

CHINA NATURAL RESOURCES INC  
Form 20-F  
April 27, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 20-F**

**(Mark One)**

..  
**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR  
(g) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

OR

b  
**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT  
OF 1934**

For the fiscal year ended December 31, 2014

OR

..  
**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE  
ACT OF 1934**

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

OR

..  
**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE  
ACT OF 1934**

Date of event requiring shell company report \_\_\_\_\_

Commission file number: **0-26046**

**CHINA NATURAL RESOURCES, INC.**

*(Exact name of Registrant as specified in its charter)*

**Not Applicable**

*(Translation of Registrant's name into English)*

**British Virgin Islands**

*(Jurisdiction of incorporation or organization)*

**Room 2205, 22/F, West Tower, Shun Tak Centre,  
168-200 Connaught Road Central, Sheung Wan, Hong Kong**

*(Address of principal executive offices)*

**Bonaventure Yue, Chief Financial Officer**

**Room 2205, 22/F, West Tower, Shun Tak Centre,  
168-200 Connaught Road Central, Sheung Wan, Hong Kong**

**bonyue@chnr.net**

*(Name, telephone number, e-mail and/or facsimile number and address of Registrant's contact person)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<i>Title of each class</i>	<i>Name of each exchange on which registered</i>
<b>Common Shares, without par value</b>	<b>NASDAQ Capital Market</b>

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 24,910,916 common shares as of December 31, 2014.

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registration has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
By the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No



## CONVENTIONS

Unless otherwise specified, all references in this Annual Report to "U.S. Dollars," "Dollars," "US\$," or "\$" are to United States dollars; all references to "Hong Kong Dollars" or "HK\$" are to Hong Kong dollars; and all references to "Renminbi" or "CNY" are to Renminbi Yuan, which is the lawful currency of the People's Republic of China ("China" or the "PRC"). The accounts of the Company and its subsidiaries are maintained in either Hong Kong Dollars or Renminbi. The financial statements of the Company and its subsidiaries are prepared in Renminbi. Translations of amounts from Renminbi to U.S. Dollars and from Hong Kong Dollars to U.S. Dollars are for the convenience of the reader. Unless otherwise indicated, any translations from Renminbi to U.S. Dollars or from U.S. Dollars to Renminbi have been made at the single rate of exchange (the "CNY Exchange Rate") as quoted by Bloomberg Finance L.P. ( Bloomberg ) on December 31, 2014, which was US\$1.00 = CNY6.2055. Translations from Hong Kong Dollars to U.S. Dollars have been made at the official pegged exchange rate of US\$1.00 = HK\$7.80 as of December 31, 2014. The Renminbi is not freely convertible into foreign currencies and no representation is made that the Renminbi or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Renminbi, as the case may be, at the CNY Exchange Rate or at all.

\*References to Baiping Mining are to Jinsha Baiping Mining Co., Ltd., a company organized in the PRC and a 70%-owned subsidiary of Guizhou Puxin.

\*References to Bijie Feishang are to Bijie Feishang Energy Co., Ltd., a company organized in the PRC and a wholly-owned subsidiary of Guizhou Puxin.

References to "China Resources" are to China Resources Development, Inc., a Nevada company, and the predecessor to CHNR.

References to the Company or CHNR are to China Natural Resources, Inc. (formerly known as Billion Luck Company Ltd.), a British Virgin Islands company, which was the surviving company to a merger between China Resources and CHNR on December 9, 2004 (the Redomicile Merger ). Unless the context otherwise requires, the Company and/ or CHNR includes the operations of its predecessor and subsidiaries.

References to "Central Government" refer to the national government of the PRC and its various ministries, agencies, and commissions.

References to common shares are to the common shares, without par value, of CHNR after the Redomicile Merger.

References to "common stock" are to the common stock, \$0.001 par value, of China Resources.

References to "China Coal" are to China Coal Mining Investment Limited, a company organized in Hong Kong and a wholly-owned subsidiary of CHNR.

\*References to Dayuan Coal are to Guizhou Nayong Dayuan Coal Mining Co., Ltd., a company organized in the PRC and a wholly-owned subsidiary of Guizhou Puxin.

References to Distribution are to a special interim dividend declared by the Company satisfied by way of a distribution in specie of the entire issued share capital of Feishang Anthracite, being an aggregate of 124,554,580 ordinary shares in the capital of Feishang Anthracite with a par value of HK\$0.01 each.

References to "Distribution Record Date" are to January 13, 2014, being the record date for ascertaining entitlements to the Distribution.

\*References to "Feishang Anthracite" are to Feishang Anthracite Resources Limited (formerly known as Wealthy Year Limited), a company organized in the British Virgin Islands whose ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on January 22, 2014, and, until January 22, 2014, a wholly-owned subsidiary of the Company.

References to "Feishang Dayun" are to Feishang Dayun Coal Mining Limited, a company organized in Hong Kong and a wholly-owned subsidiary of Pineboom.

References to "Feishang Enterprise" are to Feishang Enterprise Group Limited, a related company organized in the PRC and controlled by Mr. Li Feilie, the Chairman and CEO of the Company.

References to "Feishang Management" are to Shenzhen Feishang Management and Consulting Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Yunnan Mining.

References to Feishang Mining are to Feishang Mining Holdings Limited, a company organized in the British Virgin Islands and, since February 3, 2006, a wholly-owned subsidiary of CHNR.

References to Feishang Yongfu are to Feishang Yongfu Mining Limited, a company organized in Hong Kong and a wholly owned subsidiary of Newhold.

References to FMH Services are to FMH Corporate Services Inc., a company organized in Florida and, a wholly-owned subsidiary of CHNR.

References to "GAAP" or U.S. GAAP are to generally accepted accounting principles of the United States.

\*References to Gouchang Coal are to Nayong Gouchang Coal Mining Co. Ltd., a company organized in the PRC and a 99%-owned subsidiary of Guizhou Puxin.

References to the Group are to the Company and its directly or indirectly owned subsidiaries.

\*References to Guizhou Dayun are to Guizhou Dayun Mining Co., Ltd., a company organized in the PRC and a wholly-owned subsidiary of Yangpu Dashi.

\*References to Guizhou Fuyuantong are to Guizhou Fuyuantong Energy Co., Ltd., a company organized in the PRC and a wholly-owned subsidiary of Smartact.

\*References to Guizhou Puxin are to Guizhou Puxin Energy Co., Ltd., a company organized in the PRC and a wholly-owned subsidiary of Guizhou Fuyuantong.

\*References to Guizhou Yongfu are to Guizhou Yongfu Mining Co., Limited, a company organized in the PRC and a 70%-owned subsidiary of Guizhou Puxin.

References to IFRS are to International Financial Reporting Standards as issued by the International Accounting Standards Board.

\*References to Jinsha Juli are to Jinsha Juli Energy Co., Ltd., a company organized in the PRC which is 99% owned by Guizhou Puxin and 1% owned by Beijie Feishang.

References to JORC are to the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy. The JORC has established a code for the reporting of mineral resources and ore reserves that is widely accepted as a standard for professional reporting purposes.

\*References to Linjiaao Coal are to Liuzhi Linjiaao Coal Mining Co., Ltd., a company organized in the PRC and a 99%-owned subsidiary of Guizhou Puxin.

References to "Local Governments" are to governments in the PRC, including governments at all administrative levels below the Central Government, including provincial governments, governments of municipalities directly under the Central Government, municipal governments, county governments, and township governments.

References to "Newhold" are to Newhold Investments Limited, a company organized in the British Virgin Islands and a wholly-owned subsidiary of the Company.

References to "Pineboom" are to Pineboom Investments Limited, a company organized in the British Virgin Islands and a wholly-owned subsidiary of the Company.

References to the "PRC" or "China" include all territory claimed by or under the control of the Central Government, except Hong Kong, Macao, and Taiwan.

References to "PRC Government" include the Central Government and Local Governments.

References to "Provinces" include provinces, autonomous regions, and municipalities directly under the Central Government of the PRC.

References to Series B preferred shares are to the Series B preferred shares, without par value, of CHNR, after the Redomicile Merger.

References to "Series B preferred stock" are to the Series B preferred stock, \$.001 par value, of China Resources.



References to "shareholders" of CHNR are to the members of China Natural Resources, Inc., a British Virgin Islands corporation. Members under British Virgin Islands law are the equivalent of "shareholders" under the laws of the several states of the United States.

\*References to "Shenzhen Chixin" are to Shenzhen Chixin Information and Consulting Co., Ltd., a company organized in the PRC and a wholly-owned subsidiary of Guizhou Puxin.

References to "Silver Moon" are to Silver Moon Technologies Limited, a company organized in the British Virgin Islands and an 80%-owned subsidiary of the Company. Silver Moon is currently inactive.

\*References to "Smartact" are to Hong Kong Smartact Limited, a company organized in Hong Kong and a wholly-owned subsidiary of Feishang Anthracite.

References to "Spin-Off" are to the January 22, 2014 Distribution to the Company's shareholders of the outstanding shares of Feishang Anthracite, which operated the Company's coal mining and related business prior to January 22, 2014.

References to "Sunwide" are to Sunwide Capital Limited, a company organized in the British Virgin Islands and a wholly-owned subsidiary of the Company. Sunwide is currently inactive.

References to "Wuhu Feishang" are to Wuhu Feishang Mining Development Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Feishang Mining.

\*References to "Xinsong Coal" are to Liuzhi Xinsong Coal Mining Co., Ltd., a company organized in the PRC and a 99%-owned subsidiary of Guizhou Puxin.

\*References to "Yangpu Dashi" are to Hainan Yangpu Dashi Industrial Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Guizhou Puxin.

References to "Yangpu Lianzhong" are to Yangpu Lianzhong Mining Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of China Coal.

References to "Yangpu Shuanghu" are to Yangpu Shuanghu Industrial Development Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Feishang Yongfu.

References to "Yunnan Mining" are to Yunnan Feishang Mining Co., Limited, a company organized in the PRC and a wholly-owned subsidiary of Wuhu Feishang.

\*

*Collectively these companies comprise the coal business held by Feishang Anthracite that was subject of the January 22, 2014 Spin-Off, and are no longer owned by the Company.*

## Forward-Looking Statements

This Annual Report contains statements that constitute forward-looking statements within the meaning of Federal securities laws. These statements appear in a number of places in this Annual Report and include, without limitation, statements regarding the intent, belief and current expectations of the Company, its directors or its officers with respect to the Company's policies regarding investments, dispositions, financings, conflicts of interest and other matters; and trends affecting the Company's financial condition or results of operations. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statement as a result of various factors. Among the risks and uncertainties that could cause our actual results to differ from our forward-looking statements are our intent, belief and current expectations as to business operations and operating results, uncertainties concerning our ability to sustain operations, uncertainties regarding the governmental, economic and political circumstances in the People's Republic of China, risks and hazards associated with the Company's mining activities, uncertainties associated with metal price volatility, uncertainties associated with the Company's reliance on third-party contractors uncertainties relating to possible future increases in operating expenses, including costs of labor and materials, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including without limitation the information set forth in Item 3.D. of this Annual Report under the heading, "Risk Factors". With respect to forward-looking statements that include a statement of its underlying assumptions or bases, the Company cautions that, while it believes such assumptions or bases to be reasonable and has formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished.

## **PART I**

### **ITEM 1.**

#### **IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

No disclosure is required in response to this Item.

### **ITEM 2.**

#### **OFFER STATISTICS AND EXPECTED TIMETABLE**

No disclosure is required in response to this Item.

### **ITEM 3.**

#### **KEY INFORMATION**

##### **A.**

##### **Selected Financial Data**

On February 3, 2006 (the Acquisition Date), we consummated the acquisition of all of the issued and outstanding capital stock of Feishang Mining (the Acquisition). Our acquisition of Feishang Mining was accounted for using the purchase method of accounting and was treated as a reverse acquisition because on a post-merger basis, the former Feishang Mining shareholder holds 86.4% of our outstanding common shares. As a result, Feishang Mining is deemed to be the acquirer for accounting purposes. We have retroactively restated our issued share capital to reflect the acquisition by Feishang Mining. The selected financial data are stated in CNY and are derived from the audited consolidated financial statements of the Company for the years ended December 31, 2010, 2011, 2012, 2013 and 2014, prepared and presented in accordance with IFRS. Details of the Company's acquisition of Feishang Mining are described elsewhere in this Annual Report.

We adopted IFRS effective as of and for the fiscal year ended December 31, 2011 by applying IFRS 1: First Time Adoption of International Reporting Standards. Our consolidated financial statements as of and for the year ended December 31, 2010 were originally prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and were restated in accordance with IFRS for comparative purposes only.

In accordance with rule amendments adopted by the U.S. Securities Exchange Commission, or SEC, which became effective on March 4, 2008, we do not provide a reconciliation to U.S. GAAP for financial information prepared in accordance with IFRS. The selected financial information as of and for the years ended December 31, 2010, 2011, 2012, 2013 and 2014 set forth below should be read in conjunction with, and is qualified in its entirety by reference to Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements and the notes thereto included elsewhere in this Annual Report.

The statements of profit or loss data for each of the years ended December 31, 2012, 2013 and 2014 and the statements of financial position data as of December 31, 2013 and 2014 are derived from our audited consolidated financial statements included in Part III, Item 18, "Financial Statements" of this Annual Report. The statements of financial position data as of December 31, 2010, 2011 and 2012 are derived from our audited consolidated financial statements that are not included in this Annual Report. Our historical results are not necessarily indicative of our results in any future period.

In accordance with IFRS 5, statements of profit or loss have been restated retrospectively for all periods presented due to the approval of the Spin-Off and listing by way of introduction on the Hong Kong Stock Exchange of the Company's wholly owned subsidiary, Feishang Anthracite, which operated the Company's coal mining and related business. The Spin-Off was completed on January 22, 2014. The coal mining and related operations are therefore presented as discontinued operations.

	<b>Amounts in thousands, except share amounts and per share data</b>				
	<b>Year Ended December 31, 2010 CNY</b>	<b>Year Ended December 31, 2011 CNY</b>	<b>Year Ended December 31, 2012 CNY</b>	<b>Year Ended December 31, 2013 CNY</b>	<b>Year Ended December 31, 2014 CNY</b>
<b>Statements of Profit or Loss Data</b>					
Revenue	54,686	42,940	14,728	41,360	8,303
Cost of sales	(28,086)	(21,245)	(9,036)	(25,101)	(6,563)
Gross profit	26,600	21,695	5,692	16,259	1,740
Profit/(loss) before income taxes from continuing operations	18,200	3,069	(15,356)	857	(26,384)

Profit/(loss) for the year from continuing operations attributable to:					
Owners of the Company	12,117	(1,216)	(14,391)	(1,285)	(33,223)
Non-controlling interests	12,117	(1,216)	(14,391)	(1,285)	(33,223)

	<b>Amounts in thousands, except share amounts and per share data</b>				
	<b>Year Ended December 31, 2010 CNY</b>	<b>Year Ended December 31, 2011 CNY</b>	<b>Year Ended December 31, 2012 CNY</b>	<b>Year Ended December 31, 2013 CNY</b>	<b>Year Ended December 31, 2014 CNY</b>
Profit/(loss) from discontinued operations attributable to: Owners of the Company	560,134	(64,759)	(75,312)	(334,119)	(9,925)
Non-controlling interests	(4,141)	(141)	8,256	(418)	(783)
	555,993	(64,900)	(67,056)	(334,537)	(10,708)
Profit/(loss) attributable to: Owners of the Company *	572,251	(65,975)	(89,703)	(335,404)	(43,148)
Non-controlling interests	(4,141)	(141)	8,256	(418)	(783)
	568,110	(66,116)	(81,447)	(335,822)	(43,931)
Earning/(loss) per share:					
Basic					
For earning/(loss) from continuing operations	0.54	(0.05)	(0.58)	(0.05)	(1.33)
For earning/(loss) from discontinued operations	24.96	(2.74)	(3.02)	(13.41)	(0.40)
	25.50	(2.79)	(3.60)	(13.46)	(1.73)
Diluted					
For earning/(loss) from continuing	0.53	(0.05)	(0.58)	(0.05)	(1.33)

operations For earning/(loss) from discontinued operations	24.62 25.15	(2.74) (2.79)	(3.02) (3.60)	(13.41) (13.46)	(0.40) (1.73)
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Weighted average number of shares outstanding					
Basic	22,443,416	23,613,238	24,910,916	24,910,916	24,910,916
Diluted	22,751,864	23,613,238	24,910,916	24,910,916	24,910,916

**Statements of  
Financial  
Position Data**

Total assets	2,028,929	2,418,168	2,854,260	3,024,564	80,036
Current assets **	176,475	255,733	347,255	2,997,211	62,524
Current liabilities **	328,461	585,046	1,097,879	2,568,144	37,827
Total equity	535,909	625,893	546,875	255,518	22,614
Non-controlling interests	85,826	85,685	93,941	93,523	
Equity attributable to Owners of the Company	450,083	540,208	452,934	161,995	22,614
Capital stock	312,081	312,081	312,081	312,081	312,081

\*

Including gain from bargain purchase of Guizhou Puxin and its five subsidiaries including Baiping Mine, Dayuan Coal, Gouchang Coal, Linjiaao Coal and Xinsong Coal of CNY624,148 (US\$100,580) in 2010.

\*\*

In December 2013, the assets and liabilities of the coal mining segment and related business were reclassified to held for distribution, only as at December 31, 2013, and not as at the other year ends in the table.





The Company has not paid any dividends with respect to its common shares and has no present plan to pay any dividends in the foreseeable future. The Company intends to retain its earnings to support the development of its business. Any dividends paid in the future by the Company will be paid at the discretion of the Company's Board of Directors and will be dependent upon distributions, if any, made by its subsidiaries, and on the Company's results of operations, its financial condition and other factors deemed relevant by the Board of Directors. In accordance with the relevant PRC regulations and the Articles of Association of companies incorporated in the PRC, appropriations of net income of wholly owned foreign enterprises and sino-foreign joint venture companies as reflected in its statutory financial statements are to be allocated to either (i) each of the general reserve, enterprise expansion reserve and staff bonus and welfare reserve, respectively, or (ii) statutory reserve, as determined by the resolution of the Board of Directors annually. Prior to the Acquisition, the Board of Directors of Wuhu Feishang declared and paid dividends of CNY44.01 million (US\$7.09 million) and CNY38.46 million (US\$6.20 million) on February 28, 2005 and January 27, 2006, respectively. Wuhu Feishang declared dividends of CNY127.10 million (US\$20.48 million) to its parent on April 27, 2012 which were paid in 2013. On June 28, 2013, Feishang Mining declared and paid dividends of CNY127.10 million (US\$20.48 million) to the Company. On September 24, 2014, Wuhu Feishang declared dividends of CNY39.24 million (US\$6.32 million) to its parent.

### Exchange Rates

The Company's reporting currency is Renminbi. Translations of amounts from Renminbi to U.S. Dollars are for the convenience of the reader. The following table provides information concerning the exchange rate of Renminbi for U.S. Dollars during the preceding five years, and the preceding six months. The rate of exchange means the rate quoted by Bloomberg L.P. The Renminbi is not freely convertible into foreign currencies and the quotation of exchange rates does not imply convertibility of Renminbi into U.S. Dollars or other currencies. All foreign exchange transactions take place either through the Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China, the PRC's central bank. No representation is made that the Renminbi or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Renminbi, as the case may be, at the CNY Exchange Rate or at all.

The exchange rate on April 22, 2015 was US\$1.00 = CNY6.1950.

The following table reflects the high and low exchange rates for each month during the previous six months:

MONTH	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
High	6.1401	6.1450	6.2257	6.2556	6.2694	6.2747
Low	6.1114	6.1126	6.1500	6.1883	6.2405	6.1959

The following table reflects the average exchange rate for each of the preceding five years, calculated by using the average of the exchange rates on the last day of each month during the period:

YEAR	2010	2011	2012	2013	2014
High	6.8338	6.6350	6.3885	6.2445	6.2598
Low	6.6070	6.2949	6.2223	6.0543	6.0406

Average for period	6.7666	6.4479	6.2993	6.1417	6.1711
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**B.**

**Capitalization and Indebtedness**

No disclosure is required in response to this Item.

**C.**

**Reasons for the Offer and Use of Proceeds**

No disclosure is required in response to this Item.

D.

## Risk Factors

### Risks Relating to Metal Mining Operations

*We depend on our ability to obtain mining rights in order to sustain operations; and various factors impact on our retention of mining rights and the continued availability of minerals which to mine. We may be unable to successfully compete for mineral rights with companies having greater financial resources than we have.*

We currently conduct mining operations at one mine – Yangchong Mine - and the life of probable iron ore reserves is coming to an end. We estimate that probable iron reserves at the Yangchong Mine will be depleted during 2016. Further, we are subject to the jurisdiction of local and provincial governmental authorities that have suspended operations of mines, including mines previously operated by the Company, in furtherance of environmental initiatives by governmental authorities that have led to the designation of certain mines as exploration restricted areas.

For example, prior to November 2013, we conducted exploration and mining operations at four non-ferrous mines located in the PRC, and we submitted our application to renew the exploration rights for three of these mines on their expiry. In November 2013, the Fanchang County Bureau of Land and Resources redesignated the Sichong Mine, the Baiguochong Mine and the Luojiachong Mine as exploration restricted areas. As a result, the Company's exploration rights at these mines were not renewed and further exploration activities at these mines have ceased. We are dependent on acquiring mining rights in order to generate revenues and the non-renewal of our exploration rights at these mines limits our mining operations unless and until we are able to secure mining rights at additional mines.

For the foregoing and other reasons, many of which are outside of our control, mining permits are difficult to obtain and retain, mines have limited lives and the number of mines at which mining can be conducted is limited. As a result, we seek to expand mineral reserves through the acquisition of additional mining rights. However, as there is a limited supply of desirable mineral deposits in the PRC, we face strong competition for mining rights from other mining companies, some of which have greater financial resources than we have. We may not be able to acquire attractive mineral rights on acceptable terms and, even if we are able to do so, we may be unable to retain the mining rights. If we are unable to identify, acquire and retain additional mining rights, we may be required to cease operations.

*If we are unable to fund our capital expenditure requirements our growth and profitability may be adversely affected.*

Our continued growth is dependent upon our ability to generate increased revenue from our existing operations and to raise capital from outside sources. We believe that in order to continue to capture additional market share and generate additional revenue, we will be required to raise additional capital to fund the acquisition of additional mines and mining rights. In the future we may be unable to obtain the necessary financing on a timely basis and on acceptable terms, and our failure to do so may adversely affect our financial position, competitive position, growth and profitability. Our ability to obtain acceptable financing at any time may depend on a number of factors, including:

.  
our financial condition and results of operations;

the condition of the PRC economy and the mining industry in the PRC; and

general conditions in relevant financial markets in the United States, the PRC and elsewhere in the world.

***We may not be able to effectively control and manage our growth.***

If our business and markets grow and develop, it will be necessary for us to finance and manage expansion in an orderly fashion. We may face challenges in identifying attractive mining sites, additional mining rights and/ or complementary mining businesses, acquiring those rights, sites and/ or businesses, integrating their activities with ours and managing them profitably. Such eventualities will increase demands on our existing management, workforce and facilities. Failure to satisfy such increased demands could interrupt or adversely affect our operations and cause administrative inefficiencies.

In addition, the minable ore at Yangchong Mine will likely be depleted during 2016. At this time, we have no operating assets other than Yangchong Mine. Management is in the process of seeking additional mining licenses, as well as exploring new businesses opportunities, that will enable us to sustain operations following depletion of minable ore at Yangchong Mine. However, to date we have not identified new mining licenses or new business opportunities for acquisition. If we are unable to identify and acquire additional mines or new business opportunities, we may be required to cease operations.

*We are subject to numerous risks and hazards associated with the mining industry.*

Our mining operations are subject to a number of risks and hazards including:

- .
- environmental hazards;
- .
- industrial accidents;
- .
- unusual or unexpected geologic formations;
- .
- explosive rock failures; and
- .
- flooding and periodic interruptions due to inclement or hazardous weather conditions.

Such risks could result in:

- .
- damage to or destruction of mineral properties or production facilities;
- .
- personnel injury or death;
- .
- environmental damage;
- .
- delays in mining;
- .
- monetary losses; and
- .

legal liability.

We emphasize environmental protection in our operations and related activities, and a significant financial commitment has been made towards the construction of environmental protection facilities and the establishment of a sound environmental protection management and monitoring system. While we believe that our operating subsidiaries are currently in compliance with applicable environmental regulations of the PRC government, any changes to these regulations may increase operating costs and may adversely affect our results of operations.

During the course of mining activities, we use dangerous materials. Although we have established stringent rules relating to the storage, handling and use of such dangerous materials, there is no assurance that accidents will not occur. Should we be held liable for any such accident, we may be subject to penalties, and possible criminal proceedings may be brought against our employees.

***Our metallic ore is subject to government regulations on the State, provincial and county levels and if we are unable to comply with regulations for any reason, our operations may be disrupted, we may become subject to fines and other sanctions and our financial condition and results of operations may be adversely affected.***

Our metallic ore mining operations are subject to government regulations on the State, provincial and county levels. These regulations relate to, among other things:

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Environmental concerns;

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Safety concerns; and

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Licensing, permitting, taxes and fees.

The State Administration for Environmental Protection is responsible for overall supervision and control of environmental protection in China. It formulates national standards for discharging waste materials and environmental protection and monitors the PRC environmental protection system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their respective areas of jurisdiction. Compliance with State, provincial and county environmental regulations can be costly and disrupt operations; and failure to comply could subject us to fines, penalties and operational suspensions.

Because all of the underlying land on which our mines are situated are owned by the State, our mining rights are subject to licensure, license renewal, coal resource taxes and other fees. The licensing and renewal process is subject to a great deal of discretion, particular on the local level, and there is no assurance that our licenses and permits, once granted, will be renewed upon expiry. In addition, coal resource taxes are generally imposed based upon the amount of ore extracted from our mines, and these taxes can be significant.

State and local laws regulating work safety conditions have also been adopted. Compliance with these regulations can be expensive and until compliance is achieved, our mining operations will be delayed or suspended. In addition, it is common for provincial governments to suspend the operations of local mines to investigate mining accidents and to order remedial action to be taken. Production suspensions disrupt our mining operations, delay our receipt of revenues from the suspended operations and otherwise adversely affect our financial condition and results of operations.



***Our earnings and, therefore, our profitability, are affected by metals price volatility.***

The majority of our revenue is currently derived from the sale of iron, and as a result, our earnings are directly related to the prevailing prices of iron ore. At present, the price of iron in the PRC, while generally in line with those in the international markets, is relatively low. However, there are many factors influencing the price of metals including expectations for inflation; global and regional demand and production; political and economic conditions; and production costs in major producing regions. These factors are beyond our control and are impossible for us to predict. Changes in the prices of metals may adversely affect our operating results. We do not have any formal hedging policies to manage possible price fluctuations.

As a result of the current low selling price for iron, we did not sell a substantial portion of our iron ore production for 2014 but rather, elected to retain inventories of iron ore pending an improvement in the sales price. Any similar determination made in 2015 may adversely affect the results of our operations.

***Our estimates of probable reserves are based upon various assumptions, and if our assumptions prove to be inaccurate, or if minerals are depleted from our mine(s) prior to termination of our mineral rights, our revenues, profitability and the market price for our shares may be adversely affected.***

The mines in which we have acquired mineral rights are the subject of geological surveys performed by licensed valuers in the PRC in conformity with procedures and protocols in the PRC. While these procedures and protocols are different from the procedures and protocols generally recognized in the United States, they are, with respect to certain of our mining properties, sufficient to support the existence of probable reserves. However, reserve estimation is an interpretive process based upon available data and various assumptions that are believed to be reasonable, and the economic value of ore reserves may be adversely affected by price fluctuations in the metal market, reduced recovery rates or a rise in production costs as a result of inflation or other technical problems arising in the course of extraction. In addition, if the assumptions upon which our estimates of probable reserves are based prove to be inaccurate, there may not be sufficient mineral deposits at our properties to allow us to extract minerals at current levels for the duration of our mining rights. If we are unable to extract minerals at the current rate and for the full duration of our mineral rights, our revenues, profitability and, possibly, the market price for our shares may suffer.

***We rely on sub-contractors to perform mineral extraction and we have little control over their operations.***

We sub-contract the non-ferrous ore extraction to third parties. To a large extent, our operations are affected by the performance of these subcontractors, whose activities are substantially outside of our control. If the contractors fail to achieve monthly extraction volumes, or the contractors otherwise fail to perform their obligations to us, the agreement may be terminated by us; however, termination of the relationship would cause delays in our mineral production, require that we identify and engage other third-party contractors, and otherwise adversely affect our operating results.

***We produced no zinc in 2013 and 2014 due to the inferior quality of zinc at current mining zones and there is no assurance if and when zinc production will continue.***

We produced no zinc in 2013 and 2014 due to the inferior quality of zinc at current mining zones. For the year ended December 31, 2012, zinc production accounted for revenues of CNY2.37 million (US\$0.38 million). At this time we do not know if and when zinc production will recommence or may be recoverable from further mining zones.

### **Risks Relating to Our Financial Condition**



***We have incurred losses from operations for each of the preceding three fiscal years and there is no assurance that we will generate profits in the future.***

For the three years ended December 31, 2012, 2013 and 2014, we incurred operating losses from continuing operations of CNY16.38 million (US\$2.64 million) and CNY2.88 million (US\$0.46 million) and CNY27.38 million (US\$4.41 million), respectively. Our operating losses are attributable, in part, to depressed prices for ore that we mine. Our profitability is dependent upon many factors, including our ability to fund our operating expenses, mine ore, and sell our production output to third parties. There is no assurance that we will be successful in our efforts to achieve profitability.

***Any failure to achieve and maintain effective internal control could have material adverse effect on our business, results of operations and the market price of our shares.***

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act ( SOX ), adopted rules requiring most public companies to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, under certain circumstances, an independent registered public accounting firm must report on the effectiveness of the company's internal control over financial reporting.

Our management has concluded that our internal control over financial reporting as of December 31, 2014 was effective. However, we cannot assure you our management will not identify material weaknesses in the future during the Section 404(a) process or our independent public registered accounting firm will not identify material weaknesses during the Section 404(b) process if it was performed in the current year or in the future or for other reasons. In addition, because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. As a result, if we fail to maintain effective internal control over financial reporting or should we be unable to prevent or detect material misstatements due to error or fraud on a timely basis, investors could lose confidence in the reliability of our financial statements, which in turn could harm our business, results of operations and negatively impact the market price of our shares, and harm our reputation. Furthermore, we have incurred and expect to continue to incur considerable costs and to use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

***Our operating results may be negatively impacted by amortization policies applicable to mining rights.***

Mining rights are amortized based on actual units of production over estimated proven and probable reserves of the mines, subject to impairment. We review the production plans and the reserve levels of our mines periodically. Accordingly, any material change in mining production or modification of reserve levels may have a negative impact on our operating results.

***We face uncertainties with respect to the significant decrease in our assets/ liabilities.***

We have discontinued our coal segment and we are currently dependent upon the success of one line of business mining of zinc, and, in the past, iron and other non-ferrous metal. While this business generates operating revenues, those revenues are not sufficient to offset expenses, resulting in continued losses from operations. Unless we are able to expand our mineral reserves through acquisition of additional mining rights, we will likely continue to incur losses.

### **Risks Relating to PRC Operations**

***Investors should consider economic, legal and political factors applicable to investments in the PRC prior to investing in our company.***

Since 1979, the PRC government has been making efforts to promote reforms of its economic system. These reforms have brought about marked economic growth and social progress, and the economy of China has shifted from a planned economy to a market-oriented economy. Our PRC subsidiaries have also benefited from the economic reforms implemented by the PRC government and the economic policies and measures. However, economic, legal and social policies in the PRC are not similar to those of Western governments and revisions or amendments may be made to these policies and measures from time to time, and we are not in a position to predict whether any change in the

political, economic or social conditions may adversely affect our operating results, and how those changes may impact on us.

The PRC legal system is a statutory law system. Unlike the common law system, decided legal cases have little significance for guidance, and rulings by the court can only be used as reference with little value as precedents. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs. The PRC government is still in the process of developing a comprehensive set of laws and regulations. Examples are the organization of companies and their regulation, foreign investment, commerce, taxation and trade. However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them is limited in number. Moreover, as they are not binding, both the implementation and interpretation of these regulations are uncertain in many areas. Also, more stringent environmental regulations may also affect our ability to comply with, or our costs to comply with, such regulations. Such changes, if implemented, may adversely affect our business operations and may reduce our profitability.

The interpretation of PRC laws may also be subject to policy changes reflecting domestic political changes, and new laws, changes to existing laws and the pre-emption of local regulations by national laws may adversely affect foreign investors. The activities of our subsidiaries in China are subject to PRC regulations governing PRC companies.

***We face the risk that changes in the policies of the PRC government could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of such business.***

The PRC's economy is in a transition from a planned economy to a market-oriented economy subject to five-year and annual plans adopted by the government that set national economic development goals. Policies of the PRC government can have significant effects on the economic conditions of the PRC. During this transition, we believe that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will follow market forces. While we believe that this trend will continue, we cannot assure you that this will be the case. A change in policies by the PRC government could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises. Although the PRC government has been pursuing economic reform policies for more than three decades, we cannot assure you that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting the PRC's political, economic and social life.

***PRC laws and regulations governing our current business operations are sometimes vague and uncertain. Any changes in such laws and regulations may have a material and adverse effect on our business.***

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. We and any future subsidiaries are considered foreign persons or foreign-funded enterprises under PRC laws, and as a result, we are required to comply with PRC laws and regulations. These laws and regulations are sometimes vague and may be subject to future changes, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses.

***A slowdown or other adverse developments in the PRC economy may materially and adversely affect our customers, demand for our services and our business.***

We are a holding company. All of our operations are conducted in the PRC, and all of our revenues are generated from sales in the PRC. Although the PRC economy has grown significantly in recent years, more recently the trend is less certain and we cannot assure you that such growth will continue. The mining industry in the PRC is relatively new and growing, but we do not know how sensitive we are to a slowdown in economic growth or other adverse changes in the PRC economy which may affect demand for our products. A slowdown in overall economic growth, an economic downturn or recession or other adverse economic developments in the PRC may materially reduce the demand for our products and adversely affect our business.

***Inflation in the PRC could negatively affect our profitability and growth.***

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in the costs of supplies, it may have an adverse effect on our profitability. In order to control inflation in the past, the PRC government has imposed controls on bank credit, limits on loans for fixed assets and restrictions on bank lending. Such an austere policy can lead to a slowing of economic growth, and recent statistics have, indeed, suggested that China's high annual economic growth will slow down. According to China National Bureau of Statistics released data, China's consumer price index (CPI) remained stable for 2014, rising 2.0 percent year on year well below the government's 3.5 percent target. As CPI is the main gauge of inflation, the lower than targeted CPI increase reflects that inflation in China remains largely in check.

***Our PRC subsidiaries are subject to restrictions on paying dividends and making other payments to us.***

We are a holding company incorporated in the British Virgin Islands and do not have any assets other than our investments in our subsidiaries in China. As a result of our holding company structure, we rely primarily on dividend payments from our subsidiaries. However, PRC regulations currently permit the payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. Our subsidiaries in China are also required to set aside a portion of their after-tax profits as certain reserve funds according to PRC accounting standards and regulations. The PRC government also imposes controls on the conversion of CNY into foreign currencies and the remittance of currencies out of China. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. Furthermore, if our subsidiaries in China incur debt in the future, the debt covenants may restrict their ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive dividend from the operating companies due to contractual or other limitations on the payment of dividends, we may be unable to pay dividends on our common shares.

***Governmental control of currency conversion may affect payment of our obligations and the value of your investment.***

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive all of our revenues in Renminbi, which is currently not a freely convertible currency. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency dominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of bank loans denominated in foreign currencies.

The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

See Item 10.D. for further details of exchange controls in the PRC.

***The fluctuation of the Renminbi may materially and adversely affect your investment.***

The exchange rate of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. As we rely entirely on revenues earned in the PRC, any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues and financial condition. Conversely, if we convert our Renminbi into U.S. dollars, should we determine to pay dividends on our common shares or for other business purposes, appreciation of the Renminbi against the U.S. dollar could affect the amount of U.S. dollars we convert. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on our business, financial condition and results of operations resulting in a lower income, a charge to our income statement and a reduction in the value of these U.S. assets.

In 2014, the annual cumulative depreciation of the exchange rate of the Renminbi against the U.S. dollar was 2.42%. It was the first time appeared devaluation trend since financial crisis which showed twists and turns. During first half

of 2014, the exchange rate of the Renminbi against the U.S. dollar fell from about 6.05 to about 6.26. From early June 2014 to the end of November, the exchange rate of the Renminbi against the U.S. dollar rose from about 6.26 to about 6.14. And from early December 2014 to the end of January 2015, the exchange rate of the Renminbi against the U.S. dollar fell again from about 6.14 to about 6.26.

***Recent PRC State Administration of Foreign Exchange ( SAFE ) Regulations regarding offshore financing activities by PRC residents, have undergone continuous changes which may increase the administrative burden we face and create regulatory uncertainties that could adversely affect the implementation of our acquisition strategy, and a failure by our shareholders who are PRC residents to make any required applications and filings pursuant to such regulations may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under PRC law.***

In 2005, the SAFE promulgated regulations in the form of public notices, which require registrations with, and approval from, the SAFE on direct or indirect offshore investment activities by PRC resident individuals. The SAFE regulations require that if an offshore company directly or indirectly formed by or controlled by PRC resident individuals, known as SPC, intends to acquire a PRC company, such acquisition will be subject to strict examination by the SAFE. The regulation also requires PRC resident individuals to repatriate all dividends of the SPC. Without registration with the SAFE by PRC resident individuals, the PRC entity may not be able to remit any of its profits out of the PRC as dividends or otherwise. Violation of the regulation may be deemed an evasion of foreign exchange rules and implicated PRC resident individuals may be liable for a penalty. However, there are uncertainties regarding the interpretation and application of current or future PRC laws and regulations, including the regulations established by the SAFE. To date, no registration has been filed with the SAFE. Even if it is determined that registration with the SAFE is required, management believes that applicable filings with the SAFE can be made at any time, and management does not foresee significant difficulties in obtaining the SAFE's approval should it be required.

***The China-based affiliate of our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection***

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because the China-based affiliate of our auditor performs audit work in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, the China-based affiliate of our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB. On May 24, 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission ( CSRC ) and the Ministry of Finance of the PRC, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC, or the Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of the audit procedures of the China-based affiliate of our auditor or quality control procedure. As a result, investors may be deprived of the benefits of PCAOB inspections.



***Proceedings instituted by the SEC against certain PRC-based accounting firms, including the China-based affiliate of our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.***

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including the China-based affiliate of our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC for potential accounting fraud. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. On February 12, 2014, four of these PRC-based accounting firms appealed the administrative decision to the SEC. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our stock may be adversely affected.

If the China-based affiliate of our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to our delisting from the NASDAQ or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our stock in the United States.

***Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.***

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Ministry of Commerce is currently soliciting comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of actual control in determining whether a company should be treated as a foreign-invested enterprise, or an FIE. According to the definition set forth in the draft Foreign Investment Law, FIEs refer to enterprises established in China pursuant to PRC law that are solely or partially invested by foreign investors. The draft Foreign Investment Law specifically provides that entities established in China (without direct foreign equity ownership) but controlled by foreign investors, through contract or trust for example, will be treated as FIEs. Once an entity falls within the definition of FIE, it may be subject to foreign investment restrictions or prohibitions set forth in a negative list to be separately issued by the State Council later. If an FIE proposes to conduct business in an industry subject to foreign investment restrictions in the negative list, the FIE must go through a market entry clearance by the Ministry of Commerce before being established. If an FIE proposes to conduct business in an industry subject to foreign investment prohibitions in the negative list, it must not engage in the business. However, an FIE, during the market entry clearance process, may apply in writing to be treated as a PRC domestic enterprise if its foreign investor(s) is/are ultimately controlled by PRC government authorities and its affiliates and/or PRC citizens. In this connection, control is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% of more of the voting rights of the subject entity; (ii) holding less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject

entity's operations, financial matters or other key aspects of business operations.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

### **Risks Relating to Foreign Private Issuer Status**

***Because our assets are located outside of the United States and all of our directors and all our officers reside outside of the United States, it may be difficult for you to enforce your rights based on U.S. Federal Securities Laws against us and our officers and directors or to enforce a judgment of a United States court against us or our officers and directors in the PRC.***

We are a British Virgin Islands company, and our officers and directors are non-residents of the United States, our assets are located in the PRC and our operations are conducted in the PRC. Therefore, it may not be possible to effect service of process on such persons in the United States, and it may be difficult to enforce any judgments rendered against us or them. Moreover, there is doubt whether courts in the British Virgin Islands or the PRC would enforce (a) judgments of United States courts against us, or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state, or (b) in original actions brought in the British Virgin Islands or the PRC, liabilities against us or any non-residents based upon the securities laws of the United States or any state.

***Our status as a foreign private issuer results in less information being available about us than about domestic reporting companies.***

We are foreign private issuer and are not required to file as much information about us as domestic issuers are required to file. In this regard:

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we are not required to file quarterly reports on Form 10-Q and our annual reports on Form 20-F are subject to disclosure requirement that differ from Form 10-K;

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we are exempt from the provisions of Regulation FD aimed at preventing issuers from making selective disclosures;

.  
the SEC proxy statement and information statement rules do not apply to us; and

.  
our officers, directors and principal shareholders are not required to file reports detailing their beneficial ownership of our shares.

Since there is generally greater information available about domestic issuers than about foreign private issuers such as us, the information we are not required to provide may make it more difficult to make investment decisions about us.

***Our status as a foreign private issuer allows us to adopt IFRS accounting principles, which are different than accounting principles under U.S. GAAP.***

We have adopted and presented our financial statements in accordance with IFRS accounting principles. IFRS is an internationally recognized body of accounting principles that are used by many companies outside of the United States to prepare their financial statements; and the SEC recently permitted foreign private issuers such as the Company to prepare and file their financial statements in accordance with IFRS rather than U.S GAAP. IFRS accounting principles are different from those of U.S. GAAP, and SEC rules do not require us to provide a reconciliation of IFRS accounting principles to those of U.S GAAP. Accordingly, we suggest that readers of our financial statements familiarize themselves with the provisions of IFRS accounting principles in order to better understand the differences between these two sets of principles.

***Filers of financial statements under IFRS are not currently subject to the SEC's XBRL requirements which may provide less information to investors than is provided by filers utilizing XBRL.***

The SEC requires most reporting companies to provide financial statements in their periodic reports that include XBRL tagging cross references that provide the reader with a greater understanding of the components of line items contained in financial statements. However, the SEC has not yet developed taxonomy to enable filers of IFRS financial statements, such as the Company, to include XBRL tagging in their financial statements. Until such time as the SEC develops taxonomy to allow IFRS filers to include XBRL tagging, IFRS filers will be relieved of the obligation to provide XBRL tagging with their financial statements, and readers will not have the benefit of XBRL tagging when reviewing our financial statements.

***As a foreign private issuer we are not subject to certain requirements that other NASDAQ listed issuers are required to comply with, some of which are designed to provide information to and protect investors.***

Our common shares are currently listed on the NASDAQ Capital Market and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by NASDAQ applicable to listed companies. As permitted under NASDAQ rules applicable to foreign private issuers such as China Natural Resources, we have determined to adhere to the exemptions provided by the relevant NASDAQ rules, and as a result:

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a majority of the members on our Board of Directors are not independent as defined by NASDAQ rules;

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our independent directors do not hold regularly scheduled meetings in executive session;

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while executive compensation is recommended by our Compensation Committee which is comprised of independent directors, the compensation of our executive officers is not determined by an independent committee of the board or by the independent members of the Board of Directors, and our CEO may be present in the deliberations concerning his compensation;

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related party transactions are not required to be reviewed or approved by our audit committee or other independent body of the Board of Directors;

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we are not required to solicit shareholder approval of stock plans, including those in which our officers or directors may participate; stock issuances that will result in a change in control; the issuance of our stock in related party acquisitions or other acquisitions in which we may issue 20% or more of our outstanding shares; or, below market issuances of 20% or more of our outstanding shares to any person; and

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we are not required to hold an in-person annual meeting to elect directors and transact other business customarily conducted at an annual meeting.

***Due to an exemption from NASDAQ rules applicable to foreign private issuers, our related party transactions may not receive the type of independent review process that other NASDAQ-listed companies receive, and the terms of these transactions may not be as favorable as could be obtained from unrelated parties.***

We have historically engaged in a substantial number of transactions with related parties in the ordinary course of business, predominantly with our Chairman and Chief Executive Officer and/or companies that he owns or controls. These transactions are described in greater detail elsewhere in this Annual Report. In general, NASDAQ rules require that related party transactions be reviewed by an audit committee or other committee comprised of independent directors. However, under NASDAQ rules applicable to foreign private issuers such as our company, we are exempt from certain NASDAQ requirements, including the requirement applicable to independent director review of related party transactions. This exemption is available to us because the laws of the British Virgin Islands, our home jurisdiction, do not mandate independent review of related party transactions.

Notwithstanding the foregoing, non-recurring related party transactions (i.e., related party transactions that are not in the ordinary course of business) are submitted for approval by our Board of Directors, following disclosure of the related party's interest in the transaction, and, in all cases, board approval has historically included the unanimous approval of our independent directors. In addition, our annual audited financial statements, including the related party transactions reported therein, are approved by our audit committee, which is comprised solely of independent directors. However, except to the limited extent described above, these transactions are not individually reviewed or approved solely by independent directors, and our Chairman and Chief Executive Officer is often present during the approval process and is permitted to cast a vote as a board member. While management believes that related party transactions are on terms at least as favorable to the Company as could be obtained from unrelated parties, there is no assurance that such is the case, or that shareholders would not be better protected if we were not exempt from, or we chose to voluntarily comply with, the NASDAQ rule.

**Risks Related to our Common Shares**

*There are a limited number of our common shares in the public float and trading in our shares is not active; therefore, our common shares tend to experience price volatility.*

There are currently approximately 9,448,397 of our common shares in the public float and, in general, there has not been an active trading market for our shares. Our shares tend to trade along with other shares of public companies whose operations are based in the People's Republic of China, and, at times, in tandem with other natural resource companies. These shares tend to exhibit periods of extreme volatility and price fluctuations, even when there are no events peculiar to the Company that appear to warrant price changes. We cannot assure you that price volatility will not continue in the future or, as a result thereof, that market prices will reflect actual values of our company.

As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our shareholders may disproportionately influence the price of those shares in either direction. The share price could, for example, decline precipitously in the event that a large number of shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. As a consequence of this enhanced risk, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be in the case with the stock of a seasoned issuer.

*Our Chief Executive Officer and his affiliates control us through their stock ownership; and their interests may differ from other shareholders.*

Li Feilie, our Chief Executive Officer, beneficially owns approximately 59% of our outstanding common shares, and as a result, Mr. Li is and will continue to be able to influence the outcome of shareholder votes on various matters, including the election of directors and extraordinary corporate transactions such as business combinations. Mr. Li's interests may differ from those of other shareholders. Additional information relating to the beneficial ownership of our securities is contained elsewhere in this Annual Report under Security Ownership of Certain Beneficial Owners and Management.

*The rights of our shareholders are governed by British Virgin Islands law, the provisions of which may not be as favorable to shareholders as under U.S. law.*

Our directors have the power to take certain actions without shareholder approval, including an amendment of our Memorandum of Association or Articles of Association (unless such amendment varies the rights attached to shares) or an increase or reduction in our authorized capital, which would require shareholder approval under the laws of most jurisdictions in the United States. In addition, the directors of a British Virgin Islands company, subject in certain cases to court approval but without shareholder approval, may, among other things, implement a reorganization, certain mergers or consolidations with a subsidiary, the sale, transfer, exchange or disposition of any assets, property, part of the business, or securities of the company, or any combination (provided the assets do not represent more than 50% of the total assets of the company and the sale is not outside of the usual or ordinary course of the company's business), if they determine it is in the best interests of the company. Our ability to amend our Memorandum of Association and Articles of Association without shareholder approval could have the effect of delaying, deterring or preventing a change in our control without any further action by the shareholders, including a tender offer to purchase our common shares at a premium over then current market prices.



***The elimination of monetary liability against our directors, officers and employees under our articles of association and the existence of indemnification of our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.***

Our articles of association contains provisions which eliminate the liability of our directors for monetary damages to us and to our stockholders to the maximum extent permitted under the corporate laws of the British Virgin Islands. We may provide contractual indemnification obligations under agreements with our directors, officers and employees. These indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors, officers and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors, officers and employees for breach of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors, officers and employees even though such actions, if successful, might otherwise benefit us Company and our shareholders.

## **Risks Related to the Spin-Off**

*We face uncertainties with respect to the applicability of PRC withholding tax on the Distribution.*

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ( SAT Circular 698 ) issued by the State Administration of Taxation ( SAT ) on December 10, 2008, with retroactive effect from January 1, 2008, if a non-PRC resident enterprise transfers its indirect equity interests in a PRC resident enterprise by disposing of its equity interests in an overseas holding company ( Indirect Transfer ), and such overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-PRC resident enterprise, as the transferor, is required to report the Indirect Transfer to the relevant PRC tax authorities.

SAT issued an announcement in February 2015, i.e., the Notice of SAT on Several Issues Concerning the CIT on the Indirect Transfers of Properties by PRC Non-Residents or Announcement 7, which stipulates in greater detail how to evaluate the reasonable commercial substance.

Using a substance over form principle, the PRC tax authorities may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax, in which case the gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, if a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant PRC tax authorities have the authority to make reasonable adjustments to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698 and Announcement 7. For example, while the term Indirect Transfer is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. As a result, there is a risk that the PRC tax authorities would regard the Distribution as an Indirect Transfer by CHNR of our PRC subsidiaries to CHNR's shareholders subject to SAT Circular 698. If SAT Circular 698 were determined to be applicable to the Distribution by the PRC tax authorities, CHNR could be required to withhold taxes at a rate of up to 10% on any gains derived from the Distribution, which may be deemed as the difference between the fair value of our ordinary shares at the time of the Distribution and CHNR's tax basis in our ordinary shares.

*It is not possible to foresee all risks that may affect us. Moreover, we cannot predict whether we will successfully effectuate our current business plan. Each prospective purchaser is encouraged to carefully analyze the risks and merits of an investment in the shares and should take into consideration when making such analysis, among others, the Risk Factors discussed above.*

## **ITEM 4.**

### **INFORMATION ON THE COMPANY**

#### **A.**

#### **History and Development of the Company**

**From Inception Until 2006**

China Resources was incorporated as Magenta Corp. on January 15, 1986, in the State of Nevada. China Resources had no operating business until control of it was acquired in December 1994, by the former shareholders of CHNR, who exchanged all of the issued and outstanding shares of capital stock of CHNR for 108,000 shares of China Resources' common stock. As a result of the acquisition, the former shareholders of CHNR acquired 90% of the then issued and outstanding shares of common stock of China Resources, and CHNR became a wholly owned subsidiary of China Resources. CHNR was incorporated in the British Virgin Islands on December 14, 1993.

On December 9, 2004, China Resources merged with and into CHNR (the Redomicile Merger). The Redomicile Merger was consummated through an exchange of shares of China Resources for shares of CHNR on a one-for-one basis. As a result of the Redomicile Merger, the Company became domiciled in the British Virgin Islands and CHNR succeeded to the rights and obligations of China Resources under its existing agreements and relationships. Prior to the Redomicile Merger, the Company's common shares were traded on the NASDAQ Capital Market under the symbol CHRB. Following the Redomicile Merger, the trading symbol was changed to CHNR.

Until 2006, the Company has sought, acquired and operated various business opportunities that management believed could be operated profitably. From 2003 until 2006, the Company operated an advertising, promotion and public relations business, which was disposed of in July 2006.

### **Reverse Acquisition of Feishang Mining**

On February 3, 2006, the Company consummated the acquisition of all of the issued and outstanding capital stock of Feishang Mining (the Acquisition). Feishang Mining beneficially owns 100% of the capital stock of Wuhu Feishang, a company established under the laws of the PRC, which is principally engaged in the mining of zinc, iron and other minerals for distribution in the PRC. We acquired the capital stock of Feishang Mining from Feishang Group, a British Virgin Islands company. Mr. Li Feilie, our Chief Executive Officer and Chairman, is the sole beneficial owner of Feishang Group. In consideration for our receipt of the shares of Feishang Mining, the Company issued 9,980,593 of its common shares to Feishang Group, representing approximately 86.4% of the Company's then issued and outstanding common shares (after giving effect to the exchange of 320,000 outstanding preferred shares for 320,000 common shares), and issued to Feishang Group warrants (the "Warrants") to purchase an additional 4,500,000 common shares. Ching Lung Po, director, Chief Executive Officer and Chairman of the Company resigned at the closing of the Acquisition, and Li Feilie, Chairman of Feishang Mining, was appointed as director, Chief Executive Officer and Chairman of the Company. The Company's other directors and executive officers were not changed as a result of the Acquisition.

The Warrants entitled the holder to purchase: 2,000,000 common shares at an exercise price of \$4.00 per share for a period of two years from the closing date; 1,500,000 common shares at an exercise price of \$4.50 per share for a period of three years from the closing date; and 1,000,000 shares at an exercise price of \$5.00 per share for a period of four years from the closing date. The Warrants were fully exercised by Feishang Group, our principal shareholder, and the Company received gross proceeds of US\$8,000,000, US\$6,750,000 and US\$5,000,000 in connection therewith during the years ended December 31, 2008, 2009 and 2010, respectively.

### **Non-ferrous Metal Exploration and Mining Activities**

Wuhu Feishang was established as a Sino-foreign joint stock limited liability company between Wuhu City Feishang Industrial Development Company Limited (WFID) (50%) and Feishang International Holdings Limited (FIH) in June 2002 with tenure of 20 years from the date of its business license. The tenure can be extended by agreement between the joint venture partners with the necessary approval from the relevant government agencies. The registered capital of Wuhu Feishang is CNY12 million (US\$1.93 million), of which CNY6 million (US\$0.97 million) was contributed by each of WFID and FIH. In May 2003, Wuhu Feishang acquired the entire business of Anhui Fanchang Zinc and Iron Mine, a state-owned enterprise (Anhui Fanchang). In April 2005, WFID and FIH transferred their interests in Wuhu Feishang to Feishang Mining, at cost, and since the date of such transfer, Feishang Mining has been the owner of 100% of the capital stock of Wuhu Feishang.

Yunnan Mining was formed in January 2008 as a wholly-owned subsidiary of Wuhu Feishang with a registered capital of CNY50 million (US\$8.06 million). In October 2009, Yunnan Mining acquired exploration rights to the Baiguochong Mine. The Baiguochong Lead-Zinc Mine is located in E Shan Town, Fanchang County, Anhui Province in the PRC, approximately six kilometers south of Fanchang County. On October 8, 2014, in an internal group restructuring, Wuhu Feishang transferred its 100% interest in Yunnan Mining (Including Feishang Management, a wholly owned subsidiary of Yunnan Mining) to Yangpu Shuanghu for consideration of CNY35 million (US\$5.64 million).

Yangpu Shuanghu was established as a limited liability company in May 2004 under the laws of the PRC with an initial registered capital of CNY1 million (US\$0.16 million) by Wu Tianping and Zhu Zheng, unrelated parties. In March 2008, Wu Tianping and Zhu Zheng transferred their respective equity interests in Yangpu Shuanghu to Zhang Huachun and Yang Haibi, related parties, for total consideration of CNY1 million (US\$0.16 million). In July 2008,

Zhang Huachun and Yang Haibi transferred their respective equity interests in Yangpu Shuanghu to Feishang Yongfu, related parties, at a total consideration of CNY1 million (US\$0.16 million), and since the date of such transfer, Feishang Yongfu has been the owner of 100% of the paid-up capital of Yangpu Shuanghu.

Yangpu Lianzhong was established in January 2008 with a registered capital of US\$16.37 million (CNY101.58 million) which is a wholly owned by China Coal, a Hong Kong company established in January 2008. Yangpu Lianzhong is currently dormant following disposition of two unconsolidated investees in 2010.

#### **Other Matters**

On December 31, 2013, the Board of Directors approved a conditional special interim dividend to the shareholders of CHNR satisfied by way of a distribution in specie of the entire issued share capital of Feishang Anthracite to all shareholders of CHNR in proportion to their respective shareholdings in CHNR on the Distribution Record Date. The Distribution became unconditional upon successful listing by way of introduction on the Main Board of the Hong Kong Stock Exchange of Feishang Anthracite on January 22, 2014.

The Company has not been a party to any bankruptcy, receivership or similar proceedings, trade suspensions or cease trade orders by any regulatory authority.

The Company's executive offices are located at Room 2205, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, telephone +852 28107205. The Company does not currently maintain an agent in the United States.

**B.**

**Business Overview**

Following the January 2014 Spin-Off and listing on the Main Board of the Hong Kong Stock Exchange of the shares of Feishang Anthracite, which had operated our coal mining and related businesses, we intend to continue our acquisition and exploitation of mining rights, including the exploration, mineral extraction, processing and sales of iron, zinc and other nonferrous metals extracted or produced at mines primarily located in Anhui Province in the PRC, as well as our operation of related businesses. We conduct these activities through our indirect wholly-owned subsidiary, Wuhu Feishang.

Prior to November 2013, we conducted exploration and mining operations at four non-ferrous metals mines located in Anhui Province in the PRC, and we submitted our application to renew the exploration rights for three of these mines on their expiry. In November 2013, the Fanchang County Bureau of Land and Resources redesignated the Sichong Mine, the Baiguochong Mine and the Luojiachong Mine as exploration restricted areas. As a result, the Company's exploration rights at these mines were not renewed and further exploration activities at these mines have ceased.

Our sole operations currently consist of the mining, processing and sale of iron extracted or produced at Yangchong Mine located in Anhui Province in the PRC. Since 2013 we have also produced and sold sulfur concentrates extracted at Yangchong Mine. However, sales of sulphur concentrates are not material to our results of operations. Prior to 2012, we also processed and sold zinc that was extracted or produced at Yongchong Mine. However, we produced no zinc in 2013 or 2014 due to the inferior quality of zinc at current mining zones; and we produced no micaceous oxide in 2013 or 2014 because it could not be produced and sold on a profitable basis.

The minable ore at Yangchong Mine will likely be depleted during 2016. Management is in the process of seeking additional mining licenses, as well as exploring new businesses opportunities, that will enable us to enable us to sustain operations following depletion of minable ore at Yangchong Mine. However, to date we have not identified new mining licenses or new business opportunities for acquisition. If we are unable to identify and acquire additional mines or new business opportunities, we may be required to cease operations.

**BUSINESS SEGMENT - Mining of Iron, Zinc and Other Non-Ferrous Metals**

Our sole operations currently consist of the mining, processing and sale of iron extracted or produced at Yangchong Mine. Our metal mining operations are conducted by Wuhu Feishang, a PRC company that is wholly-owned by Feishang Mining. Wuhu Feishang is principally engaged in the mining of zinc, iron, and other minerals and nonferrous metals for distribution in the PRC.

**Industry Overview of Our Major Products**

***Iron***

Iron (chemical element symbol Fe) is a lustrous, silvery soft metal. It is the most abundant metal in metallic meteorites. Iron and iron alloys are the most common source of ferromagnetic materials in everyday use. Iron ore is one of the key compounds for producing crude steel which is used mainly by the infrastructure, real estate, shipbuilding and automobile sectors. Most of the world's production of iron is concentrated in Australia, Brazil, the PRC, India and South Africa, which together account for over 70% of the world's total.

In 2014, iron ore price slumped 47%. Iron ore companies began to increase production which including BHP Billiton Limited (Australia), Rio Tinto Plc (Australia) and Companhia Vale do Rio Doce (Brazil). And China's economic growth was slowing, which also led to the iron ore oversupply. In the short term, the global supply growth may be gentle, and the iron ore price may have a seasonal rebound.

China produced 1,514 million tonnes of iron-ore in 2014, increased by 3.9% compared with 2013. China imported 932.5 million tonnes of iron ore in 2014, increased by 13.68% from 820.3 million tonnes in 2013. According to the data disclosed by the China Iron and Steel Association (CISA), the average CIF price of the imported iron ore was US\$100.4 (CNY684) per tonne, down US\$29.2 (CNY181.20) per tonne or 22.5% from 2013.

**Zinc**

Zinc (chemical element symbol Zn) is a silvery metal that quickly tarnishes to a blue-gray appearance and is ideal for anticorrosion, as well as heat and electricity conduction. Since zinc has a relatively high place in the galvanic series of metals and consequently demonstrates excellent resistance to atmospheric corrosion, the major application of zinc is in galvanizing – a zinc coating on steel to prevent corrosion, which accounts for approximately 50% of the total world zinc consumption. Zinc is also the principal material used in dry batteries. Other applications of zinc include production of brass, die-casting zinc alloy, zinc oxide, etc. Zinc products are widely used in the infrastructure, housing, communication, household appliance and automobile sectors. Most of the world's production is concentrated in Australia, Canada, China and Peru, which together account for 60% of the world's total. China is the world's largest zinc producing and consuming country.

The following table shows the refined production, consumption and prices of zinc in China over the past five years:

	2010	2011	2012	2013	2014
Metal production (in thousand tonnes)	5,210	5,344	4,850	5,300	5,827
Consumption (in thousand tonnes)	4,950	5,200	5,350	5,950	6,421
Average price (CNY/tonne)	17,967	16,922	15,249	15,178	16,181

*Source: China Non-ferrous Metal Industry Association and ILZSG*

**Micaceous Iron Oxide**

Micaceous Iron Oxide (MIO) (chemical compound symbol  $Fe_2O_3$ ) is a crystalline form of iron oxide that differs from the more familiar red, yellow, and brown forms of iron oxide pigments. Like other forms of iron oxide, MIO is a very inert material. It is insoluble in water, organic solvents, and alkalis, and is only slightly soluble in strong acids at elevated temperatures. It is un-reactive to most chemicals and is heat stable up to its melting point of over 1,000 degrees centigrade and is non-toxic, non-oxidizing, non-corrosive, and non-flammable. As a result of its properties, the use of coatings containing MIO pigments is becoming increasingly popular in manufacturing and industries, and for use in products such as durable antiseptic coating paint, primer and finish paint on steel structures.

**Wuhu Feishang****Overview of Wuhu Feishang**

Wuhu Feishang's principal activity is the mining of zinc, iron and other minerals for distribution in the PRC. Wuhu Feishang currently operates a mine located in Fanchang County, Wuhu City, Anhui Province, the PRC, for which it has acquired mining rights: the Yangchong Mine contains iron and zinc minerals. The mine produced approximately



37,048 tonnes of iron and 0 tonnes of zinc in 2013, and approximately 28,100 tonnes of iron and 0 tonnes of zinc in 2014. Wuhu Feishang's acquisition of the entire business of Anhui Fanchang in May 2003, included without limitation, the mining rights to Yangchong Mine, and Zaoyuan Mine which ceased operation in October 2009 due to depletion of all of the mineral ore, as well as the properties and the processing facilities of the mines. Wuhu City is located in the northwestern Yangtze River Delta and is in the approximate center of East China, approximately 384 kilometers from Shanghai. In August 2007, Wuhu Feishang acquired exploration rights to a third mine - the Sichong Mine - but the exploration rights were not renewed after its expiration in 2013.

Wuhu Feishang's principal activities are conducted in two areas - mining and ore processing. Mining activities consist of opening of ore deposits, cutting and stopping (excavation in successive layers), mine transportation, and planning, designing and construction relating to mining operations. Ore processing is the second stage in our operation through which ores are converted into nonferrous metal concentrates (zinc, iron, micaceous iron oxide grey and copper concentrates) as salable products. To produce metal concentrates, we segregate the useful components of ores from useless stones through physical (such as magnetic separation) or chemical methods, or a combination of the two, and then collect the useful metal components through a number of concentration methods.

The metallurgical process of our iron and zinc concentrates products are identified below:

MINING CONSISTS OF:

Drilling    Blasting    Ore Drawing    Fragmentation Hauling    Hoisting Transportation

ORE PROCESSING CONSISTS OF:

Crushing    Grinding    Classifying    Flotation

*IN THE CASE OF ZINC CONCENTRATES PRODUCT, THE FOLLOWING ADDITIONAL PROCESSES OCCUR FOLLOWING FLOTATION:*

Pooling    Mineral Concentrate Dehydration    Finished Zinc Concentrates Product

*IN THE CASE OF IRON CONCENTRATES PRODUCT, THE FOLLOWING ADDITIONAL PROCESSES OCCUR FOLLOWING FLOTATION:*

Magnetic Separation    Finished Iron Concentrates Product

The metallurgical process of our micaceous iron oxide grey product is as follows:

Raw Ore    Crushing    Ball Milling    Classifying    Two Stages Separation    Swing Bed    Free Setting  
Baking    Powder Screening    Finished Micaceous Iron Oxide Grey Product

Our metal concentrates products are sold to downstream smelting companies for further smelting and refining into respective metals. Additional information relating to our salable products, the markets in which we participate and the determination of market prices is as follows:

**Iron:** Our iron concentrates product is sold to iron smelting plants located in Anhui Province, the PRC. The price of our iron concentrate is generally negotiated with reference to the regional average purchase price and the information announced by China Commodity Marketplace on its website ([www.chinaccm.com](http://www.chinaccm.com)).

**Zinc:** We neither produced nor sold zinc during 2014 or 2013. Historically, our zinc concentrates product is sold in its entirety to Huludao Zinc Industry Co., Ltd., a Shenzhen-listed company which is located in Huludao City, Liaoning Province, the PRC, and which is primarily engaged in the zinc smelting business. The price of our zinc concentrates is generally set at 50% (to be adjusted by the grading of the product) of the monthly average price of #0 electrolytic zinc announced by Shanghai Nonferrous Metals on its website ([www.smm.com.cn](http://www.smm.com.cn)).

**Micaceous Iron Oxide:** We neither produced nor sold MIO during 2014 or 2013. Historically, our MIO products are primarily sold to chemical and paint manufacturers in East China, Shanghai and Jiangsu Province, the PRC, for manufacturing various types of paints for ships, ocean-engineering and pleasure boats. The price of our MIO is generally negotiated with reference to the demand and supply in the market and the price of competitors. We discontinued the production of MIO during 2012 due to the unsatisfactory economic return of MIO products.

The average selling prices per metric tonne of our major metal products for each of the three years ended December 31, 2012, 2013 and 2014, are set forth in the following table:

<b>Major Product</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>CNY/ MT</i>	<i>CNY/ MT</i>	<i>CNY/ MT</i>
Iron concentrates (Grade 65% ~ 66%)	986	939	851
Zinc (based on zinc concentrates grade 42% ~ 44%)	9,190	N/A	N/A
Micaceous Iron Oxide Grey (Grade 160, 240, 320)	1,942	N/A	N/A

The following table summarizes the production quantity and sales quantity of our metal products for each of the years ended December 31, 2010, 2011, 2012, 2013 and 2014 included in continuing operations.

	2010	2011	2012	2013	2014
Production quantity (in tonnes):					
Iron concentrates (Grade 65% ~ 66%)	34,060	23,200	13,400	37,048	28,100
Zinc (based on zinc concentrates grade 42% ~ 44%)	1,485	1,160	100		
Micaceous iron oxide grey (Grade 160, 240, 320)	1,119	1,249	85		
Sales quantity (in tonnes):					
Iron concentrates (Grade 65% ~ 66%)	35,042	21,163	10,114	42,123	8,056
Zinc (based on zinc concentrates grade 42% ~ 44%)	1,408	1,013	258		
Micaceous iron oxide grey (Grade 160, 240, 320)	1,007	1,424	428		

### Yangchong Mine

The Yangchong Mine is an underground mine located in Fanyang Town, Fanchang County, Anhui Province in the PRC, the centre of which has a geological coordinate EL 118°08' 00", NL 31°05' 40". The mine is approximately 4.2 kilometers west of Fanchang County and 13.5 kilometers southeast of Digang Town. Access to the mine is via Province Road 321 approximately 40 kilometers from Wuhu City. Yangchong Mine has a total mining area of 0.186 square kilometers. The Yangchong Mine contains iron and zinc.

The area's mining history dates back to the early 1990s. An exploration and development campaign was completed by Nanchang Engineering & Research Institute of Nonferrous Metal in 1991, with a planned daily mining capacity of approximately 100 tonnes of ore. Full scale ore production started in 1999, and the daily mining capacity gradually increased to approximately 900 tonnes of ore in 2007.

Since all mineral resources in the PRC are owned by the State, the Company's right to extract minerals at Yangchong Mine is licensed to Wuhu Feishang by the State for a period of years (see Government Regulation below). The Company is the only party that is currently licensed to mine the Yangchong Mine. The Company's current license to mine the Yangchong Mine expires on November 24, 2017, and may be renewed upon expiry.

Yangchong Mine is a zinc-iron underground mine. The formations are believed to date from the Silurian to Triassic ages, with deposits in limestone and dioritic porphyry contact belt. Ore bodies consist of zinc, magnetite and composite iron bed. The general course of the mine is N85°E, with NNE inclination of 70°. There are three ore bodies found in the area. Ore body I is mainly zinc-iron paragenetic deposits. The low side of the ore body is uncontinuous magnetite deposits. Ore body II consists of zinc-iron paragenetic deposits and zinc deposits. Ore body III consists of continuous deposits and iron deposits.



The following diagrams show the geography of Yangchong Mine and its surrounding areas:

Wuhu Feishang entered into an agreement with State-owned Assets Supervision and Administration Commission of Fanchang County, Anhui Province in 2002 entitling Wuhu Feishang to use the land covering the 169,172 square meters factory site for 50 years thereafter, and the 184,806 square meters mining site for 20 years thereafter, respectively.

Access to the underground workings at the Yangchong Mine is via a ramp from the surface and connecting numerous levels. At the end of 2006, the exploitation of the Yangchong Mine 50 meters below sea level was completed. Since early 2007, the principal working levels lay between the elevations of 50 and 150-meters below sea level. The electricity supply in the mining area is mainly provided by East China Grid, with a 500 kilo voltage of transmission base located in 3 kilometers east of Yangchong Mine.

Yangchong Mine is located near the Yangtze River, in which surface and underground water resources are abundant. The source of tap water, which is used for domestic and production purposes, primarily comes from underground water.

Wuhu Feishang outsources its mine extraction to unrelated third parties. From January 1, 2014 through December 31, 2014 Wuhu Feishang outsourced mine extraction at Yangchong Mine to Wenzhou Mining Engineering Co. Ltd. Under the agreement, the subcontractor charged a service fee of CNY72.10 (US\$11.62) per tonne of ore extracted, and CNY6.00 (US\$0.97) per tonne of useless stone removal. For the developing of ramps, the subcontractor charged a service fee of CNY3,150.00 (US\$507.61) per extra meter of inclined shaft and CNY2,310.00 (US\$372.25) per extra meter of flat shaft. Wuhu Feishang has engaged Wenzhou Dongda Mining Engineering Co. Ltd. to perform mine extraction at Yangchong Mine from January 1, 2015 to December 31, 2015. Under the agreement, the subcontractor charged a service fee of CNY72.10 (US\$11.62) per tonne of ore extracted, and CNY6.00 (US\$0.97) per tonne of useless stone removal. For the developing of ramps, the subcontractor charged a service fee of CNY3,150.00 (US\$507.61) per extra meter of inclined shaft and CNY2,310.00 (US\$372.25) per extra meter of flat shaft. Except for the outsourced mining of raw minerals to an unrelated third party (as described above), all ore processing procedures are performed by Wuhu Feishang. Raw minerals extracted from Yangchong Mine are processed into iron and zinc metals in factories located near the mine.

The operation of Wuhu Feishang was affected by a production suspension order affecting all mines in Wuhu city in the fourth quarter of 2011 imposed by the Wuhu municipal government for inspection as a result of a mine accident in Wuhu city. The suspension order was lifted in the first quarter of 2012. In addition, Wuhu Feishang ceased its own production for mine recovery from June 2012 to October 2012.

All equipment, infrastructure and facilities material to Wuhu Feishang's operations are believed to be in good condition. The plant was constructed in 1991 and has been periodically upgraded. The processing plant is capable of producing approximately 600 tonnes of finished products per day. The processing facilities process raw ore from the Yangchong Mine. All processing facilities and equipment of Wuhu Feishang were acquired from Nanchang Non-ferrous Metallurgy Designing Organization, a Class-A corporation in China in designing and producing equipment for the mining industry. All technology and equipment meet the industrial standard as required by the relevant government authorities. Site infrastructure includes roads, water supply system, electric supply system, warehouses, living quarters, dining facilities and an administration building. At December 31, 2013 and 2014, the net book value of mining related property, plant and equipment of Yangchong Mine was approximately CNY7.87 million (US\$1.27 million) and nil, respectively.

As of December 31, 2014, the reserve estimates of Yangchong Mine are as follows:

	As of December 31, 2014	
	Probable Reserve	Average quality of ore
	(in metal tonnes)	
Yangchong Mine		
Iron	25,327	44.76%
Zinc	4,505	5.82%

Note:

*The probable reserve as of December 31, 2014 has been adjusted by removing those reserves extracted by the Company's past mining activities. Based on the 2014 production levels, the length of the mining activity of our probable reserves for Yangchong mine is approximately 1.4 years for iron. The mine dilution loss and the mining recovery factor of Yangchong Mine are approximately 10% and 90%, respectively. The metallurgical recovery factor of zinc and iron are approximately 96% and 87%, respectively.*



**Sichong Mine**

During the year ended December 31, 2007, Wuhu Feishang acquired exploration rights to Sichong Mine for CNY0.7 million (US\$0.12 million). The geological coordinate of this property is EL 118°10 33 ~ 118°11 28 and NL 31°01 30 ~ 31°03 00 covering a site area of 3.73 square kilometers. The Sichong Gold-Silver-Lead-Zinc Mine is located in Suncun Town, Fanchang County, Anhui Province in the PRC, approximately 4 kilometers south of Fanchang County with an exploration permit running from November 29, 2011 to November 29, 2013. The mine has engaged Geological Brigade of East-China Metallurgy Geological Exploration Bureau, Anhui Hydro-geology Survey & Engineering Geology Survey Corporation and Shandong Zhengyuan Geological Exploration Institute to carry out prospecting which includes geophysical, geochemical and drilling works, and for the years ended December 31, 2012 and 2013, expenses of approximately CNY3.08 million (US\$0.50 million) and CNY0.11 million (US\$0.02 million), respectively, had been incurred in other operating expenses. While results of preliminary prospecting suggest that the mine contains mineable quantities of gold, silver, lead and zinc, until further exploration and analysis is completed, we cannot predict the nature and extent of minerals contained at the mines, or the commercial viability of pursuing a plan of extraction.

The mining of Sichong Mine ceased in November 2013 when the site was designated as an exploration restricted area by Fanchang County Bureau of Land and Resources and our exploration permit was not renewed.

### **Suppliers**

Wuhu Feishang purchases explosives and other auxiliary raw material from suppliers mainly located in Anhui Province, the PRC. For explosives, the purchases are made on a cash on delivery basis. For other auxiliary materials, typical credit terms granted by major suppliers range from 30 to 60 days on an open account basis.

For the years ended December 31, 2012, 2013 and 2014, the largest five suppliers accounted for 60%, 31% and 52%, respectively, of Wuhu Feishang's purchases. For the years ended December 31, 2012, 2013 and 2014, the largest supplier accounted for 19%, 15% and 16%, of Wuhu Feishang's purchases, respectively.

### **Customers**

Wuhu Feishang sells all of its iron, and historically zinc, products to companies in the PRC. In 2012, all of Wuhu Feishang's zinc products were sold to a single customer, Huludao Zinc Industry Co., Ltd., which is the largest zinc smelter in Asia. No Zinc production or sales took place in 2013 and 2014.

For the three years ended December 31, 2012, 2013 and 2014, Wuhu Feishang's five largest customers accounted for 99%, 100% and 100% of Wuhu Feishang's sales, respectively. During the year ended December 31, 2012, the three largest customers accounted for 53%, 16% and 15%, respectively, of Wuhu Feishang's sales. During the year ended December 31, 2013, the three largest customers accounted for 36%, 31% and 19%, respectively, of Wuhu Feishang's sales. During the year ended December 31, 2014, the three largest customers accounted for 53%, 30% and 17%, respectively, of Wuhu Feishang's sales.

### **Competition**

Wuhu Feishang faces competition from other smaller mines in the region, including Fenghuang Mine of Tongling Multi-metallic Group Limited with an annual production capacity of 100,000 tonnes of 63% grade iron concentrate. However, management believes that Wuhu Feishang enjoys a competitive advantage based upon its high product quality and purity, and lower cost of production.

### **Research and Sampling Procedures**

In order to examine the anomalies in the exploration areas, and evaluate their prospecting potential, comprehensive research is undertaken substantially as follows:

(a)

Conduct field geology work and sample check to a number of anomalies in the exploration area and study their formation. Carry out engineering exercise and sampling procedure on discovered ore bodies or anomalies found in geochemical prospecting. Analyze the ore body location, mineralization and abnormality distributions.

(b)

Based on the results of geochemical prospecting, carry out mountain land engineering in the anomalous region with highest probability of mineralization. Develop long trench exploration activities on the section line on the targeted area to reveal the anomaly, and set up additional short trench to control the surface if needed.

(c)

Exploration drilling: Based on the distribution data of ore bodies obtained from mountain land engineering, other geological and condition factors, conduct a few shallow drilling to check the anomaly in the targeted mineralization zone in order to obtain the data regarding mineralization distribution, scale and grade. This provides the basis for next step exploration.

A brief description of our sampling procedures is as follows:

(a)

Sample collection: Collect 200g of secondary halo sample from B eluvium at a depth of 10-30 cm. Sampling is taken from two different points in a range within 1/4 dot pitch distance from the measuring points. If the sampling cannot be conducted in the area near measuring points due to bed rock or surface water body, then an additional sampling will be picked up within a wide range of 10 meters. The reason for skipped sampling should be documented on the result map.

(b)

Sample preparation: The sample will be dehydrated, sieved through 60-mesh stainless-steel-wire-mesh, and blended in diagonal method. It will then be placed into paper packaging, assigned code, delivered to the laboratory, rotary split and sieved into 0.093mm fractions. Afterwards, it will be screened through 160 mesh sieve. Finally, semi-quantitative spectroscopic analysis will be carried out.

(c)

Sample analysis: There are four analytical methodologies adopted to analyze the samples - direct reading spectrometry; polarographic analysis; chemical spectrometry; and X-ray fluorescence spectrometry.

(d)

Quality examination and analysis: During chemical analysis, those samples with abnormal results or obtained from anomalous sectors will be selected for spot chemical test. Usually, 5% out of the samples will be picked up.

We have developed our exploration program to comply with the following PRC protocols and/ or specifications:

Specifications of survey for geological and mineral resources exploration (DZ/ T0091);

General requirements for solid mineral exploration (GB/ T13908 - 2002);

Specifications for drafting geological report on solid mineral resources & closed pit (DZ/ T0033 - 2002);

Geologic exploration standard of iron, manganese and chromium mineral resources (DZ/ T0200 - 2002);

Geologic exploration standard of copper, lead, zinc, silver, nickel and molybdenum mineral resources (DZ/ T0214 - 2002); and

Rules for data compilation and comprehensive research on geological and mineral resources exploration materials (DZ/ T0079 - 1993).

### **Yunnan Mining**

During the year ended December 31, 2009, Yunnan Mining acquired exploration rights to Baiguochong Mine for consideration of CNY0.8 million (US\$0.13 million). The geological coordinate of this property is EL 118°11 30 ~ 118°12 15 and NL 31°02 00 ~ 31°03 15 covering a site area of 2.72 square kilometers. The Baiguochong Lead-Zinc Mine is located in E Shan Town, Fanchang County, Anhui Province in the PRC, approximately 6 kilometers south of Fanchang County with an exploration permit running from May 28, 2010 to May 28, 2012. The mine engaged Geological Brigade of East-China Metallurgy Geological Exploration Bureau to carry out prospecting which included geophysical and drilling works, and incurred exploration expenses of approximately CNY2.50 million (US\$0.40 million).

During the year ended December 31, 2011, Yunnan Mining acquired exploration rights to Luojiachong Mine for consideration of CNY0.6 million (US\$0.10 million). The geological coordinate of this property is EL 118°05 15 ~ 118°07 00 and NL 30°59 00 ~ 31°00 15 covering a site area of 5.81 square kilometers. The Luojiachong Copper-Polymetallic Mine is located in the west of Chisha Town, Fanchang County, Anhui Province in the PRC, approximately 15 kilometers southeast of Fanchang County with an exploration permit running from June 22, 2010 to June 22, 2012. The mine engaged Geological Brigade of East-China Metallurgy Geological Exploration Bureau to carry out prospecting which included geophysical works, and incurred exploration expenses of approximately CNY0.43 million (US\$0.07 million).

In November 2013, the Fanchang County Bureau of Land and Resources redesignated the Baiguochong Mine and the Luojiachong Mine as exploration restricted areas. As a result, the mining rights of Yunnan Mining at these mines were not renewed and Yunnan Mining has ceased its mining activities at these mines.

### **Government Regulation of Iron/ Zinc/ Non-ferrous Metal Mining Activities**

Under the Mineral Resources Law, all mineral resources in the PRC are owned by the State. Mining rights are granted by the State permitting recipients to conduct mining activities in a specific mining area during the specified license period. Although Wuhu Feishang believes its licenses will continue to be renewed, as necessary, there can be no assurance that such will be the case or that Wuhu Feishang will be able to exploit the entire mineral resources of its mines during its license period. If Wuhu Feishang fails to renew its mining rights upon expiry or if it cannot effectively utilize the resources within a license period, the operation and performance of Wuhu Feishang may be adversely affected.

Wuhu Feishang's mining rights entitle it to undertake mining activities and infrastructure and ancillary work, in compliance with applicable laws and regulations, within the specific area covered by the license during the license period. Wuhu Feishang is required to submit a mining proposal and feasibility studies to the relevant government authority; and is also obligated to pay a resources compensation fee to the State in an amount equal to 2% of annual sales of zinc and iron concentrates. Resources compensation fees of CNY277,935 (US\$44,788), CNY187,300 (US\$30,183) and CNY166,000 (US\$26,750), were paid in 2012, 2013 and 2014, respectively. The natural resources fee for the renewal of the mining rights to Yangchong Mine of CNY3,002,900 (US\$483,909) was paid in December 2005. Natural resources fees are not required to be paid in connection with the grant of exploration rights and, therefore, no natural resources fees are payable for the Sichong Mine and Baiguochong Mine until such time, if any, as we seek mining rights with respect to those mines.

The State Environmental Protection Administration Bureau is responsible for the supervision of environmental protection in, the implementation of national standards for environmental quality and discharge of pollutants for, and the supervision of the environmental management system of the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The laws and regulations governing environmental protection require each company to lodge environmental impact statements for a construction project with the environmental protection bureaus at the county level. These statements must be filed prior to the commencement of construction, expansion or modification of a project. The environmental protection bureaus inspect new production facilities and determine compliance with applicable environmental standards, prior to the commencement of operations.

The Environmental Protection Law requires production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. The system includes the adoption of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Entities discharging pollutants must register with the relevant environmental protection authorities.

Penalties for breaching the Environmental Protection Law include a warning, payment of a penalty calculated on the damage incurred, or payment of a fine. When an entity fails to adopt preventive measures or control facilities that meet the requirements of environmental protection standards, it is subject to suspension of production or operations and for payment of a fine. Material violations of environmental laws and regulations causing property damage or casualties may result in criminal liabilities.

Management believes that Wuhu Feishang is in material compliance with all applicable environmental protection requirements of the State.

## **BUSINESS SEGMENT ADJUSTMENT Corporate Activities**

### ***Feishang Management***

Feishang Management was incorporated in the PRC in October 2008. It is a wholly owned subsidiary of Yunnan Mining and is engaged in the provision of management and consulting services to the other companies in the group.

### ***FMH Services***

FMH Services is a Florida company incorporated in November 2007 in connection with a proposed transaction that was not consummated. FMH Services, which is wholly owned by CHNR, is currently dormant.

### ***Sunwide***

Sunwide was incorporated in the British Virgin Islands in January 2001. Sunwide is a wholly owned subsidiary of CHNR and is currently dormant.

### ***Silver Moon***

Silver Moon is a British Virgin Islands company incorporated in March 2000. Silver Moon, which is 80%-owned by CHNR, is not currently engaged in active business operations.

**DISCONTINUED SEGMENT - Coal-Mining and Related Businesses**

On December 31, 2013, the Board of Directors approved a conditional special interim dividend to the shareholders of CHNR satisfied by way of a distribution in specie of the entire issued share capital of Feishang Anthracite to all shareholders of CHNR in proportion to their respective shareholdings in CHNR on the Distribution Record Date. Pursuant to the Distribution, each shareholder of CHNR became entitled to five shares of Feishang Anthracite for every share of CHNR held on the Distribution Record Date. After the completion of the Distribution, CHNR no longer holds any shares in Feishang Anthracite.

The Spin-Off did not involve any offering of new shares of Feishang Anthracite or a public offering of any other securities and no funds were raised pursuant to the Spin-Off. The Distribution became unconditional upon successful listing by way of introduction on the Main Board of the Hong Kong Stock Exchange of Feishang Anthracite on January 22, 2014.

In preparation for the Distribution, the Board of Directors passed resolutions in writing on December 6, 2013 to approve the following matters:

-

change of the authorized share capital of Feishang Anthracite from US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each;

-

repurchase and cancellation of all issued shares of US\$1.00 each from CHNR for US\$1.00; and

-

issue of a total of 124,554,580 Shares of HK\$0.01 each to CHNR for HK\$98,380,000.

These transactions were completed on December 12, 2013.

Prior to the Spin-Off, Feishang Anthracite and its direct and indirect subsidiaries operated the Company's coal segment, including the exploration, construction, development and operation of coal mines located in Guizhou Province, the PRC.

## C.

### Organizational Structure

China Natural Resources is a holding company owning the following subsidiaries, with the interests indicated (as of April 22, 2015):

			CHNR			
			(BVI)			
100%	100%	80%	100%	100%	100%	100%
FMH Services	Feishang Mining	Silver Moon	China Coal	Sunwide	Newhold	Pineboom
(Florida, US)	(BVI)	(BVI)	(HK)	(BVI)	(BVI)	(BVI)
	100%		100%		100%	100%
	Wuhu Feishang*		Yangpu Lianzhong		Feishang	Feishang
	(PRC)		(PRC)		Yongfu	Dayun
					(HK)	(HK)



100%  
Yangpu  
Shuanghu

(PRC)

100%  
Yunnan Mining

(PRC)

100%  
Feishang  
Management

(PRC)

\* All current operations are conducted by Wuhu Feishang.

See Item 4.B. above and Exhibit 8 for descriptions of the Company's subsidiaries.

#### **D.**

#### **Property, Plant and Equipment**

The Company's administrative offices and its principal subsidiaries are located in Hong Kong, Wuhu (Anhui Province) and Shenzhen (Guangdong Province) in the PRC. On July 1, 2008, the Company and Anka Consultants Limited (Anka), a private Hong Kong company that is owned by certain directors of the Company, entered into a license agreement in respect of the Company's head office in Hong Kong. The total area of the office was approximately 368 square meters in which the Company shared 238 square meters. The license agreement provided that the Company shared certain costs and expenses in connection with its use of the office, in addition to accounting and secretarial services and day-to-day office administration provided by Anka. On September 1, 2013, the Company and Feishang Anthracite entered into new license agreements with Anka, respectively, pursuant to which, the Company and Feishang Anthracite share the office premises of 238 square metres on an equal basis. The agreements also provide that the Company and Feishang Anthracite shall share certain costs and expenses in connection with their use of the office. In addition, Anka continues to provide accounting and secretarial services and day-to-day office administration to the Company. The initial term of the agreement was from September 1, 2013 to June 30, 2014 and shall be effective for all subsequent extension of leases. The lease was extended for two years from July 1, 2014 to June 30, 2016. For the years ended December 31, 2012, 2013 and 2014, the Company paid its share of rental expenses and rates to Anka amounting to approximately CNY1,005,000 (US\$161,953), CNY956,000 (US\$154,057) and CNY565,000 (US\$91,048), respectively.

The offices, mining sites and other processing facilities of Wuhu Feishang are all located in Wuhu City, Anhui Province in the PRC. Wuhu Feishang's office premises, processing facilities and warehouses cover a total gross area of approximately 26,000 square meters. As is typical in the PRC, the PRC government owns all of the land on which the improvements and mines are situated. Wuhu Feishang assumed the rights to use the land and its leasehold properties when it acquired the entire business of Anhui Fanchang, Wuhu Feishang's predecessor.

For the years ended December 31, 2012, 2013, and 2014, the Company incurred capital expenditures (excluding fees for renewal of mining rights) of CNY362.63 million (US\$58.44 million), CNY300.59 million (US\$48.44 million) and CNY54.53 million (US\$8.79 million), respectively.

See Item 4.B. for the details of the property, plants and equipment used by each of the mines and Item 5.B. for the Company's material commitments for capital expenditures.

#### **ITEM 4A.**

#### **UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 5.**

#### **OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

##### **Forward-Looking Statements**

The following discussion contains statements that constitute forward-looking statements within the meaning of Federal securities laws. These statements include, without limitation, statements regarding the intentions, beliefs and current expectations of Company management with respect to the Company's policies regarding investments, dispositions, financings, conflicts of interest and other matters; and trends affecting the Company's financial condition or results of operations. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statement as a result of various factors. Among the risks and uncertainties that could cause our actual results to differ from our forward-looking statements are our intent, belief and current expectations as to business operations and operating results, uncertainties regarding the governmental, economic and political circumstances in the People's Republic of China, risks and hazards associated with the Company's mining activities, uncertainties associated with metal and coal price volatility, uncertainties associated with the Company's reliance on third-party contractors, uncertainties relating to possible future increases in operating expenses, including costs of labor and materials, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including without limitation the information set forth in Item 3.D. of this Annual Report under the heading, "Risk Factors." With respect to forward-looking statements that include a statement of its underlying assumptions or bases, the Company cautions that, while it believes its assumptions or bases are reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will

result or be achieved or accomplished.

The following discussion and analysis of the results of operations and the Company's financial position should be read in conjunction with the consolidated financial statements and accompanying notes for the years ended December 31, 2012, 2013 and 2014 included elsewhere herein.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board ( IASB ). The financial statements for the year ended December 31, 2011 were the first the Group has prepared in accordance with IFRS.

A.

## **Operating Results**

### **Continuing operations**

On December 31, 2013, the Board of Directors approved a conditional special interim dividend to the shareholders of CHNR satisfied by way of a distribution in specie of the entire issued share capital of Feishang Anthracite to all shareholders of CHNR in proportion to their respective shareholdings in CHNR on the Distribution Record Date. Pursuant to the Distribution, each shareholder of CHNR became entitled to five shares of Feishang Anthracite for every share of CHNR held on the Distribution Record Date. After the completion of the Distribution, CHNR no longer holds any shares in Feishang Anthracite.

The Spin-Off did not involve any offering of new shares of Feishang Anthracite or a public offering of any other securities and no funds were raised pursuant to the Spin-Off. The Distribution became unconditional upon successful listing by way of introduction on the Main Board of the Hong Kong Stock Exchange of Feishang Anthracite on January 22, 2014.

Before the Spin-Off, we were engaged in the following businesses through our operating subsidiaries:

The acquisition and exploitation of mining rights, including the exploration, mineral extraction, processing and sales of iron, zinc and other nonferrous metals extracted or produced at mines primarily located in Anhui Province in the PRC; and

The acquisition and exploitation of mining rights, including the exploration, construction, development and operation of coal mines located in Guizhou Province, the PRC.

After the Spin-Off, we continue to engage in the acquisition and exploitation of non-ferrous metals mining and related businesses.

The following discussion reflects only the continuing operations of the Company following the Spin-Off:

## **Revenues and Gross Profit**

Revenue for sales of all products is recognized when title passes to the customer in accordance with the relevant sales agreement, generally upon product acceptance by the customer.

### 2014 vs 2013

The sales from our metal segment's operation decreased by CNY33.06 million (US\$5.33 million), or 79.93%, to CNY8.30 million (US\$1.34 million) for the year ended December 31, 2014 from CNY41.36 million (US\$6.67 million) for the year ended December 31, 2013. The drop was mainly caused by a decrease in the production volume and the average selling price per tonne of iron concentrates.

Sales were mainly derived from sales of iron concentrates and sulfur concentrates. Sales of iron concentrates also dropped by CNY32.71 million (US\$5.27 million), or 82.67%, from CNY39.57 million (US\$6.38 million) in 2013 to CNY6.86 million (US\$1.11 million) in 2014. The decrease in iron concentrates sales was mainly caused by a decline in both the iron sales volume and the sales price of iron in 2014. The sales volume of iron decreased by 34,067 tonnes from 42,123 tonnes in 2013 to 8,056 tonnes in 2014. The drop in iron concentrates production was decreased by 8,948 tonnes, or about 24.15% in response to the falling sales price. The average selling price of iron was CNY851 (US\$137) per tonne in 2014, representing a drop of CNY88 (US\$14), or 9.37%, from CNY939 (US\$151) in 2013. Sales of sulfur concentrates decreased by CNY0.35 million (US\$0.06 million), or 19.55%, from CNY1.79 million (US\$0.29 million) in 2013 to CNY1.44 million (US\$0.23 million) in 2014. We sold 5,150 tonnes of sulfur concentrates in 2014, representing a decrease of 659 tonnes, or 11.34% from 5,809 tonnes in 2013. The average selling price of sulfur concentrates decreased by CNY27 (US\$5) per tonne, or 8.77%, from CNY308 (US\$50) in 2013 to CNY281 (US\$45) in 2014.

Gross profit for the year ended December 31, 2014 decreased to CNY1.74 million (US\$0.28 million) with a gross profit margin of 20.95%, compared to CNY16.26 million (US\$2.62 million) with a gross profit margin of 39.31% for

the year ended December 31, 2013. The approximately CNY14.52 million (US\$2.34 million), or 89.30%, drop in gross profit, was mainly due to the decline in selling prices and production volume of iron concentrates compared to the prior year.

The gross profit or gross profit margin on sales of iron for the year ended December 31, 2014 was CNY1.81 million (US\$0.29 million), or approximately 26.32%, compared to CNY16.11 million (US\$2.60 million), or 40.70% for the same period in 2013. The drop in gross profit was primarily caused by the decline in both the volume sold and selling price of iron concentrates.

The gross loss was CNY0.07 million (US\$0.01 million) on sales of sulfur concentrates for the year ended December 31, 2014, as compared to a gross profit of CNY0.12 million (US\$0.02 million) for the same period in 2013. The decrease in gross profit was primarily caused by the drop in both volume sold and selling price of sulfur concentrates.

2013 vs 2012

Sales increased by CNY26.63 million (US\$4.29 million), or 180.83%, to CNY41.36 million (US\$6.67 million) for the year ended December 31, 2013 from CNY14.73 million (US\$2.37 million) for the year ended December 31, 2012. The increase was mainly attributable to an increase of 32,009 tonnes in the production volume of iron concentrates to 42,123 tonnes for the year ended December 31, 2013 from 10,114 tonnes in the prior year, partly offset by: (i) a decrease in the average selling price per tonne of iron concentrates from CNY986 (US\$159) for the year of 2012 to CNY939 (US\$151) for the year ended December 31, 2013; and (ii) a decrease in the sales of both zinc concentrates and micaceous iron oxide-grey to zero in 2013 from 258 tonnes and 428 tonnes in 2012, respectively.

Sales were mainly derived from sales of zinc concentrates, iron concentrates and micaceous iron oxide-grey. Sales of zinc dropped by CNY2.37 million (US\$0.38 million) from CNY2.37 million (US\$0.38 million) in 2012 to zero in 2013. The decrease was primarily attributable to the lack of zinc production for 2013 as a result of inferior quality in the current mining zone. The increase in iron concentrates production was due to (i) the production suspension order covering all mines in Wuhu city imposed by the Wuhu municipal government for inspection due to a mine accident in Wuhu city that affected production in the 2012 period; and (ii) the suspension of production for mine recovery from June 2012 to October 2012 imposed by Wuhu Administration of Work Safety. The decrease of micaceous iron oxide-grey in 2013 was mainly due to cessation of non-profitable micaceous iron oxide-grey operations. We sold 428 tonnes of micaceous iron oxide-grey in 2012.

Gross profit for the year ended December 31, 2013 increased to CNY16.26 million (US\$2.62 million) with a gross profit margin of 39.31%, compared to CNY5.69 million (US\$0.92 million) with a gross profit margin of 38.64% for the year ended December 31, 2012. The approximately CNY10.57 million (US\$1.70 million), or 185.66% increase in gross profit was mainly due to the increase of selling prices and production volume in iron concentrates compared to the prior year.

The gross profit or gross profit margin on sales of iron concentrates for the year ended December 31, 2013 was CNY16.11 million (US\$2.60 million) or 40.70%, compared to CNY4.77 million (US\$0.77 million) or 47.84% for the same period in 2012. The increase in gross profit was mainly caused by the increase of iron concentrates sold. The drop in the gross profit margin was primarily caused by the drop in selling price of iron concentrates.

## **Administrative Expenses**

### 2014 vs 2013

Administrative expenses are mainly comprised of salaries and staff welfare expenses, contribution to retirement fund, utilities, depreciation expenses, legal and professional fees, travel and entertainment expenses, losses on suspension of production and office expenses.

Administrative expenses in 2014 decreased by CNY5.68 million (US\$0.92 million), or 31.71% to CNY12.23 million (US\$1.97 million) from CNY17.91 million (US\$2.89 million) in 2013. The decrease in administrative expenses was primarily caused by the reduction in legal and professional fees as there were no further Spin-Off expenses incurred in 2014.

### 2013 vs 2012

Administrative expenses in 2013 decreased by CNY1.52 million (US\$0.25 million), or 7.82% to CNY17.91 million (US\$2.89 million) from CNY19.43 million (US\$3.13 million) in 2012. The decrease in administrative expenses for the continuing operations was mainly contributable to the increasing administrative costs for the discontinued operations during the year along with the expansion of the discontinued operations.

## **Impairment Loss on Property, Plant and Equipment**

An impairment loss on property, plant and equipment of CNY8.07 million (US\$1.30 million) was made for 2014 in connection with the price decline of iron concentrates in the period. The recoverable value of Yangchong Mine was determined based on the mine's value-in-use (VIU) using pre-tax cash flow projections, adopting certain assumptions based on the mine's past performance and our expectations on market development, applying an after-tax discount rate

of 12.00%.

There was no impairment loss in 2013.

#### **Write-down of Inventories to Net Realizable Value**

The write-down of inventories to net realizable value of CNY9.30 million (US\$1.50 million) was made for 2014 in connection with the sharp decrease in the sales price of iron concentrates in the period.

There was no write-down of inventories to net realizable value in 2013.

#### **Other Operating Income (Expenses), net**

##### 2014 vs 2013

Other operating income in 2014 mainly represented consulting income. There was no mine recovery fee in 2014.

2013 vs 2012

Other operating expenses in 2012 and 2013 solely related to the mine recovery fee paid in response to the local relevant regulations.

**Non-operating Income (Expenses), net**

2014 vs 2013

There was no material fluctuation in the non-operating income (expenses), net of CNY0.22 million (US\$0.04 million) in 2014 as compared to CNY0.17 million (US\$0.03 million) in 2013.

2013 vs 2012

There was no material fluctuation in the non-operating income (expenses), net of CNY0.17 million (US\$0.03 million) in 2013 as compared to CNY0.22 million (US\$0.04 million) in 2012.

**Income Tax Expenses**

Management believes that the Company is not subject to taxes in the United States.

Under the current laws of the BVI, dividends and capital gains arising from the Company's investments in the BVI are not subject to income taxes and no withholding tax is imposed on payments of dividends to the Company.

The Company's subsidiaries in the PRC are subject to a PRC enterprise income tax rate of 25% applicable to both foreign investment enterprises and domestic companies.

2014 vs 2013

Income tax expenses increased from CNY2.14 million (US\$0.34 million) in 2013 to CNY6.84 million (US\$1.10 million) in 2014. The increase was mainly contributed by (i) the income tax expenses amounting to CNY3.53 million (US\$0.57 million) attributable to the profit distribution by Wuhu Mining in 2014; and (ii) the deferred tax expenses amounting to CNY1.53 million (US\$0.25 million) arising from the valuation allowance of deferred tax assets of Wuhu Mining.

2013 vs 2012

Income tax expenses turned from a benefit of CNY0.97 million (US\$0.16 million) in 2012 to an expenses of CNY2.14 million (US\$0.34 million) in 2013. The increase was mainly caused by: (i) the increase in deferred income tax expenses amounting to CNY2.60 million (US\$0.42 million) arising from the recognition of deferred tax assets mainly due to the operating loss of Feishang Mining amounting to CNY1.07 million (US\$0.17 million) in 2012; and (ii) the increase in current income tax expenses amounting to CNY0.51 million (US\$0.08 million).

**Profit/(Loss) from the Continuing Operations**

2014 vs 2013



Loss from continuing operations increased from CNY1.29 million (US\$0.21 million) in 2013 to CNY33.22 million (US\$5.35 million) in 2014. The increased loss was mainly due to (i) a CNY14.52 million (US\$2.64 million) decrease in gross profit compared to the year ended December 31, 2013; and (ii) the impairment loss on property, plant and equipment amounting to CNY8.07 million (US\$1.30 million) and the write down of inventory amounting to CNY9.30 million (US\$1.50 million) in 2014.

2013 vs 2012

Profit from continuing operations increased significantly from a loss of CNY14.39 million (US\$2.32 million) in 2012 to a profit of CNY1.29 million (US\$0.21 million) in 2013. The profit increase was mainly due to (i) the gross profit increased by CNY10.57 million (US\$1.70 million) compared to the year ended December 31, 2012; and (ii) the decrease in payroll and travelling expenses of approximately CNY1.72 million (US\$0.28 million) incurred for the expansion of the discontinued operations.

### **Discontinued Operations**

Discontinued operations represented the Company's coal mining and related business operated and owned by Feishang Anthracite, in which the Company's shares were distributed to the Company's shareholders on January 22, 2014.

#### 2014 vs 2013

Net loss from discontinued operations dropped substantially from 2013 to 2014 because the discontinued operations in 2014 represented only one month's operation of Feishang Anthracite.

#### 2013 vs 2012

Net loss from discontinued operations increased by 398.87% from CNY67.06 million (US\$10.81 million) in 2012 to CNY334.54 million (US\$53.91 million) in 2013. The increase was mainly attributable to a combination of factors including:

i)

Revenue from discontinued operations increased by 25.76% from CNY141.94 million (US\$22.87 million) in 2012 to CNY178.50 million (US\$28.76 million) in 2013. This reflected a 26.76% increase in revenue from sales of self-produced coal from CNY140.82 million (US\$22.69 million) in 2012 to CNY178.50 million (US\$28.77 million) in 2013, which was partially offset by a decrease in revenue from sales of third party coal from CNY1.12 million (US\$0.18 million) in 2012 to nil in 2013 as the Group discontinued the coal trading activities. The increase in revenue from sales of self-produced coal was resulted from an increase in sales volume, notwithstanding a slight drop in average selling price in 2013. Sales volume of self-produced coal increased from 435,205 tonnes in 2012 to 563,355 tonnes in 2013, principally as a result of an increase in the production output arising from the commencement of commercial production of Liujiaba Coal Mine in December 2012 and Dayuan Coal Mine in November 2013, and the which was partly countervailed by a decrease in the production output that resulted from the suspension of the Gouchang Coal Mine since March 2013. The average selling price of self-produced coal slightly decreased from CNY323.57 (US\$52.14) per tonne in 2012 to CNY316.85 (US\$51.06) per tonne in 2013 due to the decline in the market price of coal in Guizhou province in 2013;

ii)

Cost of sales from discontinued operations increased by 12.88% from CNY95.89 million (US\$15.45 million) in 2012 to CNY108.24 million (US\$17.44 million) in 2013. This was primarily due to our increased sales volume. As a percentage of revenue, cost of sales decreased from 67.56% in 2012 to 60.64% in 2013. For the self-produced coal, cost of sales as a percentage of revenue decreased from 67.30% in 2012 to 60.64% in 2013. This was mainly attributable to the greater economies of scale realized from our higher production volume in 2013;

iii)

Administrative expenses from discontinued operations increased by 83.70% from CNY77.33 million (US\$12.46 million) in 2012 to CNY142.06 million (US\$22.89 million) in 2013. This increase primarily reflected expenses incurred in connection with the preparation for the listing, losses incurred from the temporary suspension of production at Gouchang Coal Mine since March 2013, and loss from temporary suspension of production at Baiping Coal Mine in April and November of 2013 and Dayuan Coal Mine in November and December of 2013 due to accidents of the surrounding coal mines, as well as higher salaries and benefits expenses for the administrative staff following the expansion;

iv)

The Group incurred an impairment loss on property, plant and equipment from discontinued operations of CNY184.42 million (US\$29.72 million) in 2013 in connection with the temporary suspension of Gouchang Coal Mine. No such impairment loss was incurred in 2012;

v)

Other operating expenses from discontinued operations increased from CNY1.62 million (US\$0.26 million) in 2012 to CNY6.0 million (US\$0.97 million) in 2013, primarily as a result of the compensation paid to local residents for repairing the damaged houses due to the blasting operation of Liujiaba Coal Mine, the mine safety service fee paid to mine safety team in Yongsheng Coal Mine and the recognition of a provision for inventory impairment in connection with the suspension of the Gouchang Coal Mine. Other operating expenses in 2012 consisted mainly of miscellaneous levies and charges, while other operating expenses in 2013 consisted mainly of the compensation paid to local residents for repairing the damaged houses, mine safety service fee, miscellaneous levies and charges and provisions for impairment of inventory;

vi)

Finance costs from discontinued operations increased significantly from CNY44.53 million (US\$7.18 million) in 2012 to CNY115.25 million (US\$18.57 million) in 2013, principally due to a 58.37% increase in interest expenses on interest-bearing bank and other borrowings from CNY83.49 million (US\$13.45 million) in 2012 to CNY 132.22 million (US\$21.31 million) in 2013. Interest expenses on interest-bearing bank and other borrowings increased primarily because the Group significantly increased the bank borrowings from CNY1,013.53 million (US\$163.33 million) as of December 31, 2012 to CNY1,908.05 million (US\$307.48 million) as of December 31, 2013, partially to replace the non-interest bearing debt provided by its major shareholder. The Group also incurred entrusted loan commission fees of CNY7.9 million (US\$1.27 million) in 2013 as the Group replaced the intercompany loans with entrusted loans in 2013. No such entrusted loans or any entrusted loan commission fee was incurred in 2012;

vii)

Net non-operating expenses from discontinued operations decreased from CNY2.18 million (US\$0.35 million) in 2012 compared to net non-operating income of CNY0.13 (US\$0.02 million) million in 2013. The net non-operating expenses in 2012 primarily included sponsorships and contributions to the community and certain government organizations as well as losses on disposal of certain property, plant and equipment. The net non-operating income in 2013 primarily reflected the reversal of certain payables after the relevant government authorities issued confirmation letters confirming that the Group did not have any outstanding social security fund or housing provident fund contributions;

viii)

The Group had an income tax benefit from discontinued operations of CNY47.82 million (US\$7.71 million) in 2013, compared to an income tax benefit of CNY15.21 million (US\$2.45 million) in 2012. The income tax benefit in 2013 was primarily attributable to the loss before tax of CNY382.35 million (US\$61.61 million) in 2013, resulting in the recognition of deferred tax assets.

### **Critical Accounting Policies**

Our financial statements reflect the selection and application of accounting policies which require management to make significant estimates and assumptions. We believe that the following are some of the more significant judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations.

#### Revenue recognition

The Group sells its products pursuant to sales contracts entered into with its customers. Revenue for all products is recognized when the significant risks and rewards of ownership have passed to the customer and when collectability is reasonably assured. The passing of the significant risks and rewards of ownership to the customer is based on the terms of the sales contract, generally upon delivery and acceptance of the product by the customer.

In accordance with the relevant tax laws in the PRC, value-added taxes ( VAT ) is levied on the invoiced value of sales and is payable by the purchaser. The Group is required to remit the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases. The difference between the amounts collected and paid is presented as VAT recoverable or payable balance in the consolidated statements of financial position.

#### Property, plant and equipment

Property, plant and equipment is comprised of buildings, mining structures, mining rights, machinery and equipments, motor vehicle, exploration rights and construction in progress.

Exploration rights are capitalized and amortized over the term of the license granted to the Group by the authorities.

When proved and probable reserves have been determined, costs incurred to develop coal mines are capitalized as part of the cost of the mining structures.

Buildings, mining structures, machinery and equipment, and motor vehicles are stated at cost less accumulated depreciation and any impairment losses. Expenditures for routine repairs and maintenance are expensed as incurred.

Mining rights are stated at cost less accumulated amortization and any impairment losses. The costs of mining rights are initially capitalized when purchased. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs are capitalized and are amortized upon productions based on actual units of production over the estimated proven and probable reserves of the mines. For mining rights in which proven and probable reserves have not yet been established, the Group assesses the carrying value for impairment at the end of each reporting period. The Group's rights to extract minerals are contractually limited by time. However, the Group believes that it will be able to extend licenses, as it has in the past.

Mining related buildings & mining structures and mining related machinery & equipment are stated at cost less accumulated depreciation and any impairment losses. Those mining related assets for which probable reserves have been established are depreciated upon production based on actual units of production over the estimated proven and probable reserves of the mines.

When an item of property, plant and equipment is classified as held for distribution or when it is part of a disposal group classified as held for distribution, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained below.

Reserve estimates are reviewed when information becomes available that indicates a reserve change is needed, or at a minimum once a year. Any material effect from changes in estimates is considered in the period the change occurs.

Depreciation is calculated on the straight-line basis over each asset's estimated useful life down to the estimated residual value of each asset. Estimated useful lives are as follows:

Non-mining related buildings	15 - 35 years
Non-mining related machinery and equipment	5 - 15 years
Motor vehicles	5 - 8 years

Residual values, useful lives and the depreciation method are reviewed and, adjusted if appropriate, at each reporting date.

When properties are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized in the statement of profit or loss.

Construction in progress is carried at cost and is to be depreciated when placed into service over the estimated useful lives or units of production of those assets. Construction costs are capitalized as incurred. Interest is capitalized as incurred during the construction period.

#### Exploration and evaluation costs

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralization in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is expensed as incurred.

Once the exploration right to explore has been acquired, exploration and evaluation expenditure is charged to statements of profit or loss as incurred, unless a future economic benefit is more likely than not to be realized. Exploration and evaluation assets acquired in a business combination are initially recognized at fair value. They are subsequently stated at cost less accumulated impairment.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

#### Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of profit or loss or consolidated statements of comprehensive income, either as an expense as it relates to operating activities or as a component of the applicable categories of other comprehensive income or loss.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, by the reporting date, in the countries where the Group operates and generates

taxable income.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Asset retirement obligations

The Group's legal or constructive obligations associated with the retirement of non-financial assets are recognized at fair value at the time the obligations are incurred and if it is probable that an outflow of resources will be required to settle the obligation, and a reasonable estimate of fair value can be made. Upon initial recognition of a liability, a corresponding amount is capitalized as part of the carrying amount of the related property, plant and equipment. Asset retirement obligations are regularly reviewed by management and are revised for changes in future estimated costs and regulatory requirements. Changes in the estimated timing of retirement or future estimated costs are dealt prospectively by recording an adjustment against the carrying value of the provision and a corresponding adjustment to property and equipment. Depreciation of the capitalized asset retirement cost is generally determined on a units-of-production basis. Accretion of the asset retirement obligation is recognized over time and generally will escalate over the life of the producing asset, typically as production declines. Accretion is included in the finance cost in the consolidated statements of profit or loss. Any difference between the recorded obligation and the actual costs of reclamation is recorded in statements of profit or loss in the period the obligation is settled.

#### Non-current assets and disposal groups held for distribution



Non-current assets and disposal groups are classified as held for distribution when the Group is committed to distribute the asset or disposal group to its owners. For this to be the case, the asset or disposal group must be available for immediate distribution in its present condition and its distribution must be highly probable.

Non-current assets and disposal groups (other than financial assets) classified as held for distribution are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for distribution are not depreciated or amortised.

*Impairments of long-lived assets*

Long-lived assets to be held and used, such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

## Changes in Accounting Policy and Disclosures

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

IFRS 10, IFRS 12 and IAS 27 Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation</i> <i>Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets</i> <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21 Amendment to IFRS 2 included in <i>Annual Definition of Vesting Condition<sup>1</sup> Improvements</i>	<i>Levies</i>
<i>2010-2012 Cycle</i>	
Amendment to IFRS 3 included in <i>Annual Accounting for Contingent Consideration in a Business Combination<sup>1</sup> Improvements</i>	
<i>2010-2012 Cycle</i>	
Amendment to IFRS 13 included in <i>Annual Improvements</i>	<i>Short-term Receivables and Payables</i>
<i>2010-2012 Cycle</i>	
Amendment to IFRS 1 included in <i>Annual Meaning of Effective IFRSs Improvements</i>	
<i>2011-2013 Cycle</i>	

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Effective from July 1, 2014

Other than explained below, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

(a)

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The

amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b)

The IAS 32 Amendments clarify the meaning of currently has a legally enforceable right to set off for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c)

The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(e)

The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f)

The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g)

The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

#### **Issued but not yet effective International Financial Reporting Standards**

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the current year's financial statements:

IFRS 9 *Financial Instruments*<sup>4</sup>  
Amendments to IFRS 10 and IAS 28

	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception<sup>2</sup></i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations<sup>2</sup></i>
IFRS 14	<i>Regulatory Deferral Accounts<sup>5</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>3</sup></i>
Amendments to IAS 1	<i>Disclosure Initiative<sup>2</sup></i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization<sup>2</sup></i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants<sup>2</sup></i>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions<sup>1</sup></i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements<sup>2</sup></i>
<i>Annual Improvements</i>	Amendments to a number of IFRSs <sup>1</sup>

*2010-2012 Cycle*

*Annual Improvements* Amendments to a number of IFRSs <sup>1</sup>

*2011-2013 Cycle*

*Annual Improvements* Amendments to a number of IFRSs <sup>2</sup>

*2012-2014 Cycle*

1

Effective for annual periods beginning on or after July 1, 2014

2

Effective for annual periods beginning on or after January 1, 2016

3

Effective for annual periods beginning on or after January 1, 2017

4

Effective for annual periods beginning on or after January 1, 2018

5

Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from January 1, 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on January 1, 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the

financial position or performance of the Group upon adoption on January 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from January 1, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group in respect of the disclosures are as follows:

**IFRS 8 *Operating Segments*:** Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

## **B.**

### **Liquidity and Capital Resources**

The Company's primary liquidity needs are to fund operating expenses, capital expenditures and acquisitions. To date, the Company has financed its working capital requirements and capital expenditures through internally generated cash and non-interest bearing loans from the Shareholder and its affiliates.

See Item 5.F. for a summary of our contractual obligations for future cash payments at December 31, 2014.

Revenue and expenses of our PRC subsidiaries are denominated in Renminbi. We pay our corporate expenses in either Hong Kong dollars or US dollars. Conversion of Renminbi is strictly regulated by the Chinese Government. Under PRC foreign exchange rules and regulations, payment of routine transactions under current accounts, including trade and service transactions and payment of dividends, may be made in foreign currencies without prior approval from the SAFE but are subject to procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, such as direct investment and capital contribution. These transactions must be approved by the SAFE. See Item 10.D. for a further discussion of exchange controls in the PRC.

As of December 31, 2014, the breakdown of cash (in thousands) held in different currencies are as follows:

<b>Currency and Amount</b>	<b>CNY Equivalent</b>	<b>US\$ Equivalent</b>
CNY33,460	33,460	5,392
HK\$16,101	12,885	2,076
US\$309	1,918	309
<b>Total</b>	<b>48,263</b>	<b>7,777</b>

The Company expects to maintain a balanced portfolio of foreign currencies in order to meet its cash obligations in different currencies for its expenses, capital expenditures and acquisitions. Management does not anticipate the payment of dividends or any similar profit distribution from the Company's PRC subsidiaries in the foreseeable future.

The following table sets forth the Company's cash flow for each of the three years ended December 31, 2012, 2013 and 2014 including cash flows from discontinued operations:

	<b>Years Ended December 31,</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>



	<b>CNY'000</b>	<b>CNY'000</b>	<b>CNY'000</b>
Cash and cash equivalent at beginning of year	136,587	210,944	223,474
Net cash used in operating activities	(80,979)	(149,555)	(60,214)
Net cash used in investing activities	(365,384)	(296,701)	(39,753)
Net cash provided by/(used in) financing activities	520,753	462,197	(75,784)
Net (decrease) increase in cash	74,390	15,941	(175,751)
Effect of exchange rate changes on cash	(33)	(3,411)	540
Cash and cash equivalent at end of year	210,944	*223,474	48,263

\*

*Include cash and cash equivalent attributable to a discontinued operation amounting to CNY146,883 (US\$23,670).*

The following table sets forth the Company's financial condition and liquidity at the dates indicated:

	<b>Years Ended December 31,</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Current ratio	0.32x	1.17x	1.65x
Working capital (CNY'000)	(750,624)	429,067	24,697
Gearing ratio	67.13%		

2014 vs 2013

Net cash used by operating activities was CNY60.21 million (US\$9.70 million) in 2014 and CNY149.56 million (US\$24.10 million) in 2013. They were mainly caused by the operating losses for the corresponding years. The net cash used in 2013 included CNY150.10 million (US\$24.19 million) by the discontinued Coal segment spun off on January 22, 2014.

Net cash used in investing activities was CNY39.75 million (US\$6.41 million) in 2014, as compared with CNY296.70 million (US\$47.81 million) in 2013. The net cash used in investing activities was primarily comprised of the payment for the acquisition of property and equipment, including CNY293.39 million (US\$47.28 million) for the year of 2013 by the discontinued Coal segment spun off on January 22, 2014.

Net cash used in financing activities was CNY75.78 million (US\$12.21 million) in 2014, as compared with CNY462.20 million (US\$74.48 million) net cash provided in 2013. The net cash used in financing activities in 2014 was primarily comprised of the net cash paid during the distribution of CHNR's 100% equity interest of Feishang Anthracite amounting to CNY96.81 million (US\$15.60 million), partly offset by the net proceeds from interest-bearing loans amounting to CNY35.00 million (US\$5.69 million). The net cash provided in financing activities in 2013 was primarily comprised of the net cash provided by the discontinued Coal segment spun off on January 22, 2014.

2013 vs 2012

The Company's net cash used by operating activities was CNY149.56 million (US\$24.10 million) in 2013 and CNY80.98 million (US\$13.05 million) in 2012. They were mainly caused by the operating losses for the corresponding years.

The Company had a net cash outflow from investing activities of CNY296.70 million (US\$47.81 million) in 2013, compared to a net cash outflow of CNY365.38 million (US\$58.88 million) in 2012. The decrease was mainly due to less payments for the mine constructions along with the commercial production of certain coal mines since mid 2012.

Net cash provided in financing activities was CNY462.20 million (US\$74.48 million) in 2013, compared to the CNY520.75 million (US\$83.92 million) in 2012. This was mainly attributable to an increase of CNY890.25 million (US\$143.46 million) in the net proceeds from bank loan in 2013, partially offset by the increase of CNY426.27 million (US\$68.69 million) in net repayment to related parties.

After the Spin-Off in January 2014, the Company does not hold any interest-bearing loans and mining rights payables. In addition we do not expect material capital expenditures for the existing non-ferrous mines. As such, the absence of cash flows from discontinued operations is considered positive to the Company's future liquidity and capital resources.

Our liquidity, including our working capital, has been affected by many factors including:

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Funding of our on-going mining activities through internally generated funds;

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The timing of expenditures in relation to when our accounts receivable are paid;

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Our ability to secure bank financing as and when required, on acceptable terms;

.

Our difficulty in accessing US capital markets to fund PRC operations; and

.

A lack of development of US trading markets for our securities, which has hampered our ability to use our securities as currency to fund acquisitions, business combinations and similar transactions.

See Item 5.F. for a tabular payment schedule of capital commitments of the Company.

Except as disclosed above, there have been no significant changes in the Company's financial condition and liquidity during the years ended December 31, 2012, 2013 and 2014. The Company believes that its internally generated funds will be sufficient to satisfy its anticipated working capital needs for at least the next 12 months. However, we continue to evaluate expansion and growth prospects as they are presented to us from time to time and will continue to do so in the ordinary course. We anticipate that there will be significant capital expenditures ahead in the event of additional acquisitions.

**C.**

**Research and development, patents and licenses, etc.**

The Company did not incur any significant amounts on company-sponsored research and development activities during each of the last three fiscal years.

**D.**

**Trend information**

Except as set forth in the following paragraph, the Company does not believe that there have been recent trends in production, sales and inventory, the state of the order book and costs and selling prices since the latest financial year, nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect of the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Management is cautiously optimistic about the PRC economy, although it is difficult to predict the demand for and the future price trend of iron and other ore, and recent trend information suggests a less than robust less optimism for the price of metals in the near term. These uncertainties may continue to have an impact on the current and future operating results and the financial condition of the Company.

**E.**

**Off balance sheet arrangements**

Under SEC regulations, we are required to disclose our off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. An off-balance sheet arrangement means a transaction, agreement or contractual arrangement to which any entity that is not consolidated with us is a party, under which we have:

.

Obligations under certain guarantee contracts;

.

A retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;

.

Any obligation under a derivative instrument that is both indexed to our stock and classified in stockholder's equity, or not reflected, in our statement of financial position; and

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Any obligation arising out of a material variable interest held by us in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or engages in leasing, hedging or research and development services with us.

As of December 31, 2014, the Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**F.****Tabular disclosure of contractual obligations**

<b>Contractual Obligations as at December 31, 2014</b>	<b>Payments due by period</b>				<b>Later years CNY 000</b>
	<b>Total CNY 000</b>	<b>2015 CNY 000</b>	<b>2016-2017 CNY 000</b>	<b>2018-2019 CNY 000</b>	
Operating lease obligations	1,131	781	350		
Assets retirement obligations	4,221				4,221
<b>Total</b>	<b>5,352</b>	<b>781</b>	<b>350</b>		<b>4,221</b>

**G.****Safe Harbor**

The safe harbor provided in Section 27A of the Securities Act and Section 21E of the Exchange Act, or the statutory safe harbors, applies to forward-looking information provided pursuant to Item 5.F above. For our cautionary statement on the use of forward looking statements in this Annual Report, see [Forward-Looking Statements](#) on page iii of this Annual Report.

**ITEM 6.****DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A.****Directors and Senior Management****Executive Officers and Directors**

The following table sets forth the current directors and executive officers of the Company, and their ages and positions with the Company:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Li Feilie	49	Chairman of the Board of Directors and Chief Executive Officer
Tam Cheuk Ho	52	Director
Wong Wah On Edward	51	Director
Lam Kwan Sing	45	Non-employee Director
Ng Kin Sing	52	Non-employee Director
Yip Wing Hang	48	Non-employee Director
Yue Ming Wai Bonaventure	47	Chief Financial Officer and Corporate Secretary

Mr. Li Feilie was appointed as a director, Chief Executive Officer and Chairman of the Board in February 2006 following consummation of the acquisition of Feishang Mining. He has served as a director of Feishang Anthracite since January 2010, and its Chief Executive Officer and Chairman since December 2013. Mr. Li has served as a director of Feishang Mining since September 2004. He served as director of Wuhu Feishang from December 2001 to July 2011. Mr. Li has been the chairman of Feishang Enterprise, WFID and Wuhu Port Co., Ltd., companies beneficially owned by him, since June 2000, from December 2001 to July 2011 and since October 2002, respectively. He also served as director of Pingxiang from July 2003 to December 2012. From March 2002 to April 2004, Mr. Li served as the chairman of Fujian Dongbai (Group) Co. Ltd. Mr. Li graduated from Peking University with a Bachelor's degree and a Master's degree in Economics.

Ms. Tam Cheuk Ho was appointed as a director in April 2015. Mr. Tam has served as the director of Feishang Anthracite since February 2013. He served as a director of the Company from December 1993 to December 1994 and from December 1997 to January 2014. He was also the chief financial officer and executive vice president of the Company, from December 2004 to January 2008, and from January 2008 to January 2014, respectively. He served as the chief financial officer and a director of China Resources from December 1994 to December 2004. From July 1984 through December 1991, he worked at Ernst & Young, Hong Kong where his most recent position was audit manager, and from February 1992 through September 1992, as financial controller of China Nuclear Industry 23 International Corporation Limited, a listed company in Hong Kong, where he was responsible for accounting and financial functions. From October 1992 through December 1994, Mr. Tam was finance director of Hong Wah (Holdings) Limited. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a certified public accountant (practising) in Hong Kong. He holds a

Bachelor of Business Administration degree from the Chinese University of Hong Kong.

Mr. Wong Wah On Edward was appointed as a director in April 2015. Mr. Wong has served as the director of Feishang Anthracite since February 2013. He served as a director of the Company from January 1999 to January 2014, as its financial controller from December 2004 to January 2008, as its secretary from February 1999 to January 2014, and as its chief financial officer from January 2008 to January 2014. He served as secretary, financial controller and a director of China Resources from December 1997 to December 2004. From July 1988 through October 1992, he worked at Ernst & Young, Hong Kong where his most recent position was audit supervisor. From October 1992 through December 1994, Mr. Wong was the deputy finance director of Hong Wah (Holdings) Limited. He received a professional diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic University. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries. He is also a certified public accountant (practising) in Hong Kong.

Mr. Lam Kwan Sing has been a non-employee director and a member of CHNR's audit committee and nominating and governance committee since December 2004, and a member of its compensation committee since November 2007. He served as a director and a member of the audit committee of China Resources from March 2003 until completion of the Redomicile Merger. From August 2010 to present, Mr. Lam has been the executive director of Rising Development Holdings Limited, a Hong Kong listed company, where he is responsible for corporate development. From May 2008 to July 2010, Mr. Lam was the executive director of Neo-China Land Group (Holdings) Limited, a Hong Kong listed company. In 2007, Mr. Lam served as the executive director of Forefront Group, a Hong Kong listed company. From 2002 to 2006, Mr. Lam served as the executive director of New Times Group Holdings Limited, a Hong Kong listed company. From 2000 to 2002, Mr. Lam was the business development manager of China Development Corporation Limited, a Hong Kong listed company. From 1997 to 2000, he was the business development manager of Chung Hwa Development Holdings Limited, a Hong Kong listed company. From 1995 to 1997, Mr. Lam was the assistant manager (Intermediaries supervision) of Hong Kong Securities and Futures Commission. Mr. Lam holds a Bachelor's degree in Accountancy from the City University of Hong Kong.

Mr. Ng Kin Sing has been a non-employee director and a member of CHNR's audit committee and nominating and governance committee since December 2004, and a member of its compensation committee since November 2007. He served as a director and a member of the audit committee of China Resources from February 1999 until completion of the Redomicile Merger. From March 2012 to present, Mr. Ng has been the director of Sky Innovation Limited, a private investment company. From April 1998 to February 2012, Mr. Ng was the managing director of Action Plan Limited, a private securities investment company. From November 1995 until March 1998, Mr. Ng was sales and dealing director for NatWest Markets (Asia) Limited; and from May 1985 until October 1996, he was the dealing director of BZW Asia Limited, an international securities brokerage house. Mr. Ng holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong.

Mr. Yip Wing Hang has been a non-employee director and a member of CHNR's audit committee and nominating and governance committee since June 2006, and a member of its compensation committee since November 2007. From October 2010 to present, Mr. Yip has been the marketing director of Athena Financial Services Limited responsible for the sale and distribution of financial products. From February 2002 to September 2010, he was the marketing director of Hantec Investment Consultant Limited. From May 1997 to February 2002, Mr. Yip was the senior manager of CCIC Finance Limited. Mr. Yip holds a Masters degree in Accounting and Finance from the Lancaster University, UK.

Mr. Yue Ming Wai Bonaventure was appointed as the Chief Financial Officer and Corporate Secretary in April 2015. Mr. Yue has been the chief financial officer and the company secretary of Feishang Anthracite since January 2014. He served as the financial controller of the Company from April 2008 to January 2014. From July 1990 to December 1992, Mr. Yue worked in the audit department of Ernst & Young, Hong Kong. From December 1992 to August 1993, he worked as an accountant in Sun Hung Kai & Co. Limited, a company listed in Hong Kong. From January 1995 to August 1996, he was the assistant financial controller and the company secretary of Nam Hing Holdings Limited, a company listed in Hong Kong. From August 1996 to April 1998, Mr. Yue served as an accounting manager of Leading Spirit (Holdings) Company Limited, a company listed in Hong Kong. From April 1998 to October 1998, he was the senior corporate finance manager of Best Wide Group Limited, a company listed in Hong Kong. From November 1998 through April 2003, Mr. Yue was an associate director of a private investment advisory company. From April 2003 through October 2007, he served as the chief financial officer and the company secretary of a public manufacturing company. He has also served as a director of a private company engaging in the provision of corporate services since March 2003. From September 2007 to April 2008, Mr. Yue was the financial controller of Enerchina Holdings Limited, a listed company in Hong Kong. Mr. Yue graduated from Hong Kong Baptist University with a Bachelor of Business Administration degree and was awarded a Master of Science degree in accounting and finance



from the University of Manchester. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England & Wales. Mr. Yue is also a member of Chartered Accountants Australia & New Zealand, and a member accredited in business valuation of the American Institute of Certified Public Accountants.

### **Key Employees**

The following table identifies the senior management of the metal segment, and his age and position with the Company:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Xu Chengyin	53	Director and General Manager of Wuhu Feishang

Mr. Xu graduated from Changsha Metallurgical Industrial School, and he holds a bachelor's degree in management from Hunan Correspondence Institute of Party School of CPC. Prior to joining Wuhu Feishang, Mr. Xu was the Deputy General Manager of Anhui Xinke New Materials Co., Ltd., which is a China A share listed company. Mr. Xu has more than twenty years experience in the metal smelting industry. Mr. Xu Chengyin has been the Director and General Manager of Wuhu Feishang since November 2011.

## Family Relationships

Except as set forth above, there are no family relationships between any of the individuals identified above. There are no arrangements or understandings between major shareholders, customers, suppliers or others pursuant to which any of the individuals identified above was selected as a director or member of senior management.

## B.

### Compensation

#### Executive Compensation

The following table sets forth the amount of compensation that was paid, earned and/or accrued and awards made under the Company's equity compensation plan during the fiscal year ended December 31, 2014, to each of the individuals identified in Item 6(A) above.

Name	Compensation (US\$)	Number of options	Exercise price (US\$/ share)	Expiration date
		to purchase Common Shares		
<u>Directors and Officers</u>				
Li Feilie		1		
Ma Sin Ling*		1		
Woo Ming Yee*		1		
Lam Kwan Sing	7,692			
Ng Kin Sing	7,692			
Yip Wing Hang	7,692			
<u>Senior Management</u>				
Xu Chengyin	26,202			
Han Weibing **	4,626			
Wan Huojin **	3,614			

\*

In April 2015, Ms. Ma and Ms. Woo resigned as directors and officers of the Company. Effective upon their resignations, the Company's Board of Directors (a) appointed Messrs. Tam Cheuk Ho and Wong Wah On Edward to serve as Class III Directors of the Company until the next annual meeting of shareholders at which Class III Directors are elected and until their successors are duly elected and have qualified, and (b) appointed Mr. Yue Ming Wai Bonaventure to serve as Chief Financial Officer and Corporate Secretary of the Company until otherwise determined by the Company's Board of Directors. Mr. Tam and Mr. Wong did not receive compensation from the Company during 2014.

\*\*

Mr. Han Weibing and Mr. Wan Huojin were appointed as executive directors of Feishang Anthracite, effective December 23, 2013. Subsequent to the Spin-Off in January 2014, Mr. Han Weibing and Mr. Wan Huojin ceased providing services to the Group.

The Company and its subsidiaries have not set aside or accrued any amounts to provide pension, retirement or similar benefits to the Company's directors.

On October 1, 2008, we entered into a Service Agreement with Li Feilie, our Chairman and Chief Executive Officer with an initial term of three years and shall continue thereafter unless and until terminated by a party on not less than three months' notice, with an annual fee of US\$1.00, plus such equity awards as may from time to time be determined by our Compensation Committee.

On January 22, 2014, we entered into Service Agreements with each of Ma Sin Ling, our Chief Financial Officer and Woo Ming Yee, a director, with an initial term of one year and shall continue thereafter unless and until terminated by a party on not less than one month notice, with an annual fee of US\$1.00, plus such equity awards as may from time to time be determined by our Compensation Committee. These Service Agreements were terminated in April 2015 when Ms. Ma and Ms. Woo resigned from the Company.

On April 2, 2015, we entered into Service Agreements with each of Yue Ming Wai Bonaventure, our Chief Financial Officer, and Tam Cheuk Ho and Wong Wah On Edward, our directors, with an initial term of one year and, thereafter, shall continue unless and until terminated by a party on not less than one month's notice. Each of the agreements also provides for the payment to each individual of an annual fee of US\$1.00, plus such equity awards as may from time to time be determined by our Compensation Committee.

There are no current contracts, agreements or understandings to increase the annual cash compensation payable to any of our executive directors. For each of the three years ended December 31, 2014, no increases in cash compensation were determined by the Compensation Committee under the Service Agreements, and we paid or accrued \$nil, \$nil and \$nil, respectively, for cash compensation to our executive officers for their services as such.

The Company has no other employment contracts with any of its executive officers or directors and maintains no retirement, fringe benefit or similar plans for the benefit of its executive officers or directors. The Company may, however, enter into employment contracts with its officers and key employees, adopt various benefit plans and begin paying compensation to its officers and directors as it deems appropriate to attract and retain the services of such persons.

### *Securities Authorized for Issuance Under Equity Compensation Plans*

The following table sets forth information relating to our outstanding stock option plans as of December 31, 2014:

<b>Plan Category</b>	<b>Number of Securities to be issued upon exercise of</b>		<b>Weighted-average exercise price of outstanding options, warrant and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	<b>outstanding options, warrants and rights</b>	<b>(a)</b>		
Equity compensation plans approved by security holders				
2003 Equity Compensation Plan			N/A	
2014 Equity Compensation Plan			N/A	
Equity compensation plans not approved by security holders			N/A	
Total			N/A	

### **Stock Option Plans**

The 2003 Equity Compensation Plan (the 2003 Plan ) terminated on December 13, 2013. There are no outstanding (unexercised) options under the 2003 Plan. During the years ended December 31, 2011, 2012 and 2013, the Committee did not grant any options to employees and officers to purchase the Company's common shares under the 2003 Plan.

The 2014 Equity Compensation Plan (the 2014 Plan ) was authorized by our Board of Directors on June 20, 2014 and was ratified and approved by members on July 21, 2014.

The purposes of the 2014 Plan are to:

Encourage ownership of our common stock by our officers, directors, employees and advisors;

Provide additional incentive for them to promote our success and our business; and

Encourage them to remain in our employ by providing them with the opportunity to benefit from any appreciation of our common shares.

The 2014 Plan is administered by the Board of Directors or a committee designated by the Board (the Plan Committee ). The 2014 Plan allows the Plan Committee to grant various incentive equity awards not limited to stock options. The Company has reserved a number of common shares equal to 20% of the issued and outstanding common shares of the Company, from time-to-time, for issuance pursuant to options granted ( Plan Options ) or for restricted stock awarded ( Stock Grants ) under the 2014 Plan. Stock Appreciation Rights may be granted as a means of allowing participants to pay the exercise price of Plan Options. Stock Grants may be made upon such terms and conditions as the Committee determines. Stock Grants may include deferred stock awards under which receipt of Stock Grants is deferred, with vesting to occur upon such terms and conditions as the Committee determines.

The Committee will determine, from time to time, those of our officers, directors, employees and consultants to whom Stock Grants and Plan Options will be granted, the terms and provisions of the respective Stock Grants and Plan Options, the dates such Plan Options will become exercisable, the number of shares subject to each Plan Option, the purchase price of such shares and the form of payment of such purchase price. Plan Options and Stock Grants will be awarded based upon the fair market value of our common shares at the time of the award. All questions relating to the administration of the 2014 Plan, and the interpretation of the provisions thereof are to be resolved at the sole discretion of the Committee.

At the time of adoption of the 2014 Plan by the Board of Directors, 4,982,183 common shares have been reserved for issuance under the 2014 Plan. No awards have yet been made under the 2014 Plan. The 2014 Plan terminates on June 19, 2024.

## C.

### **Board Practices**

As provided by our Amended and Restated each director is to hold office for a three-year term expiring immediately following the annual meeting of shareholders held three years following the annual meeting at which he or she was elected.

In connection with the Spin-Off, Messrs. Tam Cheuk Ho and Wong Wah On Edward resigned their positions with the Company on January 22, 2014 and assumed positions with Feishang Anthracite. The resignations of Messrs. Tam Cheuk Ho and Wong Wah On Edward did not result from any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Effective upon resignations of Messrs. Tam Cheuk Ho and Wong Wah On Edward, the Company's Board of Directors appointed Ms. Woo Ming Yee and Ms. Ma Sin Ling to serve as Class III directors until immediately following the annual meeting to be held in 2016 and until their successors have been duly elected and qualified. In April 2015, Ms. Ma and Ms. Woo resigned as Class III directors and Messrs. Tam Cheuk Ho and Wong Wah On Edward were reinstated as Class III directors to fill the vacancies created by the resignations of Ms. Ma and Ms. Woo. Messrs. The resignations of Ms. Ma and Ms. Woo did not result from any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

At the annual meeting of shareholders in 2014, Messrs. Li Feilie and Ng Kin Sing were elected to serve as Class I directors until immediately following the annual meeting to be held in 2017 and until their successors have been duly elected and qualified. Messrs. Lam Kwan Sing and Yip Wing Hang serve as Class II directors until immediately following the annual meeting to be held in 2015 and until their successors have been duly elected and qualified. Messrs. Tam and Wong serve as Class III directors until immediately following the annual meeting to be held in 2016 and until their successors have been duly elected and qualified. Messrs. Lam Kwan Sing, Yip Wing Hang and Ng Kin Sing is each an independent director as such term is used in applicable rules and regulations of the Securities and Exchange Commission and in NASDAQ Marketplace Rule 5605(a)(2). We are not required to maintain a Board of Directors consisting of a majority of independent directors based upon an exemption from NASDAQ requirements applicable to foreign private issuers whose home jurisdiction does not require the board of directors to consist of a majority of independent directors.

Our officers are elected annually at the Board of Directors meeting following each annual meeting of shareholders, and hold office until their respective successors are duly elected and qualified, subject to their earlier death, resignation or removal, and the terms of applicable employment agreements.

Commencing July 1, 2006, we pay our independent directors a monthly directors' fee equal to HK\$5,000 (US\$641). We do not otherwise pay fees to directors for their attendance at meetings of the Board of Directors or of committees; however, we may adopt a policy of making such payments in the future. We will reimburse out-of-pocket expenses incurred by directors in attending board and committee meetings. During the fiscal year ended December 31, 2014, no long-term incentive plans or pension plans were in effect with respect to any of the Company's executive officers or directors.

### **Audit Committee**

Our Board of Directors has established an audit committee that operates pursuant to a written charter. Our audit committee, whose members currently consists of Yip Wing Hang, Lam Kwan Sing and Ng Kin Sing, is principally responsible for ensuring the accuracy and effectiveness of the annual audit of the financial statements. The duties of the audit committee include, but are not limited to:

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appointing and supervising our independent registered public accounting firm;

.  
assessing the organization and scope of the company's interim audit function;

.  
reviewing the scope of audits to be conducted, as well as the results thereof;

.  
approving audit and non-audit services provided to us by our independent registered public accounting firm; and

.  
overseeing our financial reporting activities, including our internal controls and procedures and the accounting standards and principles applied.

Each member of the Audit Committee is an independent director, as such term is used in applicable rules and regulations of the Securities and Exchange Commission and in NASDAQ Marketplace Rule 5605(a)(2).

**Nominating and Corporate Governance Committee; Shareholder Nominees for Director**

Our Board of Directors has established a Nominating and Corporate Governance Committee that operates pursuant to a written charter. The current members of the Nominating and Corporate Governance Committee are Ng Kin Sing, Lam Kwan Sing and Yip Wing Hang. Each member of the Nominating and Corporate Governance Committee is an independent director, as such term is used in NASDAQ Marketplace Rule 5605(a)(2).

The Nominating and Corporate Governance Committee is responsible for providing oversight on a broad range of issues surrounding the composition and operation of our Board of Directors. In particular, the responsibilities of the Nominating and Corporate Governance Committee include:

- .  
identifying individuals qualified to become members of the Board of Directors;
- .  
determining the slate of nominees to be recommended for election to the Board of Directors;
- .  
reviewing corporate governance principles applicable to us, including recommending corporate governance principles to the Board of Directors and administering our Code of Ethics;
- .  
assuring that at least one Audit Committee member is an audit committee financial expert within the meaning of regulatory requirements; and
- .  
carrying out such other duties and responsibilities as may be determined by the Board of Directors.

The Nominating and Corporate Governance Committee is required to meet at least once annually, and more frequently if the committee deems it to be appropriate. The committee may delegate authority to one or more members of the committee; provided that any decisions made pursuant to such delegated authority are presented to the full committee at its next scheduled meeting. Discussions pertaining to the nomination of directors are required to be held in executive session.

The Nominating and Corporate Governance Committee will consider candidates for directors proposed by shareholders, although no formal procedures for submitting the names of candidates for inclusion on management's slate of director nominees have been adopted. Until otherwise determined by the Nominating and Corporate Governance Committee, a member who wishes to submit the name of a candidate to be considered for inclusion on management's slate of nominees at the next annual meeting of shareholders must notify our Corporate Secretary, in writing, no later than June 30 of the year in question of its desire to submit the name of a director nominee for consideration. The written notice must include information about each proposed nominee, including name, age, business address, principal occupation, telephone number, shares beneficially owned and a statement describing why



inclusion of the candidate would be in our best interests. The notice must also include the proposing member's name and address, as well as the number of shares beneficially owned. A statement from the candidate must also be furnished, indicating the candidate's desire and ability to serve as a director. Adherence to these procedures is a prerequisite to the board's consideration of the shareholder's candidate. Once a candidate has been identified, the Nominating and Corporate Governance Committee reviews the individual's experience and background, and may discuss the proposed nominee with the source of the recommendation. If the Nominating and Corporate Governance Committee believes it to be appropriate, committee members may meet with the proposed nominee before making a final determination whether to include the proposed nominee as a member of management's slate of director nominees to be submitted for election to the board.

### **Compensation Committee**

Our Board of Directors has established a Compensation Committee that operates pursuant to a written charter. The current members of the Compensation Committee are Ng Kin Sing, Lam Kwan Sing and Yip Wing Hang. Each member of the Compensation Committee is an independent director, as such term is used in NASDAQ Marketplace Rule 5605(a)(2).

The Compensation Committee is responsible for:

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Formulating corporate goals and objectives relevant to compensation payable to the CEO and other executive officers;

.

Evaluating the performance of the CEO and other executive officers in light of these goals and objectives;

.

Recommending to the board for its adoption and approval, compensation payable to the CEO and other executive officers, including (a) annual base salary level, (b) annual incentive opportunity level, (c) long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change in control agreement/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits;

.

Administering and supervising the Company's incentive compensation plans, including equity compensation plans;

.

Recommending to the board for its adoption and approval, awards to be made under the Company's incentive compensation plans, including equity compensation plans; and

Generally supporting the Board of Directors in carrying out its overall responsibilities relating to executive compensation.

The Compensation Committee is required to meet at least once annually, and more frequently if the committee deems it to be appropriate. The committee may delegate authority to one or more members of the committee; provided that any decisions made pursuant to such delegated authority are promptly communicated to all other committee members.

### **NASDAQ Requirements**

Our common shares are currently listed on the NASDAQ Capital Market and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by NASDAQ Stock Market as being applicable to listed companies. NASDAQ has adopted, and from time-to-time adopts, amendments to its Marketplace Rule 5600 that imposes various corporate governance requirements on listed securities. Section (a)(3) of Marketplace Rule 5615 provides that foreign private issuers such as our company are required to comply with certain specific requirements of Marketplace Rule 5600, but, as to the balance of Marketplace Rule 5600, foreign private issuers are not required to comply if the laws of their home jurisdiction do not otherwise mandate compliance with the same or substantially similar requirement.

We currently comply with those specifically mandated provisions of Marketplace Rule 5600. In addition, we have elected to voluntarily comply with certain other requirements of Marketplace Rule 5600, notwithstanding that our home jurisdiction does not mandate compliance with the same or substantially similar requirements; although we may in the future determine to cease voluntary compliance with those provisions of Marketplace Rule 5600 that are not mandatory. However, we have elected not to comply with the following provisions of Marketplace Rule 5600, since the laws of the British Virgin Islands do not require compliance with the same or substantially similar requirements:

a majority of our directors are not independent as defined by NASDAQ rules (rather, one-half of the members of our Board of Directors are independent);

our independent directors do not hold regularly scheduled meetings in executive session (rather, all board members may attend all meetings of the Board of Directors);

the compensation of our executive officers is recommended but not determined by an independent committee of the board or by the independent members of the Board of Directors; and our CEO may be present in the deliberations concerning his compensation;

related party transactions are not required to be reviewed and we are not required to solicit member approval of stock plans, including: those in which our officers or directors may participate; stock issuances that will result in a change in

control; the issuance of our stock in related party acquisitions or other acquisitions in which we may issue 20% or more of our outstanding shares; or, below market issuances of 20% or more of our outstanding shares to any person; and

we are not required to hold an in-person annual meeting to elect directors and transact other business customarily conducted at an annual meeting (rather, we complete these actions by written consent of holders of a majority of our voting securities).

We may in the future determine to voluntarily comply with one or more of the foregoing provisions of Marketplace Rule 5600.

**D.****Employees**

As of December 31, 2014 (a) mining operations employed 303 persons on a full time basis, and (b) the corporate segment employed six persons on a full time basis. The Company believes that its relations with employees are generally good.

The following table sets out the number of employees (excluding the discontinued coal mine segment) at the end of each of the past two financial years, including their principal category of activity and geographic location.

		<b>Years Ended December 31,</b>	
		<b>2013</b>	<b>2014</b>
Hong Kong	Accounting, administration and management	3	3
		3	3
The PRC	Accounting, administration and management	37	38
	Sales and quality inspection	5	5
	Purchasing and supplies	12	12
	Production	230	217
	Cashier	1	1
	Others	27	27
		312	300
Total		315	303

**E.****Share Ownership**

The following table sets forth, as of April 22, 2015, the share ownership of the Company's common shares by each of our directors, executive officers and key employees.

As of April 22, 2015, there were 24,910,916 common shares issued and outstanding. Unless otherwise indicated, each person has sole investment and voting power with respect to all shares shown as beneficially owned. The term "beneficial owner" of securities refers to any person who, even if not the record owner of the securities, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A person also is considered to be the "beneficial owner" of securities that the person has the right to acquire within 60 days by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through companies in which they have a "controlling interest", which means the direct or indirect power to direct the management and policies of the entity. The Company's directors and executive officers do not have different voting rights than other shareholders of the Company.

**Name of Beneficial Owner****Percent of Class**

**Amount and Nature of  
Beneficial Ownership**

Li Feilie	14,780,593(1)	59.33%
Tam Cheuk Ho	281,926	1.13%
Wong Wah On Edward	400,000	1.61%
Lam Kwan Sing		
Ng Kin Sing		
Yip Wing Hang		
Xu Chengyin		
Yue Ming Wai Bonaventure		
Officers and directors as a group (8 persons)	15,462,519	62.07%

(1)

Consists of (a) 14,480,593 outstanding common shares held in the name of Feishang Group, a British Virgin Islands corporation that is wholly owned by Mr. Li, and (b) 300,000 outstanding common shares held by Mr. Li.

**ITEM 7.****MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A.****Major Shareholders****Major Shareholders**

The following table sets forth, as of April 22, 2015, to the knowledge of management, the share ownership of each person who is the beneficial owner of more than 5% of our outstanding common shares.

As of April 22, 2015, there were 24,910,916 common shares issued and outstanding. Unless otherwise indicated, each person has sole investment and voting power with respect to all shares shown as beneficially owned. The term beneficial owner of securities refers to any person who, even if not the record owner of the securities, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A person also is considered to be the beneficial owner of securities that the person has the right to acquire within 60 days by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through companies in which they have a controlling interest, which means the direct or indirect power to direct the management and policies of the entity. The Company's major shareholders do not have different voting rights than other shareholders of the Company.

<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Li Feilie	14,780,593(1)	59.33%

(1)

Consists of (a) 14,480,593 outstanding common shares held in the name of Feishang Group, a British Virgin Islands corporation that is wholly owned by Mr. Li, and (b) 300,000 outstanding common shares held by Mr. Li.

**Significant Changes in Ownership**

The Company is advised that in December 2014, Rosetta Stone Capital Limited, whose 2,250,000 shares then represented approximately 9.03% of the Company's outstanding shares, disposed of its shares to two unrelated third parties. There have been no other significant changes in the percentage ownership held by any major shareholder during the past three years.

**Geographic Breakdown of Shareholders**

Based upon a review of our shareholder records as of December 31, 2014, on that date our common shares were held of record by approximately 173 persons, 143 of whom, who held approximately 28.9% of our outstanding common shares on that date, were located in the United States (host country). Shares registered in the name(s) of intermediaries were assumed to be held by residents of the same country in which the intermediary was located.

**Control**

To our knowledge, (a) there are no arrangements the operation of which may, at a subsequent date, result in a change in control of the Company and (b) except as otherwise disclosed in this Annual Report, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly.

**B.****Related Party Transactions****Commercial Transactions with Related Companies**

Commercial transactions with related companies are summarized as follows:

	<b>Years Ended December 31,</b>		
	<b>2012</b> CNY 000	<b>2013</b> CNY 000	<b>2014</b> CNY 000
CHNR's payment of its share of office rental, rates and others to Anka Consultants Limited (Anka) (1)	1,385	1,502	920

(1)

On July 1, 2008, the Company and Anka, a private Hong Kong company that is owned by certain directors of the Company, entered into a license agreement in respect of the Company's head office in Hong Kong. The total area of the office was approximately 368 square meters in which the Company shared 238 square meters. The license agreement also provided that the Company shared certain costs and expenses in connection with its use of the office, in addition to accounting and secretarial services and day-to-day office administration provided by Anka. On September 1, 2013, the Company and Feishang Anthracite entered into new license agreements with Anka, respectively. Pursuant to the new agreements, the Company and Feishang Anthracite share the office premises of 238 square metres on an equal basis. The agreements also provide that the Company and Feishang Anthracite shall share certain costs and expenses in connection with their use of the office. In addition, Anka continues to provide accounting and secretarial services and day-to-day office administration to the Company. The initial term of the agreements was from September 1, 2013 to June 30, 2014 and shall be effective for all subsequent extension of leases. The lease was extended for 2 years from July 1, 2014 to June 30, 2016.

**Balances with Related Parties**

	<b>As of December 31,</b>		
	<b>2012</b> CNY 000	<b>2013</b> CNY 000	<b>2014</b> CNY 000
<u>Payables to related parties</u>			
Feishang Enterprise (1)	411,053	6,453	
Feishang Group (2)	266,610	197,062	15,374

(1)

Payable to Feishang Enterprise by Feishang Management for the net amount of a loan from Feishang Enterprise and the net amount of expenses paid by Feishang Enterprise on behalf of certain subsidiaries. The balance is due on demand.



(2)

Payable to Feishang Group for the acquisition of Feishang Anthracite. The balance is unsecured, interest-free and not repayable within one year. Feishang Group has confirmed that the balance due to Feishang Group as at December 31, 2014 is not required to be settled in the future 12 months.

Feishang Enterprise, and Feishang Group are entities controlled by Mr. Li Feilie who is also an executive officer, director, and principal beneficial owner of the Company.

**C.**

#### **Interests of Experts and Counsel**

No disclosure is required in response to this Item.

### **ITEM 8.**

#### **FINANCIAL INFORMATION**

**A.**

#### **Consolidated Statements and Other Financial Information**

The Company's Consolidated Financial Statements for the fiscal years ended December 31, 2012, 2013 and 2014 are included herewith as Appendix A and are incorporated herein by reference.

We have no direct business operations, other than through the ownership of our subsidiaries. Prior to December 31, 2013, we had not paid any dividends on our common shares. On December 31, 2013, the Board of Directors approved a conditional special interim dividend to the shareholders of CHNR satisfied by way of a distribution in specie of the entire issued share capital of Feishang Anthracite to all shareholders of CHNR in proportion to their respective shareholdings in CHNR on the Distribution Record Date. Pursuant to the Distribution, each shareholder of CHNR became entitled to five shares of Feishang Anthracite for every share of CHNR held on the Distribution Record Date. After the completion of the Distribution, CHNR no longer holds any shares in Feishang Anthracite.

See Item 4.A for the details of the Distribution and Spin-Off.

Should we, as a holding company, decide in the future to pay any additional dividends, they will be paid at the discretion of the Company's Board of Directors and will be dependent upon distributions, if any, made by its subsidiaries, and on the Company's results of operations, its financial condition and other factors deemed relevant by the Board of Directors. In addition, our operating subsidiaries are subject to restrictions on their ability to make distributions to us, including as a result of restrictions imposed under PRC law.

See Item 3.A. for the details of reserve allocation of PRC's subsidiaries.

There are no legal or arbitration proceedings (including governmental proceedings pending or known to be contemplated), including those relating to bankruptcy, receivership or similar proceedings and those involving any third party, which may have, or have had in the recent past, significant effects on the Company's financial position or profitability. Moreover, there are no material proceedings in which any director, any member of senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

## B.

### Significant Changes

There have been no significant changes that have occurred since the date of the annual financial statements included in this Annual Report.

## ITEM 9.

### THE OFFER AND LISTING

#### A.

#### Offer and Listing Details

The following table sets forth the annual high and low last trade prices of our common shares as reported by The NASDAQ Stock Market for each of the five preceding fiscal years. The prices are inter-dealer prices, without retail markup, markdown or commission.

Period	High	Low
Fiscal Year ended:		
December 31, 2014	\$ 10.80	\$ 1.89
December 31, 2013	\$ 6.18	\$ 3.15
December 31, 2012	\$ 9.06	\$ 3.61
December 31, 2011	\$ 17.05	\$ 6.80
December 31, 2010	\$ 17.87	\$ 8.27

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The following table sets forth the high and low last trade prices of our common shares as reported by The NASDAQ Stock Market for each fiscal quarter of 2013 and 2014. The prices are inter-dealer prices, without retail markup, markdown or commission.

<b>Period</b>		<b>High</b>		<b>Low</b>
2013 Fiscal Year, quarter ended:				
March 31, 2013	\$	6.18	\$	4.34
June 30, 2013	\$	5.04	\$	3.65
September 30, 2013	\$	5.21	\$	3.50
December 31, 2013	\$	5.00	\$	3.15
2014 Fiscal Year, quarter ended:				
March 31, 2014	\$	10.80	\$	4.20
June 30, 2014	\$	4.30	\$	3.21
September 30, 2014	\$	4.55	\$	3.24
December 31, 2014	\$	3.65	\$	1.89

The following table sets forth the monthly high and low last trade prices of our common shares as reported by The NASDAQ Stock Market for each month during the six months preceding the date of this Annual Report. The prices are inter-dealer prices, without retail markup, markdown or commission, and do not necessarily reflect actual transactions.

Period	High		Low	
Month Ended:				
March 31, 2015	\$	2.06	\$	1.55
February 28, 2015	\$	2.35	\$	1.86
January 31, 2015	\$	2.77	\$	1.85
December 31, 2014	\$	3.33	\$	1.89
November 30, 2014	\$	3.55	\$	3.07
October 31, 2014	\$	3.65	\$	3.05

**B.****Plan of Distribution**

No disclosure is required in response to this Item.

**C.****Markets**

Our common shares have been listed on the NASDAQ Capital Market since November 22, 2004, under the symbol CHNR . From August 7, 1995 until November 22, 2004, our common stock was listed on the NASDAQ Small Cap market under the symbol CHRB .

**D.****Selling Shareholders**

No disclosure is required in response to this Item.

**E.****Dilution**

No disclosure is required in response to this Item.

**F.****Expenses of the Issue**

No disclosure is required in response to this Item.

**ITEM 10.**

**ADDITIONAL INFORMATION**

**A.**

**Share Capital**

No disclosure is required in response to this Item.

**B.**

**Amended and Restated Memorandum and Articles of Association**

**Charter**

Our charter documents consist of our Amended and Restated Memorandum of Association ( Memorandum of Association ) and our Amended and Restated Articles of Association ( Articles of Association ).

The Memorandum of Association loosely resembles the Articles or Certificate of Incorporation of a United States corporation, and the Articles of Association loosely resembles the bylaws of a United States corporation. A brief description of our Memorandum of Association and Articles of Association follows, including a summary of material differences between the corporate laws of the United States and those of the British Virgin Islands. This description and summary does not purport to be complete and does not address all differences between United States and British Virgin Islands corporate laws. Copies of our Memorandum of Association and Articles of Association have been filed as exhibits to this Annual Report and readers are urged to review these exhibits in their entirety for a complete understanding of the provisions of our charter documents.

**Memorandum of Association**

**Corporate Powers**

We have been registered in the British Virgin Islands since December 14, 1993, with company number 102930. Clause 46 of our Memorandum of Association states that the objects for which we are established are unrestricted and we shall have full power and authority to carry out any object which is not prohibited by any laws in force in the British Virgin Islands.

### **Authorized Shares**

We are authorized to issue a maximum of 210,000,000 shares of no par value, of which, 200 million shall be common shares and 10 million shall be preferred shares. The directors of the Company or our shareholders may increase or decrease the maximum number of authorized shares by amending the Memorandum of Association as provided by law.

Each common share is entitled to one vote on each matter submitted to a vote of shareholders. Common shares may be redeemed by the Company for fair value. Common shares shall be entitled to receive such dividends and distributions as may be authorized by the directors. Subject to the rights of holders of other classes of shares, the directors may declare and pay dividends on the common shares. Holders of common shares shall be entitled to share in the assets of the Company available for distribution upon liquidation. Preferred shares shall carry such designations, powers, preferences and rights, qualifications, limitations and restrictions as may be determined by the directors at the time of issuance.

In accordance with our Memorandum of Association, our Board of Directors has designated a series of preferred shares, consisting of 320,000 shares and designated Series B preferred shares. Series B preferred shares are entitled to one vote for each share, shall be entitled to vote on each matter that is submitted for a vote of common shareholders and shall be aggregated with outstanding common shares for all voting purposes. Series B preferred shares have no preemptive or other subscription rights and are not subject to future calls or assessments. There are no redemption or sinking fund provisions applicable to the Series B preferred shares and holders thereof have no rights whatsoever to dividends or to distributions upon our liquidation. No Series B preferred shares are outstanding.

### **Amendments to Memorandum and Articles of Association**

Subject to the laws of the British Virgin Islands and certain limited exceptions contained in the Memorandum of Association, the Memorandum of Association and the Articles of Association may each be amended by a majority vote of members or by the directors.

### **Articles of Association**

#### **Issuance of Shares**

The unissued shares of the Company shall be issued at the discretion of the directors, who may determine whether to issue shares, grant options over or otherwise dispose of them, at such times and for such consideration (which may not be less than par value (if any) of the shares) as the directors determine. Consideration may take any form acceptable to the directors, including money, promissory note, service rendered or services to be rendered; provided that in the case of consideration other than money, the directors must adopt a resolution stating (a) the amount to be credited for issuance of the shares, (b) a reasonable determination of the present cash value of the non-monetary consideration and (c) that, in their opinion, the present cash value of the non-monetary consideration is not less the amount to be credited for the share issuance.

#### **Redemption of Shares**

The Company may purchase, redeem or acquire its own shares for such consideration as may be determined by the directors, and such shares may, at the direction of the directors, be cancelled or held as treasury shares; provided, however, that the Company may not purchase, redeem or acquire its shares unless, immediately following the

purchase, redemption or acquisition (a) the value of the Company's assets exceeds its liabilities and (b) the Company is able to pay its debts as they become due.

**Meetings of Shareholders**

The directors may convene meetings of our shareholders at such times and in such manner and places as the directors consider necessary or desirable. The directors shall convene such a meeting upon the written request of shareholders holding 30 percent or more of our outstanding voting shares. At least seven days' notice of the meeting shall be given to the shareholders whose names appear on the share register. A majority of our outstanding shares entitled to vote must be present at a meeting of shareholders, in person or by proxy, in order to constitute a quorum and the affirmative vote of a majority of those present and entitled to vote shall be required in order to approve action by shareholders. However, in the event a meeting of shareholders is adjourned due to the absence of a quorum, the minimum number of shares that must be present in order to constitute a quorum shall be reduced to one-third. Our Articles of Association provides that any action that may be taken at a meeting of shareholders may be taken without a meeting if the action is approved by a written consent of shareholders.

### **Directors**

Our Articles of Association provides that our Board of Directors shall consist of not less than three nor more than 25 directors; and directors, solely for purposes of determining the term for which they will serve, are classified as Class I, Class II and Class III directors, with approximately one-third of the total number of directors being allocated to each Class. Each director is to hold office for a three-year term expiring immediately following the annual meeting of shareholders held three years following the annual meeting at which he or she was elected. Directors may be removed by the shareholders, with or without cause, and by the directors, only with cause.

With the prior or subsequent approval by a resolution of shareholders, the directors may, by a resolution of directors, fix the emoluments of directors with respect to services to be rendered in any capacity to us. At the annual meeting of shareholders held in 2008, the shareholders adopted resolutions providing that (a) all emoluments to directors previously fixed by the Board of Directors are approved and ratified and (b) the Board of Directors is empowered and authorized to fix all future emoluments to directors, for their services in all capacities to the Company, without further approval or ratification by shareholders.

The directors may, by a resolution of directors, exercise all the powers of the Company to borrow money. There is no age limit requirement for retirement or non-retirement of directors. A director shall not require a share qualification. Directors may be natural persons who have attained the age of 18 years and are not undischarged bankrupts; or companies, in which event the company may designate a person as its representative as director.

A director may, from time to time, appoint (and revoke the appointment of) another director or another person who is not a director, but who is not disqualified from serving as a director, to be his or her alternate to exercise his or her powers and discharge his or her responsibilities. In addition, in the event of resignation, a director may appoint his or her successor.

Directors are not disqualified from entering into contracts with the Company, and no such contract shall be void or require the interested director to account for any profit under any such contract, provided that the fact of the director's interest in the transaction is disclosed to the board. A director who is interested in a contract with the Company may, nevertheless, attend meetings of the board at which the interested transaction is discussed and/or approved, be counted towards a quorum at any such meeting and vote in favor of such transaction.

At least one-half the number of directors must be present for a duly constituted meeting. Action of directors shall require the affirmative vote of a majority of the directors present in person or by alternate and entitled to vote on the resolution. Directors may act by written consent in lieu of meeting provided that such consent is received from all of the directors. Subject to certain limitations set forth in the Articles of Association, directors may appoint committees and agents. Directors do not have the authority to appoint new auditors such appointment must be made by the shareholders.

### **Indemnification**

The Company shall indemnify every officer and director of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses incurred as a result of any act or failure to act in carrying out their functions, except those incurred by reason of their own fraud or wilful default. No indemnified person shall be liable to the Company for any loss or damage except due to the fraud or wilful default of the indemnified person. Fraud or wilful default may only be found to exist by a court of competent jurisdiction. The Company must advance reasonable attorneys fees and other expenses to an indemnified person provided that the indemnified person executes an



agreement to reimburse the Company if a court of competent jurisdiction determines that indemnification was not available under the circumstances.

**Dividends and Distribution**

The directors may authorize the payment of dividends or other distributions to shareholders, if, the directors are satisfied, on a reasonable grounds that, immediately following the dividend or other distribution (a) the value of the Company's assets exceeds its liabilities and (b) the Company is able to pay its debts as they become due. Distributions, including dividends, may be declared and paid in cash, or in specie, in shares or other assets.

**Restrictions on Rights to Own Securities**

There are no limitations on the rights to own our securities.

**Change in Control Provisions**

There are no provisions of our Memorandum of Association or Articles of Association that would have an effect of delaying, deferring or preventing a change in our control and that would operate only with respect to a merger, acquisition or corporate restructuring involving us.

### **Disclosure of Share Ownership**

There are no provisions of our Memorandum of Association or Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

### **Changes in Capital**

Requirements to effect changes in capital are not more stringent than is required by law.

### **Arbitration**

Our Articles of Association provides that any differences between us and our shareholders or their legal representatives relating to the intent, construction, incidences or consequences of our Articles of Association or the British Virgin Islands Business Companies Act, including any breach or alleged breach of our Articles of Association or the Business Companies Act, or relating to our affairs shall be resolved by arbitration before two arbitrators (unless the parties agree to arbitrate before one arbitrator), who shall jointly appoint an umpire.

### **Discussion of Law**

Under the laws of most jurisdictions in the United States, majority and controlling shareholders generally have certain fiduciary responsibilities to the minority shareholders. Shareholder action must be taken in good faith and actions by controlling shareholders which are obviously unreasonable may be declared null and void. British Virgin Islands law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders under most jurisdictions in the United States.

While British Virgin Islands law does permit a shareholder of a British Virgin Islands company to sue its directors derivatively, that is, in the name of, and for the benefit of, our Company and to sue a company and its directors for his benefit and for the benefit of others similarly situated, the circumstances in which any such action may be brought, and the procedures and defenses that may be available in respect of any such action, may result in the rights of shareholders of a British Virgin Islands company being more limited than those of shareholders of a company organized in the United States.

Our directors have the power to take certain actions without shareholder approval, including an amendment of our Memorandum of Association or Articles of Association (unless such amendment varies the rights attached to shares) or an increase or decrease of the maximum number of shares that we are authorized to issue, which would require shareholder approval under the laws of most jurisdictions in the United States. In addition, the directors of a British Virgin Islands company, subject in certain cases to court approval but without shareholder approval, may, among other things, implement a reorganization, certain mergers or consolidations with a subsidiary, the sale, transfer, exchange or disposition of any assets, property, part of the business, or securities of the company, or any combination (provided the assets do not represent more than 50% of the total assets of the company and the sale is not outside of the usual or ordinary course of the company's business), if they determine it is in the best interests of the company. Our ability to amend our Memorandum of Association and Articles of Association without shareholder approval could have the effect of delaying, deterring or preventing a change in our control without any further action by the shareholders, including a tender offer to purchase our common shares at a premium over then current market prices.

The Business Companies Act of the British Virgin Islands permits the creation in our Memorandum and Articles of Association of staggered terms of directors, cumulative voting, shareholder approval of corporate matters by written

consent, and the issuance of preferred shares. Currently, our Memorandum and Articles of Association provide for (a) shareholder approval of corporate matters by majority written consent, (b) staggered terms of directors and (c) the issuance of preferred shares.

As in most United States jurisdictions, the Board of Directors of a British Virgin Islands company is charged with the management of the affairs of the company. In most jurisdictions in the United States, directors owe a fiduciary duty to the corporation and its shareholders, including a duty of care, under which directors must properly apprise themselves of all reasonably available information, and a duty of loyalty, under which they must protect the interests of the corporation and refrain from conduct that injures the corporation or its shareholders or that deprives the corporation or its shareholders of any profit or advantage. Many US jurisdictions have enacted various statutory provisions which permit the monetary liability of directors to be eliminated or limited.

Under British Virgin Islands law, liability of a corporate director to the corporation is primarily limited to cases of willful malfeasance in the performance of his duties or to cases where the director has not acted honestly and in good faith and with a view to the best interests of the company. However, under our Memorandum of Association, we are authorized to indemnify any director or officer who is made or threatened to be made a party to a legal or administrative proceeding by virtue of being one of our directors or officers, provided such person acted honestly and in good faith and with a view to our best interests and, in the case of a criminal proceeding, such person had no reasonable cause to believe that his conduct was unlawful. Our Memorandum of Association also enable us to indemnify any director or officer who was successful in such a proceeding against expenses and judgments, fines and amounts paid in settlement and reasonably incurred in connection with the proceeding.

Unlike most corporate laws in the United States, directors of a British Virgin Islands company may be companies. Moreover, any director may appoint an alternate to attend meetings and vote in the place and stead of the director appointing the alternate. It is unclear of the effect of such an appointment on the fiduciary obligations of the director making the appointment.

The foregoing discussion of British Virgin Islands law does not purport to present a complete description of the differences between British Virgin Islands law and the corporate laws of the several United States.

## C.

### **Material Contracts**

Other than contracts entered into the ordinary course of business, during the two preceding fiscal years the Company has entered into the following material contracts (which are included as exhibits to this Annual Report):

.

Sales and Purchase Master Contract dated January 1, 2013 by and between Wuhu Fuxin Iron Co., Ltd. and Wuhu Feishang.

.

Sales and Purchase Master Contract dated January 1, 2014 by and between Anhui Tianchen Renewable Resource Co., Ltd. and Wuhu Feishang.

## D.

### **Exchange Controls**

There are no material British Virgin Islands laws, decrees, regulations or other legislation that impose foreign exchange controls on us or that affect our payment of dividends, interest or other payments to non-resident holders of our shares. British Virgin Islands law and our Memorandum of Association and Articles of Association impose no limitations on the right of non-resident or foreign owners to hold or vote our common shares. However, we operate through subsidiaries located in the PRC and the payment of dividends by PRC companies is subject to numerous restrictions imposed under PRC law, including restrictions on the conversion of local currency into United States

dollars and other currencies and the expatriation of local currency out of the PRC.

The principal regulation governing foreign currency exchange in the PRC is the Foreign Currency Administration Rules (1996) as amended. Conversion of Renminbi is strictly regulated by the PRC Government. Under PRC foreign exchange rules and regulations, payment of routine transactions under current accounts, including trade and service transactions and payment of dividends, may be made in foreign currencies without prior approval from the SAFE but are subject to procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, such as direct investment, loans or investments in securities outside the PRC and capital contribution. These transactions must be approved by the SAFE.

Pursuant to the Foreign Currency Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for trade and service-related exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange, subject to a cap approved by the SAFE, to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC authorities may limit or eliminate the ability of foreign-invested enterprises to purchase and retain foreign currencies in the future.

The principal regulations governing distribution of dividends by foreign-invested companies include:

.

The Sino-foreign Equity Joint Venture Law (1979), as amended;

.

The Regulations of Implementation of the Sino-foreign Equity Joint Venture Law (1983) as amended;

.

The Foreign Investment Enterprise Law (1986) as amended; and

.

The Regulations of Implementation of the Foreign Investment Enterprise Law (1990) as amended.

Under these regulations, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in the PRC are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless such reserve funds have reached 50% of their respective registered capital. These reserves are not distributable as cash dividends.

In addition, our wholly owned subsidiaries are required to allocate portions of their after-tax profits to their enterprise expansion funds and staff welfare and bonus funds at the discretion of their boards of directors. Allocations to these statutory reserves and funds can only be used for specific purposes and are not transferable to us in the forms of loans, advances or cash dividends.

**E.**

### **Taxation**

The following is a summary of anticipated material U.S. federal income and British Virgin Islands tax consequences of an investment in our common shares. The summary has been prepared based upon management's understanding of applicable tax consequences, but has not been reviewed by counsel or other experts in U.S. or British Virgin Islands taxation. The summary does not address all possible tax consequences relating to an investment in our common shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which, such as dealers in securities, insurance companies and tax-exempt entities, may be subject to special rules. In particular, the discussion does not address the tax consequences under state, local and other non-U.S. and non-British Virgin Islands tax laws. Accordingly, each prospective investor should consult its own tax advisor regarding the particular tax consequences to it of an investment in the common shares. The discussion below is based upon laws and relevant interpretations in effect as of the date of this Annual Report, all of which are subject to change.

CHNR effected the Spin-Off by way of a distribution in specie of the entire issued share capital of Feishang Anthracite to the holders of the common shares of CHNR (the Distribution). It is not clear whether the Distribution should be treated as a tax-free spin-off under Section 355 of the Code or as a taxable distribution of property. If we are required to report the Distribution to the IRS, we intend to take the view that the Distribution will be treated as a taxable distribution. Under this treatment, for U.S. Federal income tax purposes, the Distribution should be a taxable event for holders of CHNR common shares on the Distribution Record Date. Accordingly, subject to the passive foreign investment company rules discussed below, a U.S. Holder:

should generally be treated as having received (at the time of receipt of the Feishang Anthracite ordinary shares) a taxable distribution in an amount equal to the fair market value of the Feishang Anthracite ordinary shares received in the Distribution,

should have a tax basis in its Feishang Anthracite ordinary shares equal to their fair market value on the date of the Distribution, and

should have a holding period in its Feishang Anthracite ordinary shares that will commence on the day after the date of the Distribution.

The amount distributed by CHNR to a U.S. Holder should be taxed as a dividend to the extent of such holder's proportionate share of CHNR's current and accumulated earnings and profits (if any), and should otherwise be (i) a tax-free return of capital to the extent of such holder's adjusted tax basis in his or her CHNR common shares and (ii) thereafter as a capital gain. CHNR does not maintain calculations of its earnings and profits in accordance with U.S. Federal income tax principles; accordingly holders should assume that the entire amount of the Distribution should be taxable as a dividend. CHNR intends to treat the distribution of Feishang Anthracite ordinary shares as a taxable dividend for U.S. Federal income tax purposes, and the remainder of the disclosure assumes such treatment.

The dividend amount generally will be treated as foreign source ordinary dividend income, and generally will be eligible for reduced rates of taxation applicable to qualified dividend income applicable to certain non-corporate U.S. Holders, but will not be eligible for the dividends received deduction allowed to corporations. The dividend will be includable in net investment income for purposes of the Medicare contribution tax applicable to certain non-corporate U.S. Holders.

## United States Federal Income Taxation

The following discussion addresses only the material U.S. federal income tax consequences to a U.S. person, defined as a U.S. citizen or resident, a U.S. corporation, or an estate or trust subject to U.S. federal income tax on all of its income regardless of source, making an investment in the common shares. For taxable years beginning after December 31, 1996, a trust will be a U.S. person only if:

.  
a court within the United States is able to exercise primary supervision over its administration; and

.  
one or more United States persons have the authority to control all of its substantial decisions.

In addition, the following discussion does not address the tax consequences to a person who holds or will hold, directly or indirectly, 10% or more of our common shares, which we refer to as a 10% Shareholder. Non-U.S. persons and 10% Shareholders are advised to consult their own tax advisors regarding the tax considerations incident to an investment in our common shares.

A U.S. investor receiving a distribution of our common shares will be required to include such distribution in gross income as a taxable dividend, to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Any distributions in excess of our earnings and profits will first be treated, for U.S. federal income tax purposes, as a nontaxable return of capital, to the extent of the U.S. investor's adjusted tax basis in our common shares, and then as gain from the sale or exchange of a capital asset, provided that our common shares constitutes a capital asset in the hands of the U.S. investor. U.S. corporate shareholders will not be entitled to any deduction for distributions received as dividends on our common shares.

Gain or loss on the sale or exchange of our common shares will be treated as capital gain or loss if our common shares is held as a capital asset by the U.S. investor. Such capital gain or loss will be long-term capital gain or loss if the U.S. investor has held our common shares for more than one year at the time of the sale or exchange.

A holder of common shares may be subject to backup withholding at the rate of 31% with respect to dividends paid on our common shares if the dividends are paid by a paying agent, broker or other intermediary in the United States or by a U.S. broker or certain United States-related brokers to the holder outside the United States. In addition, the proceeds of the sale, exchange or redemption of common shares may be subject to backup withholding, if such proceeds are paid by a paying agent, broker or other intermediary in the United States.

Backup withholding may be avoided by the holder of common shares if such holder:

.  
is a corporation or comes within other exempt categories; or



provides a correct taxpayer identification number, certifies that such holder is not subject to backup withholding and otherwise complies with the backup withholding rules.

In addition, holders of common shares who are not U.S. persons are generally exempt from backup withholding, although they may be required to comply with certification and identification procedures in order to prove their exemption.

Any amounts withheld under the backup withholding rules from a payment to a holder will be refunded or credited against the holder's U.S. federal income tax liability, if any, provided that amount withheld is claimed as federal taxes withheld on the holder's U.S. federal income tax return relating to the year in which the backup withholding occurred. A holder who is not otherwise required to file a U.S. income tax return must generally file a claim for refund or, in the case of non-U.S. holders, an income tax return in order to claim refunds of withheld amounts.

### **British Virgin Islands Taxation**

Under the Business Companies Act of the British Virgin Islands as currently in effect, companies incorporated or registered under the Business Companies Act are exempt from income and corporate tax. In addition, the British Virgin Islands currently does not levy capital gains tax on companies incorporated or registered under the Business Companies Act.

A holder of our common shares who is not a resident of British Virgin Islands is exempt from British Virgin Islands income tax on dividends paid with respect to the common shares. In addition, the common shares are not subject to transfer taxes, stamp duties or similar charges for so long as we do not hold an interest in real estate in the British Virgin Islands.

There are no estate, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated or registered under the Business Companies Act.

There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands that re applicable to any payments made by or to a company incorporated or registered under the Business Companies Act of the British Virgin Islands.

**F.**

**Dividends and Paying Agents**

No disclosure is required in response to this Item.

**G.**

**Statement by Experts**

No disclosure is required in response to this Item.

**H.**

**Documents on Display**

The documents concerning the Company that are referred to in this Annual Report may be inspected at the Company's principal executive offices at Room 2205, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. Certain documents described in response to Item 19 of this Annual Report are filed with this Annual Report and others are incorporated by reference to documents previously filed by the Company with the United States Securities and Exchange Commission. The documents that are filed herewith or incorporated by reference can be viewed on the SEC's web site at [www.sec.gov](http://www.sec.gov).

**I.**

**Subsidiary Information**

See Exhibit 8 for further information about our subsidiaries.

**ITEM 11.**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Foreign currency exchange rate risk**

All of the Company's sales and purchases are made domestically and are denominated in Renminbi. The administrative expenses of the Company's head office in Hong Kong are denominated either in United States dollars or Hong Kong dollars. As the reporting currency of the Company's consolidated financial statements is Renminbi, the Company has material market risk with respect to currency fluctuation between Hong Kong dollars and United States dollars to Renminbi and translation difference may arise on consolidation. The Company may also suffer an exchange loss when it converts Renminbi to other currencies, such as Hong Kong dollars or United States dollars. If market conditions allow, the Company endeavors to match the currency used in operating/ investing activities with that used in financing activities. We have not engaged any foreign currency contract to hedge our potential foreign currency exchange

exposure, if any.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are not exposed to interest rate risk as we do not have any outstanding interest-bearing financial instruments.

### Commodity price risk

The Company is exposed to fluctuation in the prices of iron and, historically, other metals. These commodity prices can fluctuate widely and are affected by factors beyond our control which affect our earnings and cash flows. We have not engaged in any formal hedging transactions to manage possible price fluctuations.

The following table sets forth the sensitivity analysis of the commodity price change to the Company's sales revenue and gross profit:

	2014 Actual	Iron Price	
		10%	-10%
	<i>(CNY in millions, except percentage)</i>		
Total Sale	8.30	0.69	(0.69)
% Change		8.26	(8.26)
Gross Profit	1.74	0.69	(0.69)
% Change		39.41	(39.41)

## ITEM 12.

### DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

No disclosure is required in response to this Item.

## **PART II**

### **ITEM 13.**

#### **DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

There are no defaults, dividend arrearages and delinquencies or other information required to be disclosed in response to this Item.

### **ITEM 14.**

#### **MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

There have been no modifications to the rights of security holders and there is no other information to disclose in response to this Item.

### **ITEM 15.**

#### **CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act). As of December 31, 2014, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures.

In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon that evaluation and subsequent evaluations conducted in connection with the audit of the Company's consolidated financial statements for the year ended December 31, 2014, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and regulations.

##### **Management's Report on Internal Control over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Exchange Act defines

internal control over financial reporting as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and includes those policies and procedures that:

.

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

.

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

.

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, we used the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission ( COSO ) (2013 framework) (the COSO criteria). Based on our evaluation and the COSO criteria, we determined that, as of December 31, 2014, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Since the Company is not an accelerated filer, the auditor's attestation report pursuant to SOX Section 404(b) is not required in this Annual Report.

#### **Changes in Internal Control over Financial Reporting**

There has been no change in the Company's internal control over financial reporting that occurred during the fiscal year 2014 and that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

#### **ITEM 16.**

[Reserved]

#### **ITEM 16A.**

##### **AUDIT COMMITTEE FINANCIAL EXPERT**

In general, an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K, is an individual member of the Audit Committee who:

.  
understands generally accepted accounting principles and financial statements,

.  
is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves,

.

has experience preparing, auditing, analyzing or evaluating financial statements comparable to the breadth and complexity to the our financial statements,

.

understands internal controls over financial reporting, and

.

understands audit committee functions.

An audit committee financial expert may acquire the foregoing attributes through:

.

education and experience as a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions;

.

experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions; experience overseeing or assessing the performance of companies or public accounts with respect to the preparation, auditing or evaluation of financial statements; or

.

other relevant experience.

Our Board of Directors has determined that Mr. Yip Wing Hang and Mr. Lam Kwan Sing are each an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K. Each of our audit committee financial experts is independent as that term is used in NASDAQ Marketplace Rule 5605(a)(2).

**Item 16B.**

**CODE OF ETHICS**

A Code of Ethics is a written standard designed to deter wrongdoing and to promote:

.  
honest and ethical conduct,

.  
full, fair, accurate, timely and understandable disclosure in regulatory filings and public statements,

.  
compliance with applicable laws, rules and regulations,

.  
the prompt reporting violation of the code, and

.  
accountability for adherence to the Code of Ethics.

We have adopted a Code of Ethics that is applicable to all of our employees, and also contains provisions that apply only to our Chief Executive Officer, principal financial and accounting officers and persons performing similar functions. A copy of our Code of Ethics is incorporated by reference as Exhibit 11 to this Annual Report.

**ITEM 16C.**

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table shows the fees that we paid or expect to pay for audit and other services provided by Ernst & Young.

	<b>Fiscal 2013</b>	<b>Fiscal 2014</b>
Audit Fees	US\$751,532	US\$128,918
Audit-Related Fees	US\$1,160,332	US\$4,000
Tax Fees		
All Other Fees		
Total	US\$1,911,864	US\$132,918



**Audit Fees** This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with engagements for those fiscal years. This category also includes advice on audit and certain other services that arose during, or as a result of, the audit or the review of interim financial statements. The services for the fees disclosed under this category include consultation regarding our correspondence with the SEC and other accounting consulting. The amount included the audit fees of Feishang Anthracite.

**Audit-Related Fees** This category consists of assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under **Audit Fees**. The amount in 2013 represented the auditors' remuneration for the audit services provided to Feishang Anthracite during its listing by way of introduction on the Hong Kong Stock Exchange. The amount in 2014 represented the auditor's remuneration for the services provided in review of the Company's Form F-3.

**Tax Fees** This category consists of professional services rendered by the Company's independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

**All Other Fees** This category consists of fees for other miscellaneous items.

The Audit Committee has adopted a procedure for pre-approval of all fees charged by the Company's independent registered public accounting firm. Under the procedure, the Audit Committee approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the entire Committee, or, in the period between meetings, by a designated member of the Audit Committee. Any such approval by the designated member is disclosed to the entire Audit Committee at the next meeting. The audit fees paid to Ernst & Young with respect to fiscal year 2014 were pre-approved by the Audit Committee.

#### **ITEM 16D.**

#### **EXEMPTION FROM THE LISTING STANDARDS FOR THE AUDIT COMMITTEE**

There have been no exemptions from listing standards required to be disclosed in response to this Item.

#### **ITEM 16E.**

#### **PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

There have been no purchases of equity securities required to be disclosed in response to this Item.

**ITEM 16F.**

**CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT**

No disclosure is required in response to this Item.

**ITEM 16G.**

**CORPORATE GOVERNANCE**

Our common shares are currently listed on the NASDAQ Capital Market and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by the NASDAQ Stock Market that apply to listed companies. NASDAQ rules include various corporate governance requirements applicable to listed securities. While all NASDAQ-listed companies are subject to certain of these corporate governance requirements, foreign private issuers such as our company are exempt from other corporate governance requirements if the laws of their home jurisdiction do not otherwise require compliance. Since our home jurisdiction does not mandate compliance with some of these NASDAQ rules, we have opted out of compliance with them. A more detailed description of the NASDAQ requirements that we are not subject to is contained elsewhere in this Annual Report under Item 6.C Board Practices; NASDAQ Requirements.

**ITEM 16H.**

**MINE SAFETY DISCLOSURE**

All of the Company's mining rights cover mines located in the People's Republic of China and, accordingly, no disclosure is required in response to this Item.

**PART III**

**ITEM 17.**

**FINANCIAL STATEMENTS**

No disclosure is required in response to this Item.

**ITEM 18.**

**FINANCIAL STATEMENTS**

The following financial statements are filed as a part of this Form 20-F in Appendix A hereto:

Reports of Independent Registered Public Accounting Firm, together with consolidated financial statements for the Company and subsidiaries, including:

a.

Consolidated statements of financial position as of December 31, 2013 and 2014

b.

Consolidated statements of profit or loss for the years ended December 31, 2012, 2013 and 2014

c.

Consolidated statements of comprehensive income for the years ended December 31, 2012, 2013 and 2014

d.

Consolidated statements of changes in equity for the years ended December 31, 2012, 2013 and 2014

e.

Consolidated statements of cash flows for the years ended December 31, 2012, 2013 and 2014

f.

Notes to consolidated financial statements.

**ITEM 19.**

**EXHIBITS**

The following Exhibits are filed as part of this Form 20-F:

Exhibit No.	Exhibit Description
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant <i>(included as Exhibit 99.1 to Form 6K filed January 29, 2014, and incorporated herein by reference)</i> .
1.2	Board of Directors Resolutions Designating Series B Preferred Stock and Establishing Rights, Preferences and Limitations <i>(included as Exhibit 1.3 to Annual Report on Form 20-F for the fiscal year ended December 31, 2004, and incorporated herein by reference)</i> .
4.1	Acquisition Agreement dated January 24, 2006 by and between China Natural Resources, Inc., Feishang Mining Holdings Limited and Feishang Group Limited <i>(included as Exhibit 10.1 to the Current Report on Form 6-K furnished January 25, 2006, and incorporated herein by reference)</i> .
4.2	Agreement for the Sale and Purchase of the Entire Issued Share Capital in Pineboom Investments Limited dated July 11, 2008 by and between Feishang Group Limited and China Natural Resources, Inc. <i>(included as Exhibit 10.1 to the Current Report on Form 6-K furnished July 15, 2008, and incorporated herein by reference)</i> .
4.3	Agreement for the Sale and Purchase of the Entire Issued Share Capital in Newhold Investments Limited dated August 11, 2008 by and between Feishang Group Limited and China Natural Resources, Inc. <i>(included as Exhibit 10.1 to the Current Report on Form 6-K furnished August 13, 2008, and incorporated herein by reference)</i> .
4.4	Service Agreement dated as of October 1, 2008 by and between the Company and Li Feilie <i>(included as Exhibit 99.2 to the Current Report on Form 6-K furnished November 10, 2008, and incorporated herein by reference)</i> .
4.5	Service Agreement dated as of October 1, 2008 by and between the Company and Tam Cheuk Ho <i>(included as Exhibit 99.3 to the Current Report on Form 6-K furnished November 10, 2008, and incorporated herein by reference)</i> .
4.6	Service Agreement dated as of October 1, 2008 by and between the Company and Wong Wah On Edward <i>(included as Exhibit 99.4 to the Current Report on Form 6-K furnished November 10, 2008, and incorporated herein by reference)</i> .
4.7	Letter Agreement dated January 12, 2009 by and between Feishang Group Limited and China Natural Resources, Inc. <i>(included as Exhibit 10.2 to the Current Report on Form 6-K furnished January 20, 2009, and incorporated herein by reference)</i> .



<b>Exhibit No.</b>	<b>Exhibit Description</b>
4.8	Letter Agreement dated July 10, 2009 by and between Feishang Group Limited and China Natural Resources, Inc. <i>(included as Exhibit 10.2 to the Current Report on Form 6-K furnished July 16, 2009, and incorporated herein by reference)</i> .
4.9	Agreement for the Sale and Purchase of the Entire Issued Share Capital in Wealthy Year Limited dated April 30, 2010 by and between Feishang Group Limited and China Natural Resources, Inc. <i>(included as Exhibit 4.1 to the Current Report on Form 6-K furnished May 11, 2010, and incorporated herein by reference)</i> .
4.10	Sales and Purchase Master Contract dated June 1, 2011 by and between Huludao Zinc Industry Co., Ltd. and Wuhu Feishang Mining Development Co., Ltd <i>(included as Exhibit 4.24 to the Annual Report on Form 20-F filed June 30, 2011, and incorporated herein by reference)</i> .
4.11	Service Agreement dated as of January 22, 2014 by and between the Company and Woo Ming Yee <i>(included as Exhibit 99.3 to the Current Report on Form 6-K furnished January 29, 2014, and incorporated herein by reference)</i> .
4.12	Service Agreement dated as of January 22, 2014 by and between the Company and Ma Sin Ling <i>(included as Exhibit 99.2 to the Current Report on Form 6-K furnished January 29, 2014, and incorporated herein by reference)</i> .
4.13	Sales and Purchase Master Contract dated January 1, 2013 by and between Wuhu Fuxin Iron Co., Ltd. and Wuhu Feishang Mining Development Co., Ltd <i>(included as Exhibit 4.20 to the Annual Report on Form 20-F furnished April 29, 2014, and incorporated herein by reference)</i> .
<u>4.14</u>	Sales and Purchase Master Contract dated January 1, 2014 by and between Anhui Tianchen Renewable Resource Co., Ltd. and Wuhu Feishang Mining Development Co., Ltd. <i>(filed herewith)</i> .
4.15	2014 Equity Compensation Plan <i>(included as Annex A of Exhibit 99.1 to the Current Report on Form 6-K furnished August 13, 2014, and incorporated herein by reference)</i> .
4.16	Service Agreement dated as of April 2, 2015 by and between the Company and Tam Cheuk Ho <i>(included as Exhibit 99.1 to the Current Report on Form 6-K furnished April 6, 2015, and incorporated herein by reference)</i> .
4.17	Service Agreement dated as of April 2, 2015 by and between the Company and Wong Wah On Edward <i>(included as Exhibit 99.2 to the Current Report on Form 6-K furnished April 6, 2015, and incorporated herein by reference)</i> .
4.18	Service Agreement dated as of April 2, 2015 by and between the Company and Yue Ming Wai Bonaventure <i>(included as Exhibit 99.3 to the Current Report on Form 6-K furnished April 6, 2015, and incorporated herein by reference)</i> .
6	Computation of Earnings Per Share for Fiscal Year ended December 31, 2014 <i>(contained in Financial Statements filed herewith)</i> .
<u>7</u>	Computation of Ratios for Fiscal Years ended December 31, 2012, 2013 and 2014 <i>(filed herewith)</i> .
<u>8</u>	Subsidiaries of the Registrant <i>(filed herewith)</i> .
11	Code of Ethics <i>(included as Exhibit 14 to Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, and incorporated herein by reference)</i> .
<u>12.1</u>	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 <i>(filed herewith)</i> .
<u>12.2</u>	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 <i>(filed herewith)</i> .
<u>13.1</u>	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <i>(filed herewith)</i> .
<u>13.2</u>	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <i>(filed herewith)</i> .
<u>15.1</u>	

Consent of Ernst & Young to incorporation of audit report dated April 27, 2015 into registration statement on Form F-3 (SEC File No. 333-197278) *(filed herewith)*

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**CHINA NATURAL RESOURCES, INC.**

Date: April 27, 2015      By:                      /s/ LI FEILIE  
Li Feilie, CEO



***APPENDIX A***

**CONSOLIDATED FINANCIAL STATEMENTS**

Report of Independent Registered Public Accounting Firms, together with consolidated financial statements for the Company and subsidiaries, including:

a.

Consolidated statements of financial position as of December 31, 2013 and 2014

b.

Consolidated statements of profit or loss for the years ended December 31, 2012, 2013 and 2014

c.

Consolidated statements of comprehensive income for the years ended December 31, 2012, 2013 and 2014

d.

Consolidated statements of changes in equity for the years ended December 31, 2012, 2013 and 2014

e.

Consolidated statements of cash flows for the years ended December 31, 2012, 2013 and 2014

f.

Notes to consolidated financial statements.



**CHINA NATURAL RESOURCES, INC.**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

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Consolidated statements of financial position	F-3 F-4
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

China Natural Resources, Inc.

We have audited the accompanying consolidated statements of financial position of China Natural Resources, Inc. (the Company ) as of December 31, 2014 and 2013, and the related consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2014 and 2013 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young

Certified Public Accountants

Hong Kong

April 27, 2015

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## CHINA NATURAL RESOURCES, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2014

(Amounts in thousands)

	Notes	2013 CNY	December 31, 2014 CNY	2014 US\$
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	4	21,488	13,632	2,197
Rehabilitation fund	5	3,248	3,850	620
Prepayments	8	1,081	30	5
Deferred tax assets	18	1,536		
<b>TOTAL NON-CURRENT ASSETS</b>		<b>27,353</b>	<b>17,512</b>	<b>2,822</b>
<b>CURRENT ASSETS</b>				
Inventories	6	4,727	13,511	2,177
Trade and bills receivables	7	5,500		
Prepayments	8		136	22
Other receivables		74	614	99
Term deposits with an original maturity over three months		3,758		
Cash and cash equivalents		76,591	48,263	7,777
		90,650	62,524	10,075
Assets classified as held for distribution	3	2,906,561		
<b>TOTAL CURRENT ASSETS</b>		<b>2,997,211</b>	<b>62,524</b>	<b>10,075</b>
<b>TOTAL ASSETS</b>		<b>3,024,564</b>	<b>80,036</b>	<b>12,897</b>

The accompanying notes are an integral part of these consolidated financial statements.

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## CHINA NATURAL RESOURCES, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2013 AND 2014

(Amounts in thousands)

	Notes	2013 CNY	December 31, 2014 CNY	2014 US\$
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables	9	944	1,462	236
Other payables and accrued liabilities	10	19,837	16,151	2,603
Due to a related company	20	6,453		
Taxes payable		20,725	20,214	3,257
		47,959	37,827	6,096
Liabilities directly associated with the assets classified as held for distribution	3	2,520,185		
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,568,144</b>	<b>37,827</b>	<b>6,096</b>
<b>NON-CURRENT LIABILITIES</b>				
Due to the Shareholder	20	197,062	15,374	2,477
Asset retirement obligations	11	3,840	4,221	680
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>200,902</b>	<b>19,595</b>	<b>3,157</b>
<b>TOTAL LIABILITIES</b>		<b>2,769,046</b>	<b>57,422</b>	<b>9,253</b>
<b>EQUITY</b>				
Issued capital	21	312,081	312,081	50,291
Other capital reserves	21	577,892	636,960	102,644
Reserves		53,059	58,171	9,374
Accumulated losses		(781,671)	(980,085)	(157,938)
Other comprehensive income / (loss)		634	(4,513)	(727)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>161,995</b>	<b>22,614</b>	<b>3,644</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>93,523</b>		
<b>TOTAL EQUITY</b>		<b>255,518</b>	<b>22,614</b>	<b>3,644</b>



TOTAL LIABILITIES AND EQUITY	3,024,564	80,036	12,897
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The accompanying notes are an integral part of these consolidated financial statements.

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## CHINA NATURAL RESOURCES, INC.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

		Year Ended December 31,			
	Notes	2012 CNY	2013 CNY	2014 CNY	2014 US\$
<b>CONTINUING OPERATIONS</b>					
REVENUES	12	14,728	41,360	8,303	1,338
COST OF SALES	13	(9,036)	(25,101)	(6,563)	(1,058)
GROSS PROFIT		5,692	16,259	1,740	280
SELLING AND DISTRIBUTION EXPENSES		(193)	(124)	(80)	(13)
ADMINISTRATIVE EXPENSES		(19,425)	(17,906)	(12,226)	(1,969)
IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT		(393)		(8,065)	(1,300)
WRITE-DOWN OF INVENTORIES TO NET REALIZABLE VALUE				(9,299)	(1,499)
OTHER OPERATING (EXPENSES) / INCOME, NET		(2,064)	(1,104)	554	89
OPERATING LOSS		(16,383)	(2,875)	(27,376)	(4,412)
FINANCE COSTS	14	(325)	(360)	(392)	(63)
FOREIGN EXCHANGE DIFFERENCE, NET			2,445		
INTEREST INCOME	16	1,574	1,814	1,602	258
	15	(222)	(167)	(218)	(35)

NON-OPERATING  
EXPENSES, NET(LOSS) / PROFIT  
BEFORE INCOME  
TAX FROM  
CONTINUING  
OPERATIONS

16	(15,356)	857	(26,384)	(4,252)
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INCOME TAX  
BENEFIT /  
(EXPENSE)

18	965	(2,142)	(6,839)	(1,102)
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LOSS FOR THE  
YEAR FROM  
CONTINUING  
OPERATIONS

	(14,391)	(1,285)	(33,223)	(5,354)
--	----------	---------	----------	---------

**DISCONTINUED  
OPERATIONS**Loss for the year  
from discontinued  
operations, net of tax

3	(67,056)	(334,537)	(10,708)	(1,726)
---	----------	-----------	----------	---------

LOSS FOR THE  
YEAR

	(81,447)	(335,822)	(43,931)	(7,080)
--	----------	-----------	----------	---------

ATTRIBUTABLE  
TO:Owners of the  
CompanyFrom continuing  
operations

	(14,391)	(1,285)	(33,223)	(5,354)
--	----------	---------	----------	---------

From discontinued  
operations

	(75,312)	(334,119)	(9,925)	(1,600)
--	----------	-----------	---------	---------

Non-controlling  
interests

	8,256	(418)	(783)	(126)
	(81,447)	(335,822)	(43,931)	(7,080)

The accompanying notes are an integral part of these consolidated financial statements.



## CHINA NATURAL RESOURCES, INC.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

		2012	Year Ended December 31,		2014
Notes		CNY	2013	2014	2014
			CNY	CNY	US\$
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:					
Basic					
- For loss from continuing operations	19	(0.58)	(0.05)	(1.33)	(0.21)
- For loss from discontinued operations	19	(3.02)	(13.41)	(0.40)	(0.06)
- Net loss per share		(3.60)	(13.46)	(1.73)	(0.27)
Diluted					
- For loss from continuing operations	19	(0.58)	(0.05)	(1.33)	(0.21)
- For loss from discontinued operations	19	(3.02)	(13.41)	(0.40)	(0.06)
- Net loss per share		(3.60)	(13.46)	(1.73)	(0.27)

The accompanying notes are an integral part of these consolidated financial statements.

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## CHINA NATURAL RESOURCES, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands)

	2012 CNY	Year Ended December 31,		2014 US\$
		2013 CNY	2014 CNY	
LOSS FOR THE YEAR	(81,447)	(335,822)	(43,931)	(7,080)
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation adjustments	2,429	3,445	(3,388)	(545)
Total other comprehensive income / (loss) for the year, net of tax	2,429	3,445	(3,388)	(545)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(79,018)	(332,377)	(47,319)	(7,625)
Attributable to:				
Owners of the Company				
From continuing operations	(12,044)	1,253	(36,626)	(5,902)
From discontinued operations	(75,230)	(333,212)	(9,910)	(1,597)
Non-controlling interests	8,256	(418)	(783)	(126)
	(79,018)	(332,377)	(47,319)	(7,625)

The accompanying notes are an integral part of these consolidated financial statements.

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## CHINA NATURAL RESOURCES, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands)

	Attributable to owners of the Company				Other			
	Issued capital (Note 21) CNY	Other capital reserves CNY	Reserves CNY	Accumulated losses CNY	Compre-hensive (loss) / income CNY	Total CNY	Non-controlling interests CNY	Total CNY
At January 1, 2012	312,081	536,872	19,209	(322,714)	(5,240)	540,208	85,685	625,893
Loss for the year				(89,703)		(89,703)	8,256	(81,447)
Foreign currency translation adjustments					2,429	2,429		2,429
Total comprehensive (loss) / income				(89,703)	2,429	(87,274)	8,256	(79,018)
Appropriation of geneal reserve (Note 21)			12,710	(12,710)				
Appropriation of enterprise expansion fund (Note 21)			12,710	(12,710)				
Appropriation and utilization of safety fund and production maintenance fund, net			5,164	(5,164)				
At December 31, 2012	312,081	536,872	49,793	(443,001)	(2,811)	452,934	93,941	546,875
Loss for the year				(335,404)		(335,404)	(418)	(335,822)
					3,445	3,445		3,445

Foreign currency translation adjustments								
Total comprehensive (loss) / income			(335,404)	3,445	(331,959)	(418)	(332,377)	
Deemed contribution from the Shareholder of the Company (Note 21(b))	41,020				41,020		41,020	
Appropriation and utilization of safety fund and production maintenance fund, net		3,266	(3,266)					
At December 31, 2013	312,081	577,892	53,059	(781,671)	634	161,995	93,523	255,518
Loss for the year				(43,148)		(43,148)	(783)	(43,931)
Foreign currency translation adjustments					(3,388)	(3,388)		(3,388)
Total loss				(43,148)	(3,388)	(46,536)	(783)	(47,319)
Deemed contribution from the Shareholder of the Company (Note 21(b))	59,068					59,068		59,068
Spin-off of Feishang Anthracite (Note 3)			(7,244)	(142,910)	(1,759)	(151,913)	(92,740)	(244,653)
Appropriation of general reserve (Note 21)		3,925	(3,925)					
Appropriation of enterprise expansion fund (Note 21)		3,925	(3,925)					
Appropriation and utilization of safety fund and production maintenance		4,506	(4,506)					

fund, net							
At December							
31, 2014	312,081	636,960	58,171	(980,085)	(4,513)	22,614	22,614
At December							
31, 2014 (US\$)	50,291	102,644	9,374	(157,938)	(727)	3,644	3,644

The accompanying notes are an integral part of these consolidated financial statements.

**CHINA NATURAL RESOURCES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**  
**(Amounts in thousands)**

	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2014</b>
	<b>CNY</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
<b>OPERATING ACTIVITIES</b>				
Loss for the year				
From continuing operations	(14,391)	(1,285)	(33,223)	(5,354)
From discontinued operations	(67,056)	(334,537)	(10,708)	(1,726)
Adjustments for:				
Depreciation and amortization	19,056	27,502	9,115	1,469
Provision for impairment of property, plant and equipment	393	184,417	8,065	1,300
Provision for impairment of receivables	3	140		
Provision for loss on disposal of property, plant and equipment	194		35	6
Write-down of inventories to net realizable value			9,299	1,499
Accretion expenses	952	1,070	447	72
Deferred income tax expense / (benefit)	(27,130)	(55,134)	2,098	338
Changes in working capital:				
Rehabilitation fund	(7,033)	(7,546)	3,368	543
Trade and bills receivables	(18,070)	(24,424)	17,889	2,883
Inventories	(6,616)	(687)	(20,564)	(3,314)
Prepayments	2,613	94	(136)	(22)
Other receivables	(10,620)	(22)	(2,683)	(432)
Trade payables	21,996	2,005	(13,683)	(2,205)
Other payables and accrued liabilities	24,553	45,036	(27,755)	(4,473)
Interest payable	(43)	3,763	2,526	407
Taxes payable	220	10,053	(4,304)	(694)

Net cash flows used in operating activities	(80,979)	(149,555)	(60,214)	(9,703)
INVESTING ACTIVITIES				
Prepayment for purchase of a land use right	(12,508)	(12,243)		
Purchases of property, plant and equipment	(350,122)	(288,350)	(54,239)	(8,739)
Net proceeds from disposal of property, plant and equipment	896		38	5
Advances to a related party			(159,553)	(25,712)
Repayments from related companies			170,243	27,434
Increase in pledged deposit		(16,000)		
Net cash proceeds / (paid) for term deposits with an original maturity over three months	(3,650)	19,892	3,758	606
Net cash flows used in investing activities	(365,384)	(296,701)	(39,753)	(6,406)

The accompanying notes are an integral part of these consolidated financial statements.

## CHINA NATURAL RESOURCES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands)

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
FINANCING ACTIVITIES				
Proceeds from interest-bearing loans	501,258	1,379,600	90,000	14,503
Net cash paid for the distribution of CHNR's 100% equity interest of Feishang Anthracite			(96,811)	(15,601)
Repayments of interest-bearing loans	(228,100)	(489,350)	(55,000)	(8,863)
Decrease / (Increase) in restricted bank deposit	13,918	(1,782)	(1,278)	(206)
Repayments to a related company	(212,521)	(700,445)	(12,695)	(2,046)
Advances from a related company	446,198	274,174		
Net cash flows from / (used in) financing activities	520,753	462,197	(75,784)	(12,213)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	74,390	15,941	(175,751)	(28,322)
NET FOREIGN EXCHANGE DIFFERENCE	(33)	(3,411)	540	87
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	136,587	210,944	223,474	36,012
CASH AND CASH EQUIVALENTS AT END	210,944	223,474	48,263	7,777

## OF YEAR

Supplementary disclosures  
of cash flow information:

Cash receipt of government grants	1,000	350	79	13
Cash paid for income taxes	10,405	9,017	5,737	925
Cash receipt of interest	2,622	2,916	1,688	272
Major non-cash transactions				
Deemed contribution from the Shareholder of the Company (Note 21(b))		41,020	59,068	9,519
Net off of balances between a related party and the Shareholder			120,310	19,388
		41,020	179,378	28,907

	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2014</b>
	<b>CNY</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	49,960	76,591	48,263	7,777
Cash and short term deposits attributable to discontinued operations	160,984	146,883		
Cash and cash equivalents as stated in the statement of cash flows	210,944	223,474	48,263	7,777

The accompanying notes are an integral part of these consolidated financial statements.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**1.**

**ORGANIZATION AND PRINCIPAL ACTIVITIES**

China Natural Resources, Inc. ( CHNR or the Company ) is a British Virgin Islands ( BVI ) holding company incorporated in 1993. The address of the principal executive office is Room 2205, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company does not conduct any substantive operations on its own and conducts its primary business operations through its subsidiaries (collectively the Group ). A list of the Company's subsidiaries is included in Note 20.

CHNR's principal shareholder is Feishang Group Limited ( Feishang Group or, the Shareholder ), a British Virgin Islands corporation. In the opinion of the directors of the Company, the ultimate parent of CHNR is Laitan Investment Limited, a British Virgin Islands corporation. Mr. Li Feilie, director and beneficial owner of the Shareholder, is the Chairman and Chief Executive Officer ( CEO ) of CHNR.

The consolidated financial statements of the Group for the year ended December 31, 2014 were authorized for issuance in accordance with a resolution of the directors on April 27, 2015.

As at December 31, 2013 and 2014, the Company and its subsidiaries had net current assets of CNY429,067 and CNY24,697 (US\$3,979), respectively, and total assets less current liabilities of CNY456,420 and CNY42,209 (US\$6,801), respectively.

On January 22, 2014, CHNR completed the spin-off of the coal business held by Feishang Anthracite Resources Limited ( Feishang Anthracite , formerly known as Wealthy Year Limited ) by distribution of CHNR 's 100% equity interest in Feishang Anthracite, pro rata to all its shareholders (the Distribution or Spin-off ), and completed the listing of the shares of Feishang Anthracite by introduction on the Main Board of The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange ) (Note 3).

**2.1**



## **BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ( IFRSs ) as issued by the International Accounting Standards Board ( IASB ).

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Chinese Yuan ( CNY ) and all values are rounded to the nearest thousand, except when otherwise indicated.

### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. All significant intercompany accounts and transactions have been eliminated in full.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.1**

**BASIS OF PREPARATION (CONTINUED)**

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**2.2**

**CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

IFRS 10, IFRS 12 and IAS 27 Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation</i> <i>Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets</i> <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21 Amendment to IFRS 2 included in <i>Annual Definition of Vesting Condition<sup>1</sup> Improvements</i>	<i>Levies</i>

*2010-2012 Cycle*

Amendment to IFRS 3 included in *Annual Accounting for Contingent Consideration in a Business Combination<sup>1</sup>*  
*Improvements*

*2010-2012 Cycle*

Amendment to IFRS 13 included in *Short-term Receivables and Payables*  
*Annual Improvements*

*2010-2012 Cycle*

Amendment to IFRS 1 included in *Annual Meaning of Effective IFRSs*  
*Improvements*

*2011-2013 Cycle*

1

Effective from July 1, 2014

Other than explained below, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

(a)

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.2**

**CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

(b)

The IAS 32 Amendments clarify the meaning of *currently has a legally enforceable right to set off* for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c)

The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(e)

The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f)

The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g)

The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 2.3

## ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the current year's financial statements:

IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>2</sup>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>
IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>5</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
Amendments to IAS 1	<i>Disclosure Initiative</i> <sup>2</sup>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i> <sup>2</sup>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> <sup>2</sup>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
<i>Annual Improvements</i>	Amendments to a number of IFRSs <sup>1</sup>
<i>2010-2012 Cycle</i>	
<i>Annual Improvements</i>	Amendments to a number of IFRSs <sup>1</sup>
<i>2011-2013 Cycle</i>	
<i>Annual Improvements</i>	Amendments to a number of IFRSs <sup>2</sup>
<i>2012-2014 Cycle</i>	

1

Effective for annual periods beginning on or after July 1, 2014

2

Effective for annual periods beginning on or after January 1, 2016

3

Effective for annual periods beginning on or after January 1, 2017

4

Effective for annual periods beginning on or after January 1, 2018

5

Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from January 1, 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from January 1, 2016.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.3**

**ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(CONTINUED)**

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on January 1, 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements.



Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from January 1, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group in respect of the disclosures are as follows:

*IFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

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**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a)

*Subsidiaries*

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

.

Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

.

Exposure, or rights, to variable returns from its involvement with the investee

.

The ability to use its power over the investee to affect its returns

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a)

the contractual arrangement with the other vote holders of the investee;

(b)

rights arising from other contractual arrangements; and

(c)

the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

(b)

*Business combinations*

The acquisition of subsidiaries and businesses under common control, where applicable, has been accounted for using merger accounting. The financial statements of the combining entities or businesses under common control are prepared for the same reporting period as the Company, using consistent accounting policies.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholder. The net assets of the combining entities or businesses are combined using the existing book values from the controlling shareholder's perspective. No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control or since their respective dates of incorporation/establishment, where this is a shorter period, regardless of the date of the common control combination. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

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**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(b)

*Business combinations (continued)*

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owner of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other

comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in the statement of profit or loss as a gain on bargain purchase.

(c)

*Related parties*

A party is considered to be related to the Group if:

(1)

the party is a person or a close member of that person's family and that person

(i)

has control or joint control over the Group;

(ii)

has significant influence over the Group; or

(iii)

is a member of the key management personnel of the Group or of a parent of the Group;

or

(2)

the party is an entity where any of the following conditions applies:

(i)

the entity and the Group are members of the same group;

(ii)

one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii)

the entity and the Group are joint ventures of the same third party;

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**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**(Amounts in thousands, except share and per share data)**

**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c)

*Related parties (continued)*

(iv)

one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v)

the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi)

the entity is controlled or jointly controlled by a person identified in (1); and

(vii)

a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(d)

*Property, plant and equipment*

Property, plant and equipment comprise buildings, mining structures, mining rights, machinery and equipment, motor vehicles, exploration rights and construction in progress.

Exploration rights are capitalized and amortized over the term of the licence granted to the Company by the authorities.



When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalized as part of the cost of the mining structures.

Buildings, mining structures, machinery and equipment, and motor vehicles are stated at cost less accumulated depreciation and any impairment losses. Expenditures for routine repairs and maintenance are expensed as incurred.

Mining rights are stated at cost less accumulated amortization and any impairment losses. The costs of mining rights are initially capitalized when purchased. If proved and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs are capitalized and are amortized upon production based on actual units of production over the estimated proved and probable reserves of the mines. For mining rights in which proved and probable reserves have not yet been established, the Group assesses the carrying value for impairment at the end of each reporting period. The Group's rights to extract minerals are contractually limited by time. However, the Group believes that it will be able to extend its licences.

Mining related buildings, mining structures and mining related machinery and equipment are stated at cost less accumulated depreciation and any impairment losses. Those mining related assets for which proved and probable reserves have been established are depreciated upon production based on actual units of production over the estimated proved and probable reserves of the mines.

When an item of property, plant and equipment is classified as held for distribution or when it is part of a disposal group classified as held for distribution, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in Note 2.4 (x).

Reserve estimates are reviewed when information becomes available that indicates a reserve change is needed, or at a minimum once a year. Any material effect from changes in estimates is considered in the period the change occurs.

Depreciation for the following items is calculated on the straight-line basis over each asset's estimated useful life down to the estimated residual value of each asset.

Estimated useful lives are as follows:

Non-mining related buildings	15 - 35 years
Non-mining related machinery and equipment	5 - 15 years
Motor vehicles	5 - 8 years

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d)

*Property, plant and equipment (continued)*

Residual values, useful lives and the depreciation method are reviewed and, adjusted if appropriate, at each reporting date.

When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized in the statement of profit or loss.

Construction in progress is carried at cost and is to be depreciated when placed into service over the estimated useful lives or units of production of those assets. Construction costs are capitalized as incurred. Interest is capitalized as incurred during the construction period.

(e)

*Fair value measurement*

Fair value is the price that would be received to dispose of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to dispose of the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(f)

*Exploration and evaluation costs*

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralization in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is expensed as incurred.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f)

*Exploration and evaluation costs (continued)*

Once the exploration right to explore has been acquired, exploration and evaluation expenditure is charged to the statement of profit or loss as incurred, unless a future economic benefit is more likely than not to be realized. Exploration and evaluation assets acquired in a business combination are initially recognized at fair value. They are subsequently stated at cost less accumulated impairment.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

(g)

*Impairment of non-financial assets*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, etc.), the asset's recoverable amount is estimated.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The calculation of fair value less costs of disposal is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset or other appropriate valuation techniques. The value in use calculation is based on a discounted cash flow model, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years.

(h)

*Financial assets*

As of December 31, 2013 and 2014, the Group's financial assets within the scope of IAS 39 are all classified as loans and receivables. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h)

*Financial assets (continued)*

*Subsequent measurement of loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are included in trade and bills receivables, prepayments, other receivables, term deposits with an original maturity over three months, cash and cash equivalents, rehabilitation fund and due from a related company in the consolidated statements of financial position. These assets are subsequently carried at amortized cost using the effective interest rate method (EIR) less any provision for impairment. Gains and losses are recognized in interest income or finance costs in the consolidated statement of profit or loss when the loans and receivables are derecognized as well as through the amortization process.

*Fair value of loans and receivables*

As of December 31, 2013 and 2014, the carrying amounts of rehabilitation fund are not materially different from their fair values. The carrying values of other financial assets approximated to their fair values due to the short-term maturities of these instruments.

*Impairment of loans and receivables*

The Group assesses at the end of each reporting date whether there is objective evidence that the loans and receivables are impaired. The Group first assesses whether impairment exists individually for loans and receivables that are

individually significant, or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loans and receivables, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases and the decrease because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of profit or loss, to the extent that the carrying value of the asset does not exceed amortized cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h)

*Financial assets (continued)*

*Derecognition of loans and receivables*

For financial assets classified as loans and receivables, the financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

i)

the rights to receive cash flows from the asset have expired; or

ii)

the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.



Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(i)

*Financial liabilities at amortized cost*

Financial liabilities including trade payables, amounts due to a related company and the Shareholder, and other payables and certain accrued liabilities, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest rate. The related interest expense is recognized within finance costs in the consolidated statement of profit or loss.

Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

*Fair value*

As of December 31, 2013 and 2014, the carrying values of these financial liabilities other than an amount due to the Shareholder approximated to their fair values due to the short-term maturities of these instruments. The carrying value of an amount due to the Shareholder approximated to its fair value.

The Group had no financial liabilities measured at fair value on a recurring or a non-recurring basis as of December 31, 2013 and 2014.

*Derecognition of financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires.

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**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(i)

*Financial liabilities at amortized cost (continued)*

*Derecognition of financial liabilities (continued)*

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(j)

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognized less, when appropriate, cumulative amortization.

(k)

*Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted-average method. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Major types of inventories include:

.

Materials and supplies which consist of extracted raw ore, auxiliary materials, spare parts and other consumables;

.

Finished goods

(l)

*Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(m)

*Employee benefits*

*Pension obligations*

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Further information is set out in Note 17.

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**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(m)

*Employee benefits (continued)*

*Housing funds*

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(n)

*Asset retirement obligations*

The Group's legal or constructive obligations associated with the retirement of non-financial assets are recognized at fair value at the time the obligations are incurred and if it is probable that an outflow of resources will be required to settle the obligation, and a reasonable estimate of fair value can be made. Upon initial recognition of a liability, a corresponding amount is capitalized as part of the carrying amount of the related property, plant and equipment. Asset retirement obligations are regularly reviewed by management and are revised for changes in future estimated costs and regulatory requirements. Changes in the estimated timing of retirement or future estimated costs are dealt prospectively by recording an adjustment against the carrying value of the provision and a corresponding adjustment to property and equipment. Depreciation of the capitalized asset retirement cost is generally determined on a units-of-production basis. Accretion of the asset retirement obligation is recognized over time and generally will escalate over the life of the producing asset, typically as production declines. Accretion is included in finance costs in the consolidated statement of profit or loss. Any difference between the recorded obligation and the actual costs of reclamation is recorded in the consolidated statement of profit or loss in the period the obligation is settled.

(o)

*Borrowing costs*

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly relating to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

(p)

*Revenue recognition*

The Group sells its products pursuant to sales contracts entered into with its customers. Revenue for all products is recognized when the significant risks and rewards of ownership have been passed to the customer, provided that the Group does not maintain neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and when collectability is reasonably assured. The passing of the significant risks and rewards of ownership to the customer is based on the terms of the sales contract, generally upon delivery and acceptance of the product by the customer.

In accordance with the relevant tax laws in the PRC, value-added tax ( VAT ) is levied on the invoiced value of sales and is payable by the purchaser. The Group is required to remit the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases. The difference between the amounts collected and paid is presented as VAT recoverable or payable in the consolidated statement of financial position. VAT on sales from continuing operations amounted to CNY2,504, CNY7,031 and CNY1,412 (US\$228) for the years ended December 31, 2012, 2013 and 2014, respectively. The Group recognizes revenues net of VAT.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(q)

*Government grants*

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

(r)

*Income taxes*

Income tax comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, taking into consideration interpretations and practices prevailing in the countries where the Group operates and generates taxable income.



Income tax relating to items recognized outside the consolidated statements of profit or loss is recognized outside the consolidated statement of profit or loss, either as other comprehensive income or loss or directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

.  
when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

.  
in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

.  
when the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

.  
in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(r)

*Income taxes (continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(s)

*Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ( equity-settled transactions ).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will

ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest for the Group.

(t)

*Foreign currencies*

The functional currency of substantially all the operations of the Group is the CNY, the national currency of the PRC. Transactions denominated in currencies other than the CNY recorded by the entities of the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies have been translated into CNY at the functional currency rates of exchange prevailing at the end of the reporting period. The resulting exchange gains or losses are credited or charged to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

The financial statements of certain overseas subsidiary operations with a functional currency other than the CNY have been translated into CNY. The assets and liabilities of these entities have been translated using the exchange rates prevailing at the reporting date and their statements of profit or loss have been translated using the weighted average exchange rate for the year. Resulting translation adjustments are reported as a separate component of other comprehensive income.

On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of profit or loss.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.4**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(u)

*Convenience translation*

The financial statements are stated in CNY. The translation of amounts from CNY into US\$ is included solely for the convenience of the readers and has been made at the rate of exchange quoted by Bloomberg Finance L.P. ( Bloomberg ) on December 31, 2014 of US\$1.00 = CNY6.2055. No representation is made that the CNY amounts could have been, or could be, converted into US\$ at that rate on December 31, 2014 or at any other date.

(v)

*Provisions*

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(w)

*Leases*

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the lower of its fair value or the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

(x)

*Non-current assets and disposal groups held for distribution*

Non-current assets and disposal groups are classified as held for distribution when the Group is committed to distribute the asset or disposal group to its owners. For this to be the case, the asset or disposal group must be available for immediate distribution in its present condition and its distribution must be highly probable.

Non-current assets and disposal groups (other than financial assets) classified as held for distribution are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for distribution are not depreciated or amortized.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.5**

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(i)

Commercial production start date

The Group assesses the stage of each coal mine under construction to determine when a coal mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each coal mine construction project. The Group considers various relevant criteria to assess when the coal mine is substantially complete, ready for its intended use and is reclassified from Construction in progress to respective categories including Mining structures, Buildings and Machinery and equipment. Criteria will include, but are not limited to, the following:

.

The level of capital expenditure compared to the construction cost estimates

.

Completion of a reasonable period of testing of the mine and equipment

.

Ability to produce coal in saleable form (within specifications)

.

Ability to sustain ongoing production of coal

When a mine construction project moves into the production stage, the capitalization of certain coal mine construction costs ceases, and further extraction costs incurred are either regarded as inventories or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development. The commercial production start date is also the date when depreciation and/or amortization of the mining structure assets commences.

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i)

Impairment of property, plant and equipment

Long-lived assets to be held and used, such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

Other than those disclosed in note 16, there were no impairments recognized for the year.



**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.5**

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**Estimates and assumptions (continued)**

(ii)

Units-of-production depreciation for mining related assets

The Group determines the depreciation and/or amortization of mining related assets by the actual units of production over the estimated proved and probable reserves of the mines. The reserve estimates are discussed in Note 2.5 (iv).

(iii)

Useful lives of non-mining related property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its non-mining related property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of non-mining related property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation and competitor action in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will writeoff or writedown technically obsolete or non-strategic assets that have been abandoned or sold.

(iv)

Reserve estimates

*Non-ferrous metal reserves*

Estimates of proved and probable non-ferrous metal reserves are subject to considerable uncertainty. Such estimates are, to a large extent, based on the price of metal and ore and interpretations of geologic data obtained from drill holes and other exploration techniques. The Group uses feasibility studies to derive estimates of capital and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the predicted configuration of the ore body, expected recovery rates of metals from the ore, the costs of comparable facilities, the costs of operating and processing equipment and other factors.

#### *Coal reserves*

Proved and probable coal reserve estimates are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. In determining the estimates, recent production and technical information of each mine will be considered. Fluctuations in factors including the price of coal, production costs and transportation costs of coal, a variation on recovery rates or unforeseen geological or geotechnical perils may render it necessary to revise the estimates of coal reserves.

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

.

Assets' carrying values may be affected due to change in estimated future cash flows.

.

Depreciation and amortization charged in the statement of profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

.

Asset retirement obligations may change where changes to estimated reserves affect expectations about the timing or cost of these activities.

.

The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(v)

Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at each balance sheet date.

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**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**2.5**

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**Estimates and assumptions (continued)**

(vi)

Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will be reflected in the income tax and deferred tax provisions in the period in which the determination is made.

(vii)

Provision for asset retirement obligations

The provision for asset retirement obligations is determined by management based on the past experience and best estimation of future expenditures, taking into account existing relevant PRC regulations. However, insofar as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

**3.**

**DISCONTINUED OPERATIONS**

On December 31, 2013, the Company announced that its board of directors had approved the spin-off (the "Spin-Off") and listing by way of introduction on the Hong Kong Stock Exchange of its wholly-owned subsidiary, Feishang Anthracite, which operated the Company's coal mining and related businesses. The Spin-Off was effected by way of a distribution in specie by the Company of all of Feishang Anthracite's issued and outstanding ordinary shares at par value of HK\$0.01 per share ("Ordinary Shares"), to the holders of the Company's common shares ("Common Shares") on a pro rata basis. On January 22, 2014, the Company completed the Spin-Off and listing by way of introduction on the Hong Kong Stock Exchange of Feishang Anthracite. After the Spin-Off, the Company will not operate any coal mining business and will continue operating its non-ferrous metals mining and related businesses.

The results of Feishang Anthracite for the years/period are presented below:

	<b>2012</b>	<b>2013</b>	<b>For the period from January 1, 2014 to January 22,</b>
	<b>CNY</b>	<b>CNY</b>	<b>CNY</b>
Revenue	141,939	178,501	21,157
Cost of sales	(95,889)	(108,242)	(10,399)
Gross profit	46,050	70,259	10,758
Selling and distribution expenses	(3,694)	(6,110)	(506)
Administrative expense	(77,334)	(142,064)	(8,633)
Impairment loss on property, plant and equipment		(184,417)	
Other operating expenses	(1,624)	(6,003)	
<b>OPERATING (LOSS) / INCOME</b>	<b>(36,602)</b>	<b>(268,335)</b>	<b>1,619</b>
Finance costs	(44,533)	(115,253)	(11,571)
Interest income	1,048	1,102	86
Non-operating (expense) / income, net	(2,179)	132	(100)
<b>LOSS BEFORE INCOME TAX</b>	<b>(82,266)</b>	<b>(382,354)</b>	<b>(9,966)</b>
Income tax benefit / (expense)	15,210	47,817	(742)
<b>LOSS FOR THE YEAR / PERIOD FROM THE DISCONTINUED OPERATIONS</b>	<b>(67,056)</b>	<b>(334,537)</b>	<b>(10,708)</b>
Attributable to:			
Owners of the company	(75,312)	(334,119)	(9,925)
Non-controlling interests	8,256	(418)	(783)

(67,056)

(334,537)

(10,708)

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 3.

## DISCONTINUED OPERATIONS (CONTINUED)

The major classes of assets and liabilities of Feishang Anthracite as at December 31, 2013 and January 22, 2014 are as follows:

	December 31, 2013 CNY	January 22, 2014 CNY
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	2,461,963	2,460,311
Rehabilitation fund	37,350	33,380
Prepayments, deposits and other receivables	100,658	112,422
Deferred tax assets	9,830	41,516
	2,609,801	2,647,629
CURRENT ASSETS		
Inventories	14,363	16,844
Trade and bills receivables	68,059	55,670
Corporate income tax refundable	12,007	12,417
Prepayments, deposits and other receivables	30,584	41,308
Pledged and restricted bank deposits	24,864	26,142
Cash and cash equivalents	146,883	96,811
	296,760	249,192
Total assets classified as held for distribution	2,906,561	2,896,821
LIABILITIES		
CURRENT LIABILITIES		
Trade payables	143,246	104,957
Other payables and accrued liabilities	117,315	80,472
Interest-bearing bank and other borrowings	1,018,550	1,018,550
Interest payable	15,102	24,283
Income tax payable	879	10,610
Mining rights payables	38,876	28,169

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	1,333,968	1,267,041
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	889,504	924,799
Interest payable	16,729	17,028
Deferred tax liabilities	216,320	248,569
Mining rights payables	55,442	55,442
Asset retirement obligations	8,222	8,289
TOTAL NON-CURRENT LIABILITIES	1,186,217	1,254,127
Total liabilities directly associated with the assets classified as held for distribution	2,520,185	2,521,168
NET ASSETS	386,376	375,653

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 3.

## DISCONTINUED OPERATIONS (CONTINUED)

The net cash flows incurred by Feishang Anthracite are as follows:

	2012 CNY	2013 CNY	For the period from January 1, 2014 to January 22, 2014 CNY
Operating activities	(70,648)	(150,099)	(29,603)
Investing activities	(385,152)	(293,389)	(54,472)
Financing activities	542,810	428,996	34,018
Net increase / (decrease) in cash and cash equivalents	87,010	(14,492)	(50,057)
Loss per share (CNY per share):			
Basic, from the discontinued operations	(3.02)	(13.41)	(0.40)
Diluted, from the discontinued operations	(3.02)	(13.41)	(0.40)

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

	2012 CNY	2013 CNY	For the period from January 1, 2014 to January 22, 2014 CNY
Loss for the year attributable to owners of the Company from discontinued operations	(75,312)	(334,119)	(9,925)

Weighted average number of ordinary shares in issue during the year / period used in the basic earnings per share calculation (note 19)	24,910,916	24,910,916	24,910,916
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 19)	24,910,916	24,910,916	24,910,916

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 4.

## PROPERTY, PLANT AND EQUIPMENT

	Buildings CNY	Mining structures and mining rights CNY	Machinery and equipment CNY	Motor vehicles CNY	Construction in progress CNY	Total CNY
<b>Cost</b>						
<b>At January 1, 2013</b>	54,887	1,712,400	94,681	16,700	543,597	2,422,265
Additions	1,837	9,638	24,347	5,948	303,687	345,457
Transfer	41,432	141,231	23,881		(206,544)	
Exchange adjustment			(23)			(23)
Reclassified to non-current assets held for distribution	(74,426)	(1,837,804)	(136,621)	(20,059)	(640,740)	(2,709,650)
<b>At December 31, 2013</b>	23,730	25,465	6,265	2,589		58,049
Additions	92	901	190		2,113	3,296
Transfer	930	545	638		(2,113)	
Disposals	(10)	(161)	(331)			(502)
Exchange adjustment	18					18
Reclassification	(1,820)	966	878	(24)		
<b>At December 31, 2014</b>	22,940	27,716	7,640	2,565		60,861
<b>Accumulated depreciation and amortization and impairment losses</b>						
<b>At January 1, 2013</b>		(11,408)	(42,601)	(13,661)	(4,681)	(72,351)
Depreciation charge		(2,818)	(15,500)	(7,542)	(1,642)	(27,502)
Impairment losses			(184,417)			(184,417)

Exchange adjustment			22		22
Reclassified to non-current assets held for distribution	3,582	223,953	15,777	4,375	247,687
<b>At December 31, 2013</b>	(10,644)	(18,565)	(5,404)	(1,948)	(36,561)
Depreciation charge	(1,212)	(1,196)	(407)	(199)	(3,014)
Impairment losses (Note 16)		(8,065)			(8,065)
Disposals	5	110	314		429
Exchange adjustment	(18)				(18)
<b>At December 31, 2014</b>	(11,869)	(27,716)	(5,497)	(2,147)	(47,229)
<b>Net carrying amount</b>					
At December 31, 2013	13,086	6,900	861	641	21,488
At December 31, 2014	11,071		2,143	418	13,632
At December 31, 2014 (US\$)	1,784		346	67	2,197

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**4.**

**PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

As of December 31, 2013 and 2014, accumulated depreciation and amortization included accumulated amortization of mining rights of CNY9,904 and CNY10,130 (US\$1,632), respectively.

As of December 31, 2014, certain buildings with a carrying amount of CNY11,071 (US\$1,784) were without title certificates, the Group is in the process of applying for the title certificates for these buildings.

Exploration costs totaling CNY106 and nil are incurred during the years ended December 31, 2013 and 2014, respectively, of which nil and nil have been capitalized in the exploration rights and construction in progress in property, plant and equipment and CNY106 and nil have been included in other operating expenses in the consolidated statements of profit or loss for the years ended December 31, 2013 and 2014, respectively.

An impairment loss on property, plant and equipment of CNY8,065 (US\$ 1,300) of Yangchong Mine was recorded for the year ended December 31, 2014 in connection with the decline of average selling prices of iron concentrates. Yangchong Mine was designated as a single cash generating unit ( CGU ). The carrying value of the long-term assets was compared to the recoverable amount of the CGU, which was based predominantly on the value-in-use ( VIU ) approach. VIU calculations use pre-tax cash flow projections. Other key assumptions applied in the impairment tests include the production volume, expected iron price, product cost and related expenses. Management determined that these key assumptions were based on past performance and their expectations on market development. Further, the Group adopted a pre-tax rate of 16.00% that reflects specific risks related to the CGU as the discount rate.

**5.**

**REHABILITATION FUND**

The rehabilitation fund represents restricted cash set aside by the Group in bank and cash placed with authorities for the purpose of future environment rehabilitation as well as the settlement of asset retirement obligations.

**6.**

**INVENTORIES**

Inventories, net of provision for inventories, are summarized as follows:

	<b>December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
Materials and supplies	4,171	3,482	561
Finished goods	556	10,029	1,616
	4,727	13,511	2,177

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

7.

## TRADE AND BILLS RECEIVABLES

	2013 CNY	December 31, 2014 CNY	2014 US\$
Trade receivables	567	567	91
Less: Provision for impairment	567	567	91
Bills receivable	5,500		
	5,500		

A credit period of up to 3 months is granted to customers with established payment history, otherwise sales on cash terms or payment in advance are required. Trade receivables are non-interest-bearing.

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

	2013 CNY	December 31, 2014 CNY	2014 US\$
Over 3 years	567	567	91
	567	567	91

As at December 31, 2014, trade receivables of an initial value of CNY567 (US\$91) (2013: CNY567) were impaired and fully provided for. The following table summarizes the change in provision for impairment for receivables:

	Amount CNY
At January 1, 2013	427
Charge for the year	140

At December 31, 2013, January 1, 2014, and December 31, 2014	567
At December 31, 2014 (US\$)	91

The impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

Bills receivable are bills of exchange with maturity dates of less than one year.



## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 8.

## PREPAYMENTS

The balance consists of prepayments for cost of:

	2013 CNY	December 31, 2014 CNY	2014 US\$
Short-term:			
Raw material purchases		27	4
Others		109	18
		136	22
Long-term:			
Construction related work	30	30	5
Deposits for equipment purchases	890		
Exploration related work	23		
Others	138		
	1,081	30	5
	1,081	166	27

None of the above assets is either past due or impaired.

## 9.

## TRADE PAYABLES

	2013 CNY	December 31, 2014 CNY	2014 US\$
Trade payables	944	1,462	236
	944	1,462	236

Trade payables are non-interest-bearing and are normally settled within six months.

As at December 31, 2013 and 2014, the aging analysis of trade payables is as follows:

	<b>2013</b>	<b>December 31,</b>	<b>2014</b>
	<b>CNY</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>US\$</b>
Within 1 year	773	1,354	218
1-2 years	107	37	6
Over 2 years	64	71	12
	944	1,462	236

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 10.

## OTHER PAYABLES AND ACCRUED LIABILITIES

	2013 CNY	December 31, 2014 CNY	2014 US\$
Natural resources fee (a)	8,960	8,577	1,382
Staff compensation fund (b)	2,525	2,419	390
Social security payable (c)	460	1,046	169
Payroll payable	2,013	1,394	225
Welfare payable	529	529	85
Advances from customers	43	76	12
Accrued expenses	3,504	600	97
Others	1,803	1,510	243
	19,837	16,151	2,603

(a)

The natural resources fee represents fees payable to the PRC Government and is calculated as a percentage of sales.

(b)

The staff compensation fund represents one-off cash received from the PRC government to compensate employees of Wuhu Feishang Mining Development Co., Limited ( Wuhu Feishang ) through the Group for the loss of their state sponsored pension and post- employment benefits. The fund is to be distributed to employees at the termination of their employment with Wuhu Feishang. Wuhu Feishang is not required to make any additional contributions to the fund.

(c)

The social security represents amount payable to PRC government-managed retirement insurance, medical insurance, maternity insurance, employment injury insurance and unemployment insurance for the benefit of the Group's employees.

**11.****ASSET RETIREMENT OBLIGATIONS**

Asset retirement obligations primarily relate to the closure of mines, which includes dismantlement of mining related structure and the reclamation of land upon exhaustion of coal or metal reserves.

The following table describes the changes to the Group's asset retirement obligation liability:

	<b>Amount CNY</b>	<b>Amount US\$</b>
At January 1, 2013	10,558	1,702
Arising during the year	434	70
Accretion expenses	1,070	172
Reclassified to assets classified as held for distribution	(8,222)	(1,325)
At December 31, 2013 and January 1, 2014	3,840	619
Accretion expenses (Note 14)	381	61
At December 31, 2014	4,221	680

The inflation rate, discount rate and market risk premium used for estimating provision for asset retirement obligations at December 31, 2014 and 2013 are 2.53%, 9.91% and 6.09%, respectively. There were no material changes to those rates used in subsequent periods.

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 12.

## REVENUES

Revenues from continuing operations comprise the following:

	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2014</b>
	<b>CNY</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
Zinc	2,372			
Iron	9,969	39,568	6,857	1,105
Others	2,387	1,792	1,446	233
	14,728	41,360	8,303	1,338

## 13.

## COST OF SALES

Cost of sales from continuing operations comprise the following:

	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2014</b>
	<b>CNY</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
Zinc	1,597			
Iron	5,199	23,461	5,009	808
Others	2,240	1,640	1,554	250
	9,036	25,101	6,563	1,058

## 14.

## FINANCE COSTS

Finance costs from continuing operations comprise the following:

	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2014</b>
	<b>CNY</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
Bank charges	9	14	11	2
Accretion expenses	316	346	381	61
	325	360	392	63

15.

**NON-OPERATING EXPENSES, NET**

Non-operating expenses from continuing operations comprise the following:

	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2014</b>
	<b>CNY</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
Loss on disposal of property, plant and equipment	194		35	6
Donation			14	2
Others	28	167	169	27
	222	167	218	35

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

16.

## PROFIT / (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
Crediting:				
Interest income on bank deposits	1,574	1,814	1,602	258
Government grant (a)	1,000	350	79	13
Charging:				
Auditors' remuneration:				
- Audit fee	3,100	3,300	800	129
- Audit related fee			25	4
Sub-total	3,100	3,300	825	133
Cost of inventories sold (b)	4,822	22,395	5,106	823
Sales tax and surcharge	171	540	72	12
Utilization of safety fund and production maintenance fund	4,043	2,166	1,385	223
Cost of sales (Note 13)	9,036	25,101	6,563	1,058
Employee benefit expenses (Note 17)	7,182	10,004	5,101	822
Write-down of inventories to net realizable value			9,299	1,499
Depreciation and amortization:				
- Property, plant and equipment	1,244	2,361	3,014	486
Operating lease rental:				

- Office properties	1,182	1,148	779	126
Loss on disposal of property, plant and equipment	194		35	6
Repairs and maintenance	95	176	247	40
Provision for impairment for property, plant and equipment (Note 4)	393		8,065	1,300
Provision for impairment for doubtful accounts (Note 7)	3	140		
Losses arising from temporary suspension of production (c)	3,415			

(a)

The government grant has been fully recognized in Other operating expenses, net in the consolidated statements of profit or loss since all related expenditure has been incurred and recognized in the consolidated statements of profit or loss. There are no unfulfilled conditions or contingencies relating to the grant.

(b)

Included in the cost of inventories sold are CNY1,167, CNY3,302 and CNY1,908 (US\$307) for the years ended December 31, 2012, 2013 and 2014, respectively, relating to employee benefit expenses, and depreciation and amortization; these amounts are also included in the respective amounts disclosed separately above for each type of expense.

(c)

The amount represented the overhead costs incurred during the period of temporary suspension of production implemented by the local governments for inspections. The inspections of mines resulted from accidents incurred in third party coal mines in Guizhou Province and coal mines in Anhui Province.



## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

17.

## EMPLOYEE BENEFITS

The Group's employee benefits from continuing operations comprise the following:

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
Wages, salaries and allowances	4,362	7,126	6,095	983
Housing funds (a)	74	115	535	86
Contribution to pension plans (a)	1,170	1,326	1,566	252
Welfare and other expenses	1,929	1,503	1,644	265
	7,535	10,070	9,840	1,586

(a)

As stipulated by the PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government and government-sponsored housing funds. These subsidiaries are required to contribute a certain percentage of their payroll costs for those qualified urban employees to the central pension scheme as well as the housing funds.

Employee benefits charged to the consolidated statements of profit or loss from continuing operations are analyzed as follows:

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
Total employee benefits accrued for the year	7,535	10,070	9,840	1,586

Less:				
Amount included in inventories	353	66	4,739	764
Amount charged to consolidated statements of profit or loss (Note 16)	7,182	10,004	5,101	822

**18.****INCOME TAX (BENEFIT) / EXPENSE**

The Company is incorporated in the British Virgin Islands ( BVI ) and conducts its primary business operations through its subsidiaries in the PRC. It also has intermediate holding companies in the BVI and Hong Kong. Under the current laws of the BVI, the Company and its subsidiaries incorporated in the BVI are not subject to tax on income or capital gains. The Hong Kong Profits Tax rate is 16.50%. The Company's Hong Kong subsidiaries have both Hong Kong-sourced and non-Hong Kong-sourced incomes. The latter is not subject to Hong Kong Profits Tax and the related expenses are non-tax-deductible. For the Hong Kong-sourced income, no provision for Hong Kong Profits Tax was made as such operations sustained tax losses during the years ended December 31, 2012, 2013 and 2014. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends. No U.S. corporate income taxes are provided for in these consolidated financial statements, as management believes that the Company is not subject to U.S. income taxes.

*China*

Effective from January 1, 2008, the PRC's statutory corporate income tax ( CIT ) rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% on their respective taxable incomes as calculated in accordance with the CIT Law and its relevant regulations.

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after January 1, 2008 to the Company's Hong Kong subsidiaries are subject to a 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty, PRC dividend withholding tax.

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

18.

## INCOME TAX (BENEFIT) / EXPENSE (CONTINUED)

Profit / (loss) before income tax from continuing operations consists of:

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
PRC	(1,117)	4,872	(23,754)	(3,828)
BVI	(14,182)	(3,969)	(2,575)	(415)
HK	(57)	(46)	(55)	(9)
	(15,356)	857	(26,384)	(4,252)

The current and deferred components of income tax (benefit) / expense from continuing operations appearing in the consolidated statements of profit or loss are as follows:

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
Current income tax expense		514	5,303	854
Deferred income tax (benefit) / expense	(965)	1,628	1,536	248
	(965)	2,142	6,839	1,102

A reconciliation of the income taxes from continuing operations computed at the PRC statutory tax rate of 25% to the actual income tax (benefit) / expense is as follows:

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
Profit / (loss) for the year	(15,356)	857	(26,384)	(4,252)
PRC statutory tax rate	25%	25%	25%	25%

Computed income tax (benefit) / expense	(3,839)	214	(6,596)	(1,063)
Effect of different tax rates for the Company and overseas subsidiaries	1,276	997	650	105
Effect of the deemed interest income			1,478	238
PRC dividend withholding tax			3,532	569
Tax losses not recognized	1,555	931	1,521	245
Deferred tax assets not recognized			5,845	942
Non-deductible expenses	43		115	19
Others			294	47
Income tax (benefit) / expense	(965)	2,142	6,839	1,102

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

18.

## INCOME TAX (BENEFIT) / EXPENSE (CONTINUED)

The Group's major deferred tax assets and deferred tax liabilities are as follows:

	2013 CNY	December 31, 2014 CNY	2014 US\$
Deferred tax assets			
Accrued liabilities and other payables	1,430		
Others	558		
		1,988	
Deferred tax liabilities			
Depreciation and fair value adjustment of property, plant and equipment	(452)		
Net deferred tax assets	1,536		
Classification in the consolidated statements of financial position:			
Deferred tax assets	1,536		

On September 24, 2014, Wuhu Feishang declared a dividend of CNY39,242 (US\$6,324) to its parent, relating to the post-2007 profits of Wuhu Feishang. The related withholding tax of CNY3,532 (US\$569) has been withheld and paid accordingly. As of December 31, 2014, there were no post-2007 undistributed profits of the PRC subsidiaries of the Company.

The total amounts of unused tax losses for which no deferred tax assets were recognized amounting to CNY15,393 and CNY21,449 (US\$3,458) as of December 31, 2013 and 2014, respectively. As of December 31, 2014, unused tax losses of CNY4,168 (US\$672), CNY3,690 (US\$595), CNY2,715 (US\$438), CNY4,820 (US\$777) and CNY6,056 (US\$976), if unused, will expire by the end of 2015, 2016, 2017, 2018 and 2019, respectively.

As of December 31, 2014, the Group did not recognize deferred tax assets on deductible temporary differences mainly in respect of provision for write-down of inventories to net realizable value amounting to CNY9,299 (US\$1,499), provision for impairment of property, plant and equipment amounting to CNY8,065 (US\$1,300) and other temporary differences amounting to CNY6,016 (US\$969) as based on the prevailing facts and circumstances it was not probable that taxable profits would be available for their future utilization.

The gross movements on the deferred tax assets account are as follows:

	<b>2013</b> <b>CNY</b>	<b>2014</b> <b>CNY</b>	<b>2014</b> <b>US\$</b>
At beginning of the year	(260,088)	1,536	248
Discontinued operations	263,252		
Credited to consolidated statements of profit or loss	(1,628)	(1,536)	(248)
At end of the year	1,536		

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

## 19.

## LOSS PER SHARE

Basic and diluted loss per share for the years ended December 31, 2012, 2013 and 2014 were calculated as follows:

	2012 CNY	Year Ended December 31, 2013 CNY	2014 CNY	2014 US\$
Loss for the year attributable to owners of the Company:				
From continuing operations	(14,391)	(1,285)	(33,223)	(5,354)
From discontinued operations	(75,312)	(334,119)	(9,925)	(1,600)
Weighted average number of common shares:				
Basic	24,910,916	24,910,916	24,910,916	24,910,916
Diluted	24,910,916	24,910,916	24,910,916	24,910,916
Loss per share attributable to owners of the Company:				
Basic:				
From continuing operations	(0.58)	(0.05)	(1.33)	(0.21)
From discontinued operations	(3.02)	(13.41)	(0.40)	(0.06)
Diluted:				
From continuing operations	(0.58)	(0.05)	(1.33)	(0.21)
	(3.02)	(13.41)	(0.40)	(0.06)

From discontinued  
operations

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

20.

## RELATED PARTY BALANCES AND TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

Name	Place of incorporation / registration and operations	Nominal value of issued ordinary / registered share capital (CNY)	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bijie Feishang Energy Co., Ltd.*	Mainland China	10,000		100	Dormant
China Coal Mining Investment Limited	Hong Kong		100		Investment holding
FMH Corporate Services Inc.	United States		100		Dormant
Feishang Dayun Coal Mining Limited	Hong Kong			100	Investment holding
Feishang Mining Holdings Limited	British Virgin Islands		100		Investment holding
Feishang Yongfu Mining Limited	Hong Kong			100	Investment holding
Guizhou Nayong Dayuan Coal Mining Co., Ltd.*	Mainland China	46,000		100	Coal development and mining
Guizhou Dayun Mining Co., Ltd.*	Mainland China	150,000		100	Coal development and mining
Guizhou Fuyuantong Energy Co., Ltd.*	Mainland China	10,000		100	Investment holding
Guizhou Puxin Energy Co., Ltd.*	Mainland China	150,000		100	Investment holding and coal trading
Guizhou Yongfu Mining Co., Limited*	Mainland China	100,000		70	Coal development and mining
	Hong Kong			100	Investment holding

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Hong Kong Smartact Limited*					
Hainan Yangpu Dashi Industrial Co., Limited*	Mainland China	1,000		100	Investment holding
Jinsha Baiping Mining Co., Ltd.*	Mainland China	58,000		70	Coal development and mining
Jinsha Juli Energy Co., Ltd.*	Mainland China	30,000		100	Dormant
Liuzhi Linjiaao Coal Mining Co., Ltd.*	Mainland China	30,600		99	Coal development and mining
Liuzhi Xinsong Coal Mining Co., Ltd.*	Mainland China	60,000		99	Coal development and mining
Nayong Gouchang Coal Mining Co., Ltd.*	Mainland China	40,000		99	Coal development and mining
Newhold Investments Limited	British Virgin Islands		100		Investment holding
Pineboom Investments Limited	British Virgin Islands		100		Investment holding
Shenzhen Feishang Management and Consulting Co., Limited ("Feishang Management")	Mainland China	10,000		100	Provision for management and consulting services to other companies in the Group
Shenzhen Chixin Information and Consulting Co., Ltd.*	Mainland China	1,000		100	Provision for management and consulting services to other companies in the Group
Silver Moon Technologies Limited	British Virgin Islands	1	80		Dormant
Sunwide Capital Limited	British Virgin Islands			100	Dormant
Feishang Anthracite Resources Limited*	British Virgin Islands	973	100		Investment holding
Wuhu Feishang Mining Development Co., Limited	Mainland China	12,000		100	Exploration and Mining of zinc, iron and other non-ferrous metals
Yangpu Lianzhong Mining Co., Limited	Mainland China	115,008		100	Investment holding
Yangpu Shuanghu Industrial Development Co., Limited	Mainland China	1,000		100	Investment holding
Yunnan Feishang Mining Co., Limited	Mainland China	50,000		100	Exploration of non-ferrous metals

\* Collectively the coal business held by Feishang Anthracite that was spun off on January 22, 2014 (Note 3)



## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

20.

## RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

In addition to the transactions detailed elsewhere in the financial statements, the Group has the following transactions and balances with related parties:

(a)

*Commercial transactions with a related party*

Commercial transactions with a related company are summarized as follows:

	2012 CNY	Year Ended December 31, 2013 CNY		2014 CNY	2014 US\$
CHNR's share of office rental to Anka Consultants Limited ("Anka")	1,385	1,285		859	138
Feishang Anthracite's share of office rental to Anka Consultants Limited ("Anka")	1,385	217		61	10
		1,502		920	148

Prior to September 2013, the Company and Anka, a private Hong Kong company that is owned by certain directors of the Company, entered into an office sharing agreement (the Original Office Sharing Agreement), whereby the Company's head office in Hong Kong is shared on an equal basis between the two parties. The Original Office Sharing Agreement also provides that the Company and Anka shall share certain costs and expenses in connection with its use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration provided by Anka. The Original Office Sharing Agreement ended on August 31, 2013.

On September 1, 2013, the Company and Feishang Anthracite entered into new license agreements with Anka, respectively, pursuant to which, the Company and Feishang Anthracite share the office premises of 238 square metres

on an equal basis. The agreements also provide that the Company and Feishang Anthracite shall share certain costs and expenses in connection with their use of the office. In addition, Anka continues to provide accounting and secretarial services and day-to-day office administration to the Company. The initial term of the agreements was from September 1, 2013 to June 30, 2014 and shall be effective for all subsequent extension of leases. The lease was extended for two years from July 1, 2014 to June 30, 2016.

(b)

*Balances with related parties*

The Group has payables with related parties, which are all unsecured and non-interest- bearing. Balances with related companies are summarized as follows:

	<b>2013</b>	<b>December 31,</b>	
	<b>CNY</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>US\$</b>
Payables to a related company:			
Feishang Enterprise (1)	6,453		
Long-term payable to the Shareholder:			
Feishang Group (2)	197,062	15,374	2,477

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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20.

## RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b)

*Balances with related parties (continued)*

Feishang Enterprise and Feishang Group are controlled by Mr. Li Feilie who is also an officer, director and the principal beneficial shareholder of the Company.

(1)

Payable to Feishang Enterprise by Feishang Management for the net amount of a loan from Feishang Enterprise and the net amount of expenses paid by Feishang Enterprise on behalf of certain subsidiaries. The balance is due on demand.

(2)

Payable to Feishang Group for the acquisition of Feishang Anthracite. The balance is unsecured, interest-free and not repayable within one year. Feishang Group has confirmed that the balance due to Feishang Group as at December 31, 2014 is not required to be settled in the future 12 months.

(c)

Compensation of key management personnel of the Group

	<b>2012</b>	<b>Year Ended December 31,</b>		<b>2014</b>
	<b>CNY</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
		<b>CNY</b>	<b>CNY</b>	<b>US\$</b>
Wages, salaries and allowances	927	853	320	52
				246

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Housing subsidies	4	4	4	1
Contribution to pension plans	38	38	33	5
	969	895	357	58

The amounts disclosed in the table are the amounts recognized as an expense during the year related to key management personnel.

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

21.

## EQUITY

(a)

*Issued capital*

	December 31,			
	2012 CNY	2013 CNY	2014 CNY	2014 US\$
Authorized:				
10,000,000 preferred shares, no par				
200,000,000 ordinary shares, no par				
Issued and fully paid:				
Ordinary shares, no par	312,081	312,081	312,081	50,291

(b)

*Other capital reserves*

	Number of shares issued	Other capital reserves CNY
At January 1, 2012 and December 31, 2012	24,910,916	536,872
Deemed contribution from the Shareholder of the Company (i)		41,020
At December 31, 2013	24,910,916	577,892
Deemed contribution from the Shareholder of the Company (i)		59,068
At December 31, 2014	24,910,916	636,960
At December 31, 2014 (US\$)	24,910,916	102,644

(i)



Pursuant to an undertaking dated January 20, 2014, Feishang Group, the Company's parent, agreed to waive the amount due from the Company of CNY59,068 (US\$9,519) (2013: CNY41,020).

(c)

*Dividend restrictions and reserves*

Due to the Group's structure, the payment of dividends is subject to numerous controls imposed under PRC law, including foreign exchange control on the conversion of local currency into United States dollars and other currencies.

In accordance with the relevant PRC regulations and the Articles of Association of Wuhu Feishang, appropriations of net income as reflected in its PRC statutory financial statements are to be allocated to each of the general reserve and enterprise expansion reserve, respectively, as determined by the resolution of the Board of Directors annually. In September 2014, the Board of Directors of Wuhu Feishang determined to appropriate the general reserve and enterprise expansion reserve of CNY3,925 (US\$651) and CNY3,925 (US\$651), respectively. No general reserve and enterprise expansion reserve have been appropriated in 2013. In April 2012, the Board of Directors of Wuhu Feishang determined to appropriate the general reserve and enterprise expansion reserve of CNY12,710 and CNY12,710, respectively.

**CHINA NATURAL RESOURCES, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014**

**(Amounts in thousands, except share and per share data)**

**22.**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial instruments of the Group primarily include cash, trade and bills receivables, certain other current assets, other payables and certain accrued liabilities, amounts due from and due to related parties, and amount due to Shareholder.

The Group is exposed to credit risk, commodity risk, foreign currency risk, interest rate risk, business and economy risk and liquidity risk. The Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarized below.

(a)

*Credit risk*

The carrying amounts of the Group's cash and cash equivalents, time deposits, restricted bank deposits, trade and bills receivables, and other current assets, except for prepayments, represent the Group's maximum exposure to credit risk in relation to its financial assets.

For trade receivables, each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

*Cash and cash deposits*

The Group maintains its cash and cash deposits primarily with various PRC State-owned banks and Hong Kong-based financial institutions, which management believes are of high credit quality. The Group performs periodic evaluations of the relative credit standing of those financial institutions.

*Trade receivables*

The Group sells zinc and iron products to companies in the PRC. Trade receivables are typically unsecured and are mainly derived from revenue earned from customers in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations that the Group performs on its customers and its ongoing monitoring of outstanding balances. The Group provides impairment for trade receivables primarily based on the age of the balances and factors surrounding the customer's credit-worthiness. At December 31, 2013 and 2014, the carrying amount of trade receivables is nil and nil, respectively.

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

22.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a)

*Credit risk (continued)**Trade receivables (continued)*

During the year ended December 31, 2014, three customers in the Exploration and Mining - non ferrous metals segment accounted for 53%, 30% and 17% of the consolidated net sales, respectively. During the year ended December 31, 2013, three customers in the Exploration and Mining - non ferrous metals segment accounted for 36%, 31% and 19% of the consolidated net sales, respectively.

The concentration of iron concentrates customers is expected to subside in the event production volume warrants a greater marketing effort.

(b)

*Commodity risk*

The Group is exposed to fluctuations in the prices of iron. These commodity prices can fluctuate widely and are affected by factors beyond the control of the Group which affect earnings and cash flows. The Group has not engaged in any formal hedging transactions to manage possible price fluctuations.

The following table sets forth the sensitivity analysis of the commodity price change to the Group's sales revenue and gross profit:

	2014	Iron Price	
	Actual	+ 10%	- 10%
	<i>(CNY in millions, except percentage)</i>		
Total Sales	8.30	0.69	(0.69)
% Change		8.26	(8.26)

Gross Profit	1.74	0.69	(0.69)
% Change		39.41	(39.41)

(c)

*Foreign currency risk*

The CNY is not freely convertible into foreign currencies. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of the CNY into foreign currencies. The value of the CNY is subject to changes in PRC government policies and to international economic and political developments affecting the supply and demand in the China Foreign Exchange Trading System market. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China.

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

22.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d)

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimum exposure to the risk of changes in market interest rates since the Group has no long-term debt obligations with floating interest rates.

	<b>Increase (decrease)</b>	<b>Increase (decrease) in profit</b>
	<b>in basis points</b>	<b>before tax CNY</b>
Year ended December 31, 2014	100 (100)	
Year ended December 31, 2013	100 (100)	(4,289) 4,289

(e)

*Business and economic risk*

The Group's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 30 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC's political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.

(f)

*Liquidity risk*

The Group manages its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, and adequate time deposits to meet its liquidity requirements in the short and long term.

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

22.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f)

*Liquidity risk (continued)*

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

<b>December 31, 2014</b>	<b>On demand CNY</b>	<b>Less than 1 year CNY</b>	<b>1-5 years CNY</b>	<b>More than 5 years CNY</b>	<b>Total CNY</b>
Trade payables		1,462			1,462
Other payables and accrued liabilities		10,763			10,763
Due to a related company			15,374		15,374
		12,225	15,374		27,599

<b>December 31, 2014</b>	<b>On demand US\$</b>	<b>Less than 1 year US\$</b>	<b>1-5 years US\$</b>	<b>More than 5 years US\$</b>	<b>Total US\$</b>
Trade payables		236			236
Other payables and accrued liabilities		1,734			1,734
Due to a related company			2,477		2,477
		1,970	2,477		4,447

<b>December 31, 2013</b>	<b>On demand</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
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	CNY	CNY	CNY	CNY	CNY
Trade payables		944			944
Other payables and accrued liabilities		14,310			14,310
Due to a related company	6,453		197,062		203,515
	6,453	15,254	197,062		218,769

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**CHINA NATURAL RESOURCES, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014****(Amounts in thousands, except share and per share data)****22.****FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(g)

*Capital management*

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2013 and 2014.

The Group monitors capital on the basis of the debt to capital ratio (Gearing ratio), which is calculated as interest-bearing debts divided by total capital (total equity plus interest-bearing debts).

	<b>2013</b>	<b>2014</b>
	<b>CNY</b>	<b>CNY</b>
Interest-bearing debts		
Total equity	255,518	24,092
Total capital	255,518	24,092
Gearing ratio		

**23.****COMMITMENTS**

(a)

*Operating lease*

At the end of the reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease in respect of the rented premises which fall due as follows:

	<b>2013</b> <b>CNY</b>	<b>December 31,</b> <b>2014</b> <b>CNY</b>	<b>2014</b> <b>US\$</b>
Within the first year	512	781	126
After one year but not more than five years	338	350	56
	850	1,131	182

(b)

*Capital commitments*

As at December 31, 2013 and 2014, the Group had the following capital commitments:

	<b>2013</b> <b>CNY</b>	<b>December 31,</b> <b>2014</b> <b>CNY</b>	<b>2014</b> <b>US\$</b>
Construction and purchase of property, plant and equipment	600		

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

24.

## SEGMENT INFORMATION

Prior to January 22, 2014, the Group operated in two operating segments: exploration and mining – non-ferrous metals, and exploration and mining – coal. After the Spin-Off of Feishang Anthracite in January 2014, the Group only operates in one operating segment: exploration and mining – non-ferrous metals. The accounting policies for the two segments were the same, and were as described in the summary of significant accounting policies. The Group evaluates performance based on operating earnings of the respective business unit. The Group's non-financial assets and revenue are substantially all located in and derived from the PRC. The segment analysis below is provided for the Group's continuing operations, and does not include any amount for a discontinued operation, namely the exploration and mining – coal (see Note 3 for information on discontinued operations).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit / (loss), which is a measure of adjusted profit / (loss) before tax from continuing operations. The adjusted profit / (loss) before tax from continuing operations is measured consistently with the Group's profit / (loss) before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

For comparability purposes, and in conformity with its current practice, the Company has revised certain of its disclosures for prior years.

As of and for the year ended December 31, 2014, the segment results were as follows:

	CNY		
	Exploration and mining non- ferrous metals	Corporate activities	Total
Revenues from external customers	8,303		8,303
Depreciation and amortization	3,010	4	3,014
Operating Loss	23,878	3,498	27,376
Interest income	1,550	52	1,602
Finance costs	390	2	392
Income tax expense	6,839		6,839
Loss for the year from continuing operations	28,298	4,925	33,223
Capital expenditure	1,914		1,914

Total assets	60,997	19,039	80,036
Total liabilities	39,047	18,375	57,422

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

24.

## SEGMENT INFORMATION (CONTINUED)

	US\$		
	Exploration and mining		
	non- ferrous metals	Corporate activities	Total
Revenues from external customers	1,338		1,338
Depreciation and amortization	485	1	486
Operating loss	3,848	564	4,412
Interest income	250	8	258
Finance costs	63		63
Income tax expense	1,102		1,102
Loss for the year from continuing operations	4,560	794	5,354
Capital expenditure	308		308
Total assets	9,830	3,067	12,897
Total liabilities	6,292	2,961	9,253

As of and for the year ended December 31, 2013, the segment results were as follows:

	CNY		
	Exploration and mining		
	non- ferrous metals	Corporate activities	Total
Revenues from external customers	41,360		41,360
Depreciation and amortization	2,344	17	2,361
Operating income / (loss)	6,935	(9,810)	(2,875)
Interest income	1,534	280	1,814
Finance costs	355	5	360
Income tax expense	2,142		2,142

Profit / (loss) for the year from continuing operations	5,925	(7,210)	(1,285)
Capital expenditure	3,204		3,204
Total assets	77,723	40,280	118,003
Total liabilities	4,073	244,788	248,861

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

24.

## SEGMENT INFORMATION (CONTINUED)

As of and for the year ended December 31, 2012, the segment results were as follows:

	<b>Exploration and mining non- ferrous metals</b>	<b>CNY Corporate activities</b>	<b>Total</b>
Revenues from external customers	14,728		14,728
Depreciation and amortization	1,194	50	1,244
Operating loss	5,678	10,705	16,383
Interest income	1,537	37	1,574
Finance costs	318	7	325
Income tax benefit	965		965
Loss for the year from continuing operations	6,596	7,795	14,391
Capital expenditure	12,211		12,211
Total assets	79,092	12,306	91,398
Total liabilities	37,331	682,335	719,666

The reconciliation of segment assets to total assets is as follows:

	<b>2013 CNY</b>	<b>2014 CNY</b>	<b>2014 US\$</b>
Segment assets	118,003	80,036	12,897
Assets of segment - exploration and mining - coal	2,906,561*		
<b>Total assets</b>	<b>3,024,564</b>	<b>80,036</b>	<b>12,897</b>

The reconciliation of segment liabilities to total liabilities is as follows:



	<b>2013</b> <b>CNY</b>	<b>2014</b> <b>CNY</b>	<b>2014</b> <b>US\$</b>
Segment liabilities	248,861	57,422	9,253
Liabilities of segment - exploration and mining - coal	2,520,185*		
<b>Total liabilities</b>	<b>2,769,046</b>	<b>57,422</b>	<b>9,253</b>

\*

The assets and liabilities of this segment were reclassified to held for distribution as of December 31, 2013.

The reconciliation from loss for the year from continuing operations to net loss is as follows:

	<b>2012</b> <b>CNY</b>	<b>2013</b> <b>CNY</b>	<b>2014</b> <b>CNY</b>	<b>2014</b> <b>US\$</b>
Loss for the year from continuing operations	(14,391)	(1,285)	(33,223)	(5,354)
Loss for the year from discontinued operations	(67,056)	(334,537)	(10,708)	(1,726)
<b>Net loss (including non-controlling interests)</b>	<b>(81,447)</b>	<b>(335,822)</b>	<b>(43,931)</b>	<b>(7,080)</b>

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## SUBSEQUENT EVENTS

The Company has no material subsequent events from December 31, 2014.

## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

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## CONDENSED FINANCIAL INFORMATION OF THE COMPANY

The following is the condensed financial information of the Company on a non-consolidated basis:

## CONDENSED STATEMENTS OF FINANCIAL POSITION

	2013 CNY	December 31, 2014 CNY	2014 US\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	1,129,900	25,335	4,083
<b>CURRENT ASSETS</b>			
Amounts due from subsidiaries	98,058	100,484	16,192
Cash and cash equivalents	25,675	14,484	2,334
<b>TOTAL CURRENT ASSETS</b>	<b>123,733</b>	<b>114,968</b>	<b>18,526</b>
<b>TOTAL ASSETS</b>	<b>1,253,633</b>	<b>140,303</b>	<b>22,609</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Other payables and accrued liabilities	3,503	572	92
Due to a subsidiary		120,310	19,388
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,503</b>	<b>120,882</b>	<b>19,480</b>
<b>NON-CURRENT LIABILITIES</b>			
Due to the Shareholder	197,062	15,374	2,477
<b>TOTAL LIABILITIES</b>	<b>200,565</b>	<b>136,256</b>	<b>21,957</b>
<b>EQUITY</b>			
Issued capital	290,179	290,179	46,762
Other capital reserves	759,934	823,581	132,717
Accumulated income / (losses)	23,747	(1,087,956)	(175,321)

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Other comprehensive losses	(20,792)	(21,757)	(3,506)
TOTAL EQUITY	1,053,068	4,047	652
TOTAL LIABILITIES AND EQUITY	1,253,633	140,303	22,609

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## CHINA NATURAL RESOURCES, INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(Amounts in thousands, except share and per share data)

26.

## CONDENSED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

## CONDENSED STATEMENT OF PROFIT OR LOSS

		December 31,		
	2012 CNY	2013 CNY	2014 CNY	2014 US\$
ADMINISTRATIVE EXPENSES	(14,121)	(7,586)	(2,560)	(413)
IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES			(728,912)	(117,462)
DIVIDEND INCOME		123,643		
(LOSS) / PROFIT BEFORE INCOME TAX	(14,121)	116,057	(731,472)	(117,875)
NET (LOSS) / PROFIT	(14,121)	116,057	(731,472)	(117,875)

## CONDENSED STATEMENTS OF CASH FLOWS

		December 31,		
	2012 CNY	2013 CNY	2014 CNY	2014 US\$
Net cash flows used in operating activities	(9,831)	(13,240)	(5,485)	(884)
Net cash flows from investing activities		46,811		
Net cash flows from / (used in) financing activities	6,327	(12,357)	(6,242)	(1,006)

NET INCREASE / (DECREASE) IN CASH	(3,504)	21,214	(11,727)	(1,890)
CASH AT BEGINNING OF THE YEAR	9,684	6,149	25,675	4,138
Net foreign exchange difference	(31)	(1,688)	536	86
CASH AT END OF THE YEAR	6,149	25,675	14,484	2,334

The above financial statements have been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) of Regulation S-X, which require condensed financial information as to financial position, results of operations and cash flows of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries and the parent's equity in the undistributed earnings of 50 percent or less owned persons accounted for by the equity method together exceed 25 percent of the consolidated net assets as of end of the most recently completed fiscal year. As of December 31, 2014, CNY20,873 (US\$3,364) of the restricted capital and reserves are not available for distribution, and as such, the condensed financial information of the Company has been presented for the years ended December 31, 2012, 2013 and 2014.

In the parent-company-only financial statements, the Company's investments in subsidiaries are stated at cost. The parent-company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

The Company does not have any significant commitments or long-term obligations as of any of the years presented, except for those disclosed in the consolidated financial statements.

During the years ended December 31, 2012, 2013 and 2014, nil cash dividends were declared and paid by the Company.

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Exhibit Description</b>
<u>4.14</u>	Sales and Purchase Master Contract dated January 1, 2014 by and between Anhui Tianchen Renewable Resource Co., Ltd. and Wuhu Feishang Mining Development Co., Ltd.
6	Computation of Earnings Per Share for Fiscal Year ended December 31, 2014 ( <i>contained in Financial Statements</i> ).
<u>7</u>	Computation of Ratios for Fiscal Years ended December 31, 2012, 2013 and 2014.
<u>8</u>	Subsidiaries of the Registrant.
<u>12.1</u>	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>12.2</u>	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>13.1</u>	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>13.2</u>	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>15.1</u>	Consent of Ernst & Young to incorporation of audit report dated April 27, 2015 into registration statement on Form F-3 (SEC File No. 333-197278)