and pledged time deposit

The cash and cash equivalents and pledged time deposit amounted to RMB325,596,000 as at 30 June 2011, a decrease of RMB148,500,000 or 31% compared to 31 December 2010. Such decrease was mainly due to the net cash outflow from fund raising activities amounted to approximately RMB137,030,000 for the period, the cash outflow was mainly the principal and interest payment of convertible bonds, long-term loan and short term loan.

Trade and notes receivables

The debtor turnover days decreased from 28 days for the year ended 31 December 2010 to 20 days for the six months ended 30 June 2011. Trade and notes receivables balance increased by RMB39,812,000 to RMB159,130,000, which was mainly due to the increase of sales turnover for the period.

Inventories

The inventory turnover days decreased from 230 days for the year ended 31 December 2010 to 111 days for the six months ended 30 June 2011. As at 30 June 2011, the inventory balance decreased by RMB127,016,000, or 15%, to RMB732,693,000. The drop in inventory level was mainly due to the management's continuous effort and determination to control inventory during the period.

Prepayments, deposits and other receivables

As at 30 June 2011, prepayments, deposits and other receivables balance was RMB360,072,000, representing an increase of RMB87,360,000, or 32%, compared to 31 December 2010. This was mainly due to the increase of prepayment to suppliers by RMB64,119,000.

Trade and notes payables

As at 30 June 2011, trade and notes payables balance decreased by RMB11,982,000, or 2%, to RMB660,549,000, which is mainly due to the repayment of part of the notes payable during the period. Accordingly, the creditor turnover days decreased from 180 days for the year ended 31 December 2010 to 100 days for the six months ended 30 June 2011.

Interest-bearing bank and other borrowings

As at 30 June 2011, the total interest-bearing bank and other borrowings decreased by RMB119,567,000, or 15%, to RMB700,095,000 (of which included long-term interest-bearing bank and other borrowing of RMB166,240,000 and the liability components of current interest-bearing bank borrowings and other borrowings of RMB533,855,000). The gearing ratio decreased from 50% as at 31 December 2010 to 47% as at 30 June 2011.

USE OF PROCEEDS

The net proceeds from the issue of the existing convertible bonds in December 2007 was approximately HK$1,950,000,000.

As at 30 June 2011, the planned usage of net proceeds was as follows:

Use of proceeds	Usage as disclosed in prospectus HK$' million	Utilised HK$' million
Capital expenditures of steel mill expansion in the PRC and Indonesia	**1,462.5**	1,346.5
General working capital	**487.5**	487.5

Management Discussion and Analysis

Liquidity and operation

Our working capital has been principally sourced from cash generated from operating activities and from long-term and short term debts. During the reporting period, net cash inflow generated from operating activities amounted to RMB151,695,000. During the same period, capital applied on construction in progress and plant and equipment amounted to RMB84,155,000 and RMB137,030,000 was used to repay long-term and short term debts.

As at 30 June 2011, the Group had current liabilities of RMB1,713,322,000, of which RMB533,855,000 were interest-bearing bank and other borrowings repayable within one year, RMB660,549,000 were trade and notes payables paid to raw materials suppliers, and RMB494,867,000 were other payables and accruals.

Foreign currency risk

Since July 2004, the Group has begun the purchase of iron ore from overseas suppliers. Since the contracted procurements were denominated in United States dollars ("US$") and the RMB is in a favorable trend now, no hedging is considered necessary at the moment. However, the Group will closely monitor the foreign currency risk and use necessary financial instruments for hedging purposes when needed to resolve the imbalance in foreign exchange and manage potential fluctuation in foreign currency. As at 30 June 2011, all bank loans were denominated in RMB.

Interim Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
REVENUE	5	**1,414,343**	589,755
Cost of sales		**(1,196,605)**	(489,004)
Gross profit		**217,738**	100,751
Other income and gains	5	**131,571**	21,237
Selling and distribution costs		**(26,752)**	(10,638)
Administrative expenses		**(66,837)**	(59,647)
Finance costs	7	**(124,723)**	(75,415)
Other expenses		**(9,749)**	(7,430)
Share of profit of an associate		**1,238**	22,650
PROFIT/(LOSS) BEFORE TAX	6	**122,486**	(8,492)
Income tax (expenses)/credit	8	**(15,753)**	24,101
PROFIT FOR THE PERIOD		**106,733**	15,609
ATTRIBUTABLE TO:			
Owners of the parent		**105,821**	15,283
Non-controlling interests		**912**	326
		106,733	15,609
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	10	**0.0459**	0.0071
— Diluted (RMB)	10	**0.0294**	0.0067

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

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**106,733**	15,609
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(36,292)**	8,873
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(36,292)**	8,873
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**70,441**	24,482
ATTRIBUTABLE TO:		
Owners of the parent	**69,529**	24,156
Non-controlling interests	**912**	326
	70,441	24,482

Interim Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**2,185,258**	2,008,210
Prepaid land lease payments		**380,190**	383,542
Goodwill		**58,394**	58,394
Intangible asset	12	**2,456,832**	2,531,910
Deferred tax assets		**248,884**	256,763
Investment in an associate		**19,998**	18,760
Other non-current assets		**28,514**	58,698
Total non-current assets		**5,378,070**	5,316,277
CURRENT ASSETS			
Inventories	13	**732,693**	859,709
Trade and notes receivables	14	**159,130**	119,318
Prepayments, deposits and other receivables		**360,072**	272,712
Pledged time deposits	15	**231,362**	301,505
Cash and cash equivalents	15	**94,234**	172,591
Total current assets		**1,577,491**	1,725,835
CURRENT LIABILITIES			
Trade and notes payables	16	**660,549**	672,531
Other payables and accruals		**494,867**	472,095
Derivative financial instruments	17	**10,040**	31,312
Dividend payable		**6**	1,756
Interest-bearing bank and other borrowings	18	**533,855**	475,990
Tax payable		**14,005**	13,697

Interim Consolidated Statement of Financial Position (Continued)

As at 30 June 2011

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Total current liabilities		**1,713,322**	1,667,381
NET CURRENT (LIABILITIES)/ASSETS		**(135,831)**	58,454
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,242,239**	5,374,731
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	18	**166,240**	343,672
Convertible bonds	19	**1,077,793**	1,036,179
Derivative financial instruments	17	**10,585**	105,465
Deferred tax liabilities		**22,882**	23,890
Other long term payables		**24,773**	24,151
Total non-current liabilities		**1,302,273**	1,533,357
NET ASSETS		**3,939,966**	3,841,374
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	**230,373**	228,553
Reserves		**3,588,109**	3,492,249
		3,818,482	3,720,802
Non-controlling interests		**121,484**	120,572
TOTAL EQUITY		**3,939,966**	3,841,374

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserves RMB'000	Equity component of convertible bonds RMB'000	Statutory surplus reserves and statutory reserve fund RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed interim dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (Audited)	**228,553**	**3,003,805**	**51,599**	**122,147**	**25,926**	**–**	**75,739**	**(53,074)**	**266,107**	**–**	**3,720,802**	**120,572**	**3,841,374**
Total comprehensive income for the period	–	–	–	–	–	–	–	(36,292)	105,821	–	69,529	912	70,441
Equity-settled share option arrangements	–	–	–	–	1,204	–	–	–	–	–	1,204	–	1,204
Forfeited share option reserve	–	–	–	–	(246)	–	–	–	–	–	(246)	–	(246)
Conversion of convertible bonds	1,820	25,373	–	–	–	–	–	–	–	–	27,193	–	27,193
At 30 June 2011 (Unaudited)	**230,373**	**3,029,178**	**51,599**	**122,147**	**26,884**	**–**	**75,739**	**(89,366)**	**371,928**	**–**	**3,818,482**	**121,484**	**3,939,966**

Interim Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2011

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserves RMB'000	Equity component of convertible bonds RMB'000	Statutory surplus reserves and statutory reserve fund RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed interim dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010 (Audited)	210,006	2,661,351	51,599	433,282	22,459	45,920	75,546	(16,446)	267,374	–	3,751,091	121,226	3,872,317
Total comprehensive income for the period	–	–	–	–	–	–	–	8,873	15,283	–	24,156	326	24,482
Equity-settled share option arrangements	–	–	–	–	2,008	–	–	–	–	–	2,008	–	2,008
Conversion of convertible notes	17,984	293,151	–	(311,135)	–	–	–	–	–	–	–	–	–
Proposed 2010 Interim dividend	–	(3,972)	–	–	–	–	–	–	–	3,972	–	–	–
At 30 June 2010 (Unaudited)	227,990	2,950,530	51,599	122,147	24,467	45,920	75,546	(7,573)	282,657	3,972	3,777,255	121,552	3,898,807

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	**2010**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**151,695**	(94,382)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(84,155)**	(24,963)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(137,030)**	(25,121)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(69,490)**	(144,466)
Cash and cash equivalents at beginning of period	**172,591**	292,745
Effect of foreign exchange rate changes, net	**(8,867)**	(6,807)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**94,234**	141,472
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**94,234**	124,927
Unrestricted time deposits with original maturity of less than three months	**–**	16,545
Cash and cash equivalents as stated in the statement of financial position	**94,234**	141,472

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 March 2004 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. The principal place of business of the Company and its subsidiaries (collectively referred as "the Group") is located at No. 24, Jinshui Road, Zhengzhou, Henan Province, the People's Republic of China (the "PRC"). The principal place of business of the Company is Rooms 917 and 918, 9th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The principal activities of the Company are investment holding and the trading of ore. The Group is principally engaged in the manufacture and sale of special steel products in the PRC and the trading of ore.

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2011 and the related interim condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2011 (the "Period"), have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. The unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

2. BASIS OF PREPARATION (Continued)

Basis of presentation

As at 30 June 2011, the Group had net current liabilities of RMB135,831,000 which included interest bearing bank and other borrowings of RMB533,855,000.

Management believes that the nickel production of the Group could continuously improve the profitability through strategically target on the production of high profit margin products of stainless steel base materials and stable grow in the ore trading business, sustain long term growth and strengthen the cash flow position of the Group as a whole in the near future.

In order to strengthen the working capital of the Group and to improve the Group's financial position and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) The Group has been actively discussing with PRC banks for the renewal of PRC bank borrowings when those borrowings fall due in 2011. The Company is also in the progress to discuss with banks on additional bank facilities and financing solutions. The Group currently has the current portion of bank loans and other borrowings amounted to RMB345 million. According to the prior experience, the bank loans are expected to be rolled over.

(b) On 29 December 2009, the Company obtained two standby facilities, provided by Easyman and a shareholder, totaling to HK$130 million with 24 months' effective period from 30 December 2009 onwards. The available facilities balance are RMB52,712,000 as at 30 June 2011.

2. BASIS OF PREPARATION (Continued)

Basis of presentation (Continued)

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

In addition, at 30 June 2011, there are advances from customers amounting to RMB136 million included in the balance of other payables and accruals, which will be settled with our products instead of cash. Should the advances from customers be excluded from current liabilities, the Group would have net current assets amounting to approximately RMB675,000.

On the basis of abovementioned, the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due in the foreseeable future, and are of the opinion that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the interim condensed consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new and revised International Financial Reporting Standards (IFRSs, which also include IAS and interpretations) as set out below:

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*
IAS 24 (Revised)	Related Parties Disclosures
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010 (Issued in May 2010)*	Amendments to a number of IFRSs

* Improvements to IFRSs 2010 set out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording, including the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of the above new and revised IFRSs has had no significant financial impact on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Revenue		
Sale of goods:		
Stainless steel base materials	**691,701**	53,573
Bearing steel	**—**	26,598
Ni-Cr alloy steel ingot	**177,526**	44,433
Ni-Cr bearing steel	**—**	2,281
Ferro-nickel alloys and others	**21,906**	206,915
Limonitic ores	**523,210**	255,955
Total revenue	**1,414,343**	589,755
Other income		
Bank interest income	**5,947**	5,007
Sale of scrap materials and others	**3,580**	14,744
	9,527	19,751
Gains		
Gain on fair value adjustment of derivative financial instruments	**112,850**	—
Government grants	**4,580**	1,037
Foreign exchange gain, net	**4,614**	449
	122,044	1,486
Total other income and gains	**131,571**	21,237

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Staff costs (including Directors' remuneration):			
Salaries and other staff costs		**19,762**	15,793
Retirement benefit scheme contributions		**4,262**	3,029
Equity-settled share-based expense		**958**	2,010
Total staff costs		**24,982**	20,832
Amortisation of an intangible asset:			
Accumulated amortisation of exclusive offtake right		**72,805**	49,720
Less: Capitalised as cost of inventories		**(58,790)**	(37,671)
		14,015	12,049
Cost of inventories sold		**1,196,605**	489,004
Research costs		**36**	803
Auditors' remuneration		**2,094**	1,683
Depreciation	11	**55,310**	43,627
Provision for impairment for items of property, plant and equipment*		**—**	2,748
Amortisation of prepaid land lease payments		**4,134**	4,073
Amortisation of other non-current assets		**1,175**	3,130
Bank interest income		**(5,947)**	(5,007)
Gain on fair value adjustment of derivative financial instruments		**(112,850)**	—
Foreign exchange gain, net		**(4,614)**	(449)
Minimum lease payments under operating leases in respect of buildings and equipment		**3,426**	2,150

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	**67,703**	13,682
Interest on convertible bonds	**155,784**	44,960
Consent fee on convertible bonds	**–**	36,000
Total interest expenses	**223,487**	94,642
Less: Interest capitalised	**(98,764)**	(19,227)
Total finance costs	**124,723**	75,415

8. INCOME TAX

The applicable Hong Kong profits tax rate of the Company, Infonics International Limited ("Infonics"), Group Rise Trading Limited ("Group Rise") and S.E.A. Mineral Limited ("S.E.A.M"), which operates in Hong Kong is 16.5% for the period (six months ended 30 June 2010: 16.5%) based on existing legislation. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable income tax rate of CNR Group Holdings Pte Limited ("CNR Group Holdings"), a subsidiary of the Company incorporated in Singapore, was 5% for the six months ended 30 June 2011 (six months ended 30 June 2010: 5%). CNR Group Holdings was entitled to a five-year tax concessionary rate of 5% as it was awarded the Global Trader Programme status by International Enterprise Singapore, for the five years ending 31 December 2013, on the condition that its turnover meets a certain level within these five years.

8. INCOME TAX (Continued)

PT Mandan, a subsidiary of the Company incorporated in Indonesia, was subject to a single income tax rate of 25% for the six months ended 30 June 2011 (six months ended 30 June 2010: 25%).

According to the PRC Corporate Income Tax Law (the "New CIT Law") which became effective on 1 January 2008, the applicable income tax rate of Zhengzhou Yongtong Special Steel Co., Ltd. ("Yongtong Special Steel"), Zhengzhou Yongtong Alloy Metals Co., Ltd. ("Yongtong Alloy Metals"), Luoyang Yongan Special Steel Co., Ltd. ("Yongan Special Steel"), Zhengzhou Xiangtong Electricity Co., Ltd. ("Xiangtong Electricity"), Henan Yongtong Nickel Co. Ltd. ("Yongtong Nickel"), Lianyungang East Harvest Minerals Company Limited ("East Harvest Minerals") and Lianyungang City East Harvest Mining Company Limited ("East Harvest Mining"), subsidiaries of the Company, was 25% for the six months ended 30 June 2011 (six months ended 30 June 2010: 25%).

	Six months ended 30 June	
	2011	**2010**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Provision for income tax in respect of profit for the period:		
Current — Mainland China	**804**	154
Current — Singapore	**7,769**	2,385
Deferred	**7,180**	(26,640)
Total tax expense/(credit) for the period	**15,753**	(24,101)

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$0.002 per share).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,303,725,280 (six months ended 30 June 2010: 2,137,541,936) in issue during the Period.

Diluted

The calculation of diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the Zero Coupon Convertible Bonds, 10% Convertible Bonds and the Term Loan with Warrants, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the weighted average number of the ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Earnings	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**105,821**	15,283
Interest on Zero Coupon Convertible Bonds	***545**	*26,164
Interest on 10% Convertible Bonds	**61,772**	—
Interest on Term Loan with Warrants	**45,467**	—
Less: Gain on fair value adjustment of the derivative component of 10% Convertible Bonds	**(55,848)**	—
Gain on fair value adjustment of Warrants	**(57,002)**	—
	100,755	41,447

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

Shares	Number of shares Six months ended 30 June 2011	2010
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,303,725,280**	2,137,541,936
Effect of dilution — weighted average number of ordinary shares:		
— Share options	**2,638,354**	5,982,355
— Convertible notes	**—**	138,312,554
— Zero Coupon Convertible Bonds	***1,525,130**	*243,500,867
— 10% Convertible Bonds	**864,622,241**	—
— Term Loan with Warrants	**232,188,211**	—
	3,404,699,216	2,525,337,712

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

For the six months ended 30 June 2011

	Earnings/(loss) RMB'000 (Unaudited)	Number of shares
	100,755	**3,404,699,216**
Less the impact of:		
— Zero Coupon Convertible Bonds*	**(545)**	**(1,525,130)**
Amount adjusted and used in the diluted earnings per share calculation	**100,210**	**3,403,174,086**

For the six months ended 30 June 2010

	Earnings/(loss) RMB'000 (Unaudited)	Number of shares
	41,447	2,525,337,712
Less the impact of:		
— Zero Coupon Convertible Bonds*	(26,164)	(243,500,867)
Amount adjusted and used in the diluted earnings per share calculation	15,283	2,281,836,845

* Because the diluted earnings per share amount for the period ended 30 June 2011 is increased when taking Zero Coupon Convertible Bonds into account, Zero Coupon Convertible Bonds had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amount for the period ended 30 June 2011 is based on the earnings for the period attributable to ordinary equity holders of the parent of RMB100,210,000 and the weighted average of 3,403,174,086 ordinary shares in issue during the period.

11. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000 (Unaudited)
Carrying value at 1 January 2011	2,008,210
Additions	233,479
Disposals	(626)
Depreciation charge for the period	(55,310)
Foreign exchange realignment	(495)
Carrying value at 30 June 2011	2,185,258

12. INTANGIBLE ASSET

	Exclusive offtake right RMB'000 (Unaudited)
Net carrying amount at 1 January 2011	2,531,910
Amortisation provided during the period	(24,238)
Exchange realignment	(50,840)
Net carrying amount at 30 June 2011	2,456,832

13. INVENTORIES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Raw materials	**327,778**	418,921
Finished goods	**259,600**	282,203
Work in progress	**90,752**	108,059
Spare parts and consumables	**54,563**	50,526
	732,693	859,709

14. TRADE AND NOTES RECEIVABLES

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within 90 days	**137,554**	104,758
91 to 180 days	**19,247**	9,052
181 to 365 days	**111**	32
Over 1 year	**5,762**	9,020
	162,674	122,862
Less: Provision for impairment of trade receivables	**(3,544)**	(3,544)
	159,130	119,318

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Cash and bank balances	**94,234**	172,100
Time deposits on demand	**231,362**	301,996
	325,596	474,096
Less: Pledged time deposits for issuing bank acceptance notes (Note 16)	**(231,362)**	(301,505)
	(231,362)	(301,505)
Cash and cash equivalents	**94,234**	172,591

16. TRADE AND NOTES PAYABLES

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within 90 days	**333,350**	162,969
91 to 180 days	**264,614**	410,474
181 to 365 days	**18,016**	47,145
1 to 2 years	**14,116**	16,036
2 to 3 years	**7,819**	11,987
Over 3 years	**22,634**	23,920
	660,549	672,531

At 30 June 2011, notes payable of RMB346,127,000 (31 December 2010: RMB423,119,000) were secured by time deposits amounting to RMB231,362,000 (31 December 2010: RMB301,505,000) (note 15).

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	30 June 2011 Liabilities RMB'000 (Unaudited)	31 December 2010 Liabilities RMB'000 (Audited)
Warrants bifurcated from the host contract of Term Loan	18	**15,060**	73,062
Conversion option and redemption option bifurcated from the host contract of 10% Convertible Bonds	19	**5,565**	63,715
		20,625	136,777
Less: Portion classified as current — warrants bifurcated from the host contract of Term Loan	18	**(10,040)**	(31,312)
Non-current portion		**10,585**	105,465

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2011			31 December 2010		
	Notes	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current							
Bank loans — unsecured		**5.0–8.2**	**2011–2012**	**148,000**	4.8–6.8	2011	129,078
Bank loans — secured	(a)	**5.8–7.4**	**2011–2012**	**100,000**	5.3–6.6	2011	177,723
Other borrowings — unsecured	(b)	**0–6.9**	**2012**	**97,284**	0–7.5	2011	27,760
Other borrowings — secured	(c)	**9.5**	**2012**	**188,571**	9.5	2011	141,429
				533,855			475,990
Non-current							
Bank loans — unsecured		**6.2**	**2013**	**50,000**	5.0–6.2	2012 -2013	93,000
Other borrowings — unsecured	(b)	**8**	**2012**	**71,509**	5.7–8.0	2012	141,448
Other borrowings — secured	(c)	**9.5**	**2012**	**44,731**	9.5	2012	109,224
				166,240			343,672
				700,095			819,662

18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2011 Liabilities RMB'000 (Unaudited)	31 December 2010 Liabilities RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	**248,000**	306,801
In the second year	**–**	43,000
In the third year	**50,000**	50,000
	298,000	399,801
Other borrowings repayable:		
Within one year	**285,855**	169,189
In the second year	**116,240**	250,672
	402,095	419,861
	700,095	819,662

Notes:

(a) At 30 June 2011, the secured bank loans comprised of: (i) a bank loan of RMB50,000,000 (31 December 2010: RMB50,000,000) secured by a leasehold land in Mainland China with a net carrying amount of RMB70,554,000 (31 December 2010: RMB71,329,000); and (ii) a bank loan of RMB50,000,000 (31 December 2010: RMB50,000,000) secured by a leasehold land in Mainland China and buildings and plant and machinery with net carrying amounts of RMB17,911,000 (31 December 2010: RMB18,012,000) and RMB54,714,000 (31 December 2010: RMB56,503,000), respectively.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) At 30 June 2011, the unsecured other borrowings included: (i) a renewed interest-free loan of RMB10,000,000 (31 December 2010: RMB10,000,000) from Luoyang Municipal Ministry of Finance; (ii) a loan of RMB89,000 (31 December 2010: RMB589,000) from Xianghe Group Shangjie Power Engineering Co., Ltd., which bore interest at a floating rate from 5.4% to 7.5% per annum; (iii) a loan from a shareholder of the Company of US$2,500,000 (equivalent to RMB16,112,000) (31 December 2010: RMB16,486,000), which bore interest at a rate of 8% per annum; (iv) a loan of RMB87,196,000 (31 December 2010: RMB85,447,000) from Anyang Steel Group Company Limited, which bore interest at rate of 6.22% (31 December 2010: 5.97%) per annum; and (v) loans from the ultimate holder of the Company consisting of amounts of US$3,900,000, SG$5,642,666, and HK$5,000,000 (aggregately equivalent to RMB55,396,000) (31 December 2010: RMB56,686,000), which bore interest at a rate of 8% per annum.

(c) At 30 June 2011, the secured other borrowings represented a facility of a US$ equivalent amount of RMB330,000,000 (the "Term Loan") obtained by the Company in December 2010 by entering into a term loan agreement with Asia Equity Value Ltd. (the "Lender"), pursuant to which, the Company agreed, as a condition to the availability of the Term Loan, to issue to the Lender warrant instruments (the "Warrants").

The entire registered capital of East Harvest Minerals, a subsidiary of the Company, is pledged in favour of the Lender for the availability of the Term Loan. At 30 June 2011, the paid-up capital of East Harvest Minerals amounted to US$109,000,000, equivalent to RMB705,404,000 (31 December 2010: RMB740,207,000).

18. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(c) (Continued)

The movements of the liability and derivative components of the Term Loan for the six months ended 30 June 2011 are as follows:

	Liability component RMB'000 (Unaudited)	Derivative RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2011	250,653	73,062	323,715
Interest expenses	45,467	—	45,467
Repayment	(62,818)	—	(62,818)
Changes in fair value	—	(57,002)	(57,002)
Exchange realignment	—	(1,000)	(1,000)
At 30 June 2011	233,302	15,060	248,362
Portion classified as current	(188,571)	(10,040)	(198,611)
Non-current portion	44,731	5,020	49,751

The carrying amounts of the Group's borrowings approximate to their fair values.

19. CONVERTIBLE BONDS

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Liability component:			
Zero Coupon Convertible Bonds	(a)	**7,889**	7,521
10% Convertible Bonds	(b)	**1,069,904**	1,028,658
		1,077,793	1,036,179

(a) The movement of the liability component and equity component of HK$2,000 million zero coupon convertible bonds due in December 2012 (the "Zero Coupon Convertible Bonds") for the six months ended 30 June 2011 is as follows:

	Liability component of convertible bonds RMB'000 (Unaudited)	Equity component of convertible bonds RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2011	**7,521**	**–**	**7,521**
Interest expenses	**545**	**–**	**545**
Exchange realignment	**(177)**	**–**	**(177)**
At 30 June 2011	**7,889**	**–**	**7,889**

19. CONVERTIBLE BONDS (Continued)

(b) The movements of the liability component and derivatives of HK$1,374.8 million 10% convertible bonds due in December 2012 (the "10% Convertible Bonds") for the six months ended 30 June 2011 are as follows:

	Liability component of convertible bonds RMB'000 (Unaudited)	Derivatives RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2011	1,028,658	63,715	1,092,373
Interest expenses	155,239	—	155,239
Payment of interest	(64,601)	—	(64,601)
Conversion	(24,890)	(1,555)	(26,445)
Changes in fair value	—	(55,848)	(55,848)
Exchange realignment	(24,502)	(747)	(25,249)
At 30 June 2011	1,069,904	5,565	1,075,469

20. ISSUED CAPITAL

	Period ended 30 June 2011 Number of ordinary shares	Period ended 30 June 2011 RMB'000 (Unaudited)	Year ended 31 December 2010 Number of ordinary shares	Year ended 31 December 2010 RMB'000 (Audited)
Authorised (HK$0.1 each):				
At beginning and end of period/year	**5,000,000,000**	**479,200**	5,000,000,000	479,200
Issued and fully paid (HK$0.1 each):				
At beginning of period/year	**2,282,983,565**	**228,553**	2,093,630,385	210,006
Conversion of convertible bonds	**21,349,772**	**1,820**	6,619,076	563
Conversion of convertible notes	**–**	**–**	182,734,104	17,984
At end of period/year	**2,304,333,337**	**230,373**	2,282,983,565	228,553

21. CONTINGENT LIABILITIES

(a) CNR Group Holdings, a wholly-owned subsidiary of the Company, assigned its carrier to ship a cargo of 41,900 tons of iron ores from Indonesia to the PRC in November 2009. The vessel was stranded in November 2009 and salvors were engaged to salvage both the vessel and the cargo on board pursuant to the terms of the salvage contract entered into with the owner of the vessel. Subsequent to the salvage operation, the salvors claimed against both the owner of the vessel and CNR Group Holdings, as the owner of the cargo on board, for remuneration and salvage expenses. The salvors also exercised a lien against the cargo on board for their salvage expenses. CNR Group Holdings arranged for and put up a letter of guarantee issued by its bank in December 2009 in the amount of US$550,000 and procured its carrier to put up security in the sum of US$50,000, both as salvage security to the salvors.

In January 2010, CNR Group Holdings prepaid an average bond and general average deposit of USD12,500 to an average adjustor as security for the general average claims of the same marine casualty incident.

The Group received the cargo of iron ores in January 2010 without quality or quantity damage. Up to the approval date of these financial statements, the amount of awards and compensation to the salvors have not been determined and are subject to arbitrators' further adjustment of portions among CNR Group Holdings, its carrier and the owner of the vessel and no provision for the Group's share of the salvage expenses was made as at 30 June 2011.

The Directors believe the Group's share of the salvage expenses would not exceed the salvage security requested by the salvors and would not have significant impact on the financial position of the Group.

21. CONTINGENT LIABILITIES (Continued)

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

(i) the injunction restraining the Company from asserting its security rights in relation to an aircraft during the operational life of the aircraft;

(ii) as the alternative, equitable damages in lieu of the claimed injunction; and

(iii) as the further alternative, damages for breach of contract in respect of certain agreements between them and the Company (collectively referred to as the "Claims").

The aforesaid agreements were entered into between the Company and the two companies in March 2008 in respect of a nickel ores project. To facilitate the transportation for such project, the Company advanced US$3.2 million to one of the two companies to purchase the aforesaid aircraft and the advance was secured, amongst others, by the aircraft which was included in the Company's property, plant and equipment as at 31 December 2009. The aforesaid agreements were subsequently terminated in July 2008 and the Company, on 10 February 2009, requested repayment of the advance.

On 25 and 31 March 2010, the interim application was heard by the Court and the Company was successful in the interim hearing. The decision of the Court meant that the Company was able to take steps to enforce its rights to the aircraft. No comments were made about the strength of the damages claim in the interim hearing.

The aforesaid decision of the Court is an interim result only. These two companies could appeal the interim decision and be still seeking the abovementioned Claims.

Based on the above available evidence and subject to discoveries, the Directors of the Company considered that there were valid defenses to the Claims and the Company had a good chance of success in the final hearing.

22. COMMITMENTS

Capital commitments

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**258,369**	380,659

Operating lease commitments

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to three years.

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Within one year	**3,182**	2,704
In the second to fifth years, inclusive	**2,256**	1,288
	5,438	3,992

23. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2011:

		Six months ended 30 June	
		2011	2010
Names of related parties	Nature of transactions	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Yiwan Mining (Note a)	Purchase of iron ores (Note b)	**154,869**	63,315
Easyman	Loan provided by the related company (Note c)	**–**	27,316
Easyman	Interest expense (Note c)	**2,352**	–
Anyang Steel Group Company Limited (Note d)	Interest expense (Note e)	**1,748**	2,034

23. RELATED PARTY TRANSACTIONS (Continued)

(i) (Continued)

Notes:

(a) Easyman is a company wholly owned by Mr. Dong Shutong, an executive Director and a substantial shareholder of the Company. The Directors consider that Mr. Dong Shutong through Easyman, as a lender of Yiwan Mining, has an indirect economic interest in Yiwan Mining.

(b) The transactions were carried out based on the terms agreed by the parties under an exclusive offtake agreement signed between Yiwan Mining and the Group in March 2007.

(c) The loan in the amount of RMB27,316,000 was provided by Easyman and is unsecured, repayable by 2012 and bears an interest rate of 8% per annum.

(d) This company is a non-controlling shareholder of a subsidiary of the Group.

(e) The loan in the amount of RMB68,096,000 was provided by Anyang Steel Group Company Limited and is unsecured, repayable by 2012 and bears an interest rate of 6.22% per annum.

23. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	**421**	399
Salary, allowances and benefits	**1,344**	1,492
Employee share option benefits	**213**	420
Pension scheme contributions	**15**	17
	1,993	2,328

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2011.

Other Information

DISCLOSURE OF INTERESTS

(a) Directors' Interests in Contracts

On 5 March 2007, S.E.A. Mineral Limited ("S.E.A.M") entered into an Exclusive Offtake Agreement with PT Yiwan Mining ("Yiwan Mining") (the "Exclusive Offtake Agreement"), a limited company incorporated in 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 minimum 40 million dry tones of iron ores throughout a period of approximately 14 years expiring on 24 January 2021, which has subsequently been extended by a supplemental agreement to 24 January 2036.

By virtue of the convertible bonds issued by Yiwan Mining to Easyman Assets Management Limited ("Easyman") which is wholly owned by Mr.Dong Shutong ("Mr. Dong"), Executive Director and Chairman of the Board. Mr. Dong had an indirect interest in the Exclusive Offtake Agreement.

Further details of the transaction undertaken in connection therewith are included in note 23 to the interim condensed consolidated financial statements. Save as disclosed above and in the paragraph headed "CONNECTED TRANSACTIONS" as set out on page 63 of this interim report, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

(b) Directors' Interests in Competing Businesses

As at 30 June 2011, 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.

(c) Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (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 shares of the Company

Name of directors	Capacity in which interests are held	Number of shares	Approximate percentage to the issued share capital of the Company
Mr. Dong Shutong	Held by controlled corporations	1,394,106,705 (Note 1)	60.5%
Mr. Dong Chengzhe	Beneficial owner	200,000	0.01%

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

Name of Director	Capacity in which interests are held	Number of underlying shares held	Approximate percentage to the issued share capital of the Company
Mr. Dong Shutong	Beneficial owner (Note 3)	5,000,000	0.22%
Mr. Lau Hok Yuk (Note 2)	Beneficial owner (Note 3)	3,000,000	0.13%
Mr. Song Wenzhou	Beneficial owner (Note 3)	1,020,000	0.04%
Mr. Zhao Ping	Beneficial owner (Note 3)	4,250,000	0.18%
Mr. Dong Chengzhe	Beneficial owner (Note 3)	1,275,000	0.06%
Mr. Yang Fei	Beneficial owner (Note 3)	1,275,000	0.06%

Notes:

1. 1,371,074,705 shares and 23,032,000 shares are held directly by Easyman Assets Management Limited ("Easyman") and Sino Regent Worldwide Limited ("Sino Regent") respectively. These two companies are wholly-owned by Mr. Dong Shutong ("Mr. Dong"). By virtue of the SFO, Mr. Dong is deemed to be beneficial interested in these shares.

2. The share options granted to Mr. Lau Hok Yuk will be lapsed on 1 September 2011, one month after his employment with the Company ceased.

3. These 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 to the Director(s) who exercise(s) the rights.

(d) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2011, shareholders (other than the interest disclosed above in respect of the Director who is also substantial shareholder of the Company) who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long/Short positions in the shares/underlying shares of the Company as at 30 June 2011:

Name of shareholders	Capacity in which interests are held	Number of shares/underlying shares held		Percentage of the issued share capital of the Company	
		Long positions	Short positions	Long positions	Short positions
Asia Equity Value Limited	Beneficial owner	373,226,563 (note 1)	110,000,000 (note 2)	16.20%	4.77%
Easyman Assets Management Limited	Beneficial owner	1,371,074,705	Nil	59.50%	Nil
Soen Bin Kuan	Beneficial owner	182,734,104	Nil	7.93%	Nil

Notes:

1. These include 263,226,563 non-listed warrants issued by the Company pursuant to the Term Loan Agreement entered into between the Company and Asia Equity on 2 December 2010.

2. These represent the right of Easyman to acquire from Asia Equity 110,000,000 shares in the Company pursuant to the Option Agreement.

Save as disclosed above, as at 30 June 2011, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 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.

Details of movements in the Company's share options during the period are as follows:

	No. of share options						
	At 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2011	Exercise price of share options* HK$	Weighted average closing price immediately before exercise date of options HK$
Name of director							
Mr. Dong Shutong	5,000,000	–	–	–	5,000,000	1.07	–
Mr. Lau Hok Yuk#	3,000,000	–	–	–	3,000,000	1.91	–
Mr. Song Wenzhou	1,020,000	–	–	–	1,020,000	1.07	–
Mr. Zhao Ping	4,250,000	–	–	–	4,250,000	1.91	–
Mr. Dong Chengzhe	1,275,000	–	–	–	1,275,000	1.91	–
Mr. Yang Fei	1,275,000	–	–	–	1,275,000	1.91	–
Sub-total for number of share options to directors	15,820,000	–	–	–	15,820,000		
Other employees							
	11,900,000	–	–	–	11,900,000	1.07	–
	3,000,000	–	–	–	3,000,000	2.37	–
	12,955,000	–	–	(305,000)	12,650,000	2.45	–
Sub-total for number of share options to employees	27,855,000	–	–	(305,000)	27,550,000		
Total	43,675,000	–	–	(305,000)	43,370,000		

Notes:

* 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 share options granted to Mr. Lau Hok Yuk will be lapsed on 1 September 2011, one month after his employment with the Company ceased.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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.

CONNECTED TRANSACTIONS

Pursuant to the extraordinary general meeting of the Company held on 28 January 2010, the Company's independent shareholders approved the continuing connected transactions in relation to the exclusive ores purchase from Yiwan Mining. According to the Exclusive Offtake Agreement entered into between Yiwan Mining and S.E.A.M., an indirect wholly owned subsidiary of the Company, in connection with the purchasing of ore, Yiwan Mining agreed to supply ore to S.E.A.M. with effect from 1 January 2010 to 31 December 2012. According to the Exclusive Offtake Agreement, the prices for these continuing connected transactions will be US$16.00 per dry tonne and these transactions will be entered into in usual and ordinary course of business of the Group. The annual cap for these transactions for the years ending 31 December 2010, 2011 and 2012 will not exceed HK$483.8 million, HK$483.8 million and HK$725.7 million, respectively.

During the period, the Company had purchased US$24.0 million (approximately RMB154.9 million) (corresponding period of 2010: US$9.7 million (approximately RMB63.3 million)) ore from Yiwan Mining.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 May 2005 in compliance with Rule 3.21 of the Listing Rules. The audit committee consists of the three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Bai Baohua and Mr. Huang Changhuai. Mr. Wong Chi Keung is the chairman of the audit committee.

The Audit Committee has adopted the terms of reference in line with the Code on Corporate Governance Practices issued by the Stock Exchange. The principal duties of the Audit Committee include the review and supervision of the Group's internal control process including a review of the unaudited interim financial information for the six months ended 30 June 2011 and financial reporting.

REMUNERATION COMMITTEE

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 10 April 2006 in compliance with the Code on Corporate Governance Practices.

The remuneration committee consists of the three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Bai Baohua, Mr. Huang Changhuai and an executive Director, Mr. Dong Shuntong.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2011, the Group had approximately 4,000 employees, of whom 30 were management personnel. The Group implemented a duty and performance linked remuneration distribution policy. The remuneration of an employee consists of basic salary and performance-based bonus. During the period, the staff costs of the Group amounted to RMB40,961,000 (2010 corresponding period: RMB33,831,000).

CORPORATE GOVERNANCE

(a) Compliance with the Code on Corporate Governance Practices

Throughout the six months ended 30 June 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, save for the following code provision:

A.2.1 the chairman of the Board, Dong Shutong, served as the Chairman and Chief Executive Officer of the Company. A deputy chief executive officer, Ms. Ng See Wai, has been appointed on 1 August 2011 to share the duty of Mr. Dong Shutong in overseeing the Company's operations. The Board believes that the newly formed position pursuit the best interests of the Company and the Shareholders as a whole on the job segregation.

Besides, important decision-making and the daily operational management of the Company are implemented after the discussion of the Board.

In pursuit of the good standard of corporate governance the Board reviews the corporate governance principles and practices of the Company from time to time in order to meet the rising expectations of the Shareholders and to comply with the increasing stringent regulatory requirements.

(b) Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the standard set out in the Model Code during the six months ended 30 June 2011.

On behalf of the Board
Mr. Dong Shutong
Chairman

Hong Kong, 31 August 2011