

CHINA NATURAL RESOURCES INC  
Form 20-F  
April 29, 2014

**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, 2013

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)*

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*(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, 2013.

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 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, 2013, which was US\$1.00 = CNY6.0543. 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, 2013. 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 stock" are to the common stock, \$0.001 par value, of China Resources. References to common shares are to the common shares, without par value, of CHNR after the Redomicile Merger.

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 99%-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 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 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.

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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 stock" are to the Series B preferred stock, \$.001 par value, of China Resources. References to Series B preferred shares are to the Series B preferred shares, without par value, of CHNR, after the Redomicile Merger.

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 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.

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\* Collectively these companies comprise the coal business held by Feishang Anthracite that was subject of the January 22, 2014 Spin-Off.

## **Forward-Looking Statements**

This 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 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 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 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 and 2013, prepared and presented in accordance with IFRS. Details of the Company's acquisition of Feishang Mining are described elsewhere in this 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 and 2013 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 in this Annual Report.

The statements of profit or loss data for each of the years ended December 31, 2011, 2012, and 2013 and the statements of financial position data as of December 31, 2012 and 2013 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 and 2011 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 IFRS5, 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.

**Amounts in thousands, except share amounts and  
per share data**

	<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>Statements of Profit or Loss Data</b>				
Revenue	54,686	42,940	14,728	41,360
Cost of sales	(28,086)	(21,245)	(9,036)	(25,101)
Gross profit	26,600	21,695	5,692	16,259
Profit/(loss) before income taxes from continuing operations	18,200	3,069	(15,356)	857

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

**Amounts in thousands, except share amounts and  
per share data**

	<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>
Income/(loss) from discontinued operations attributable to: Owners of the Company	560,134	(64,759)	(75,312)	(334,119)
Non-controlling interests	(4,141)	(141)	8,256	(418)
	555,993	(66,116)	(81,447)	(334,537)
Profit/(loss) attributable to: Owners of the Company *	572,251	(65,975)	(89,703)	(335,404)
Non-controlling interests	(4,141)	(141)	8,256	(418)
	568,110	(66,116)	(81,447)	(335,822)
Earnings (losses) per share:				
Basic				
For loss from continuing operations	0.54	(0.05)	(0.58)	(0.05)
For loss from discontinued operations	24.96	(2.74)	(3.02)	(13.41)
	25.50	(2.79)	(3.60)	(13.46)
Diluted				
For loss from continuing operations	0.53	(0.05)	(0.58)	(0.05)
For loss from discontinued operations	24.62	(2.74)	(3.02)	(13.41)

25.15 (2.79) (3.60) (13.46)

Weighted  
average number  
of shares  
outstanding

Basic	22,443,416	23,613,238	24,910,916	24,910,916
Diluted	22,751,864	23,613,238	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
Current assets **	176,475	255,733	347,255	2,997,211
Current liabilities **	328,461	585,046	1,097,879	2,568,144
Total equity	535,909	625,893	546,875	255,518
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
Capital stock	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\$103,092) 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\$7.27 million) and CNY38.46 million (US\$6.35 million) on February 28, 2005 and January 27, 2006, respectively. Wuhu Feishang declared dividends of CNY127.10 million (US\$20.99 million) to its parent on April 27, 2012 which were paid in 2013.

### 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 24, 2014 was US\$1.00 = CNY6.2504.

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

MONTH	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
High	6.1240	6.1005	6.0933	6.0612	6.1451	6.2286
Low	6.0816	6.0908	6.0543	6.0406	6.0602	6.1187

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	2009	2010	2011	2012	2013
High	6.8519	6.8338	6.6350	6.3885	6.2445
Low	6.8192	6.6070	6.2949	6.2223	6.0543
Average for period	6.8315	6.7666	6.4479	6.2993	6.1417



**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 Yangchng 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 2015. 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 the foregoing and other reasons, many of which are outside of our control, mines have limited lives. As a result, we seek to expand mineral reserves through the acquisition of additional mining rights. 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. As a result, we may not be able to acquire attractive mineral rights on acceptable terms. If we are unable to identify and acquire additional mines, 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.

*The local municipal government has declined to renew our three exploration rights and unless we are able to identify and secure additional mining rights, our financial condition and the results of our operations may be adversely affected.*

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 Baigupchong 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 has ceased. We are dependent on acquiring mining rights in order to generate revenues and unless we are able to secure mining rights at additional mines, our financial condition and results of operations will suffer.

*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 and coal mining operations are 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:

·  
Environmental concerns;

·  
Safety concerns; and

·  
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, may be affected by metals price volatility.***

The majority of our revenue is derived from the sale of iron and zinc, and as a result, our earnings are directly related to the prices of these metals. At present, the prices of these metals in the PRC are generally in line with those in the international markets. However, there are many factors influencing the price of iron and zinc 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 zinc and iron may adversely affect our operating results. We do not have any formal hedging policies to manage possible price fluctuations.

***Our estimates of the probable reserves contained in the mines that we operate are based upon various assumptions, and if our assumptions prove to be inaccurate, or if minerals are depleted from our mines 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 are also engaged in mineral exploration activities at certain mining properties for which feasibility studies have not yet been performed. As to these properties, we are unable to provide any estimates of proven or probable reserves, and there is no assurance that any or all of these properties will be found to contain sufficient mineral deposits to justify further exploration activities.

***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 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 due to the inferior quality of zinc at current mining zones. For the years ended December 31, 2012, zinc production accounted for revenues of CNY2.37 million (US\$0.39 million). At this time we do not know if and when zinc production will recommence or may be recoverable from further mining zones.

***Wuhu Feishang depends on a single customer for its zinc production with whom Wuhu Feishang has no binding contractual understandings, and the loss of that customer would materially and adversely affect our results of operations.***

Wuhu Feishang's entire production of zinc for the years ended December 31, 2011, 2012 were sold to a single customer, Huludao Zinc Industry Co. Ltd. ( Huludao ), the largest zinc smelter in Asia.

Wuhu Feishang is a party to a one-year sales contract with Huludao, subject to renewal every year; however, the sales contract does not obligate Huludao to purchase zinc from Wuhu Feishang. In the event Huludao ceases or reduces its purchases from Wuhu Feishang, or if Wuhu Feishang and Huludao are unable to agree upon renewal terms or Wuhu Feishang's sales contract with Huludao is not renewed for any other reason, Wuhu Feishang will have to identify one or more alternative outlets for its mineral production. While the sales contract has been renewed on an annual basis since 2003, the loss of Huludao as a source for Wuhu Feishang's zinc production could cause delays in revenue generation and otherwise adversely affect our results of operations.

There was no zinc production and sales in 2013 due to the inferior quality of zinc at the current mine 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, 2011, 2012 and 2013, we incurred operating losses from continuing operations of CNY2.89 million (US\$0.48 million), CNY16.38 million (US\$2.71 million) and CNY2.88 million (US\$0.48 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.

*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, 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**

*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, 2013 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.

***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, 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. To inject more market liquidity and shore up the economy, the People's Bank of China, the PRC's central bank, cut interest rates in June 2012 and July 2012 and lowered the reserve requirement ratio in February 2012 and May 2012. Such moves may sustain growth, however, they may cause inflation and further austere policy. And increases in interest rates by the central bank will likely slow economic activity in China which could, in turn, materially increase our costs and also reduce demand for our products.

***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.

Under a policy dating to the second half of 2005, the CNY is permitted to fluctuate within a narrow and managed range against a basket of certain foreign currencies. This change in policy is a source of more than a 36% appreciation of the CNY against the U.S. dollar between June 30, 2005 and December 31, 2013. While the international reaction to the CNY revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible exchange rate policy, which could result in a further and more significant appreciation of the CNY against the U.S. dollar. While the appreciation of the CNY against the U.S. dollar has not always been steady, it is generally believed that the CNY will continue to appreciate as economic conditions improve. However, CNY against the U.S. dollar started to depreciate by approximately 0.90% in the first quarter of 2014.

***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 Mr. Li Feilie 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 in China, is not permitted to be subject to inspection by the Public Company Accounting Oversight Board (United States), 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 the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor performs audit work in China, a jurisdiction where the 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 the PCAOB.

Inspection of other firms that the 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 auditor quality. The inability of the PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedure. As a result, investors may be deprived of the benefits of PCAOB inspections.



***Proceedings instituted recently by the SEC against five PRC-based accounting firms could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.***

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, 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 the five 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. The four firms which are subject to the six month suspension from practicing before the SEC have recently appealed the initial administrative law decision to the SEC. The sanction will not become effective until after a full appeal process is concluded and a final decision is issued by the SEC. The accounting firms can also further appeal the final decision of the SEC through the federal appellate courts. We were not and are not subject to any SEC investigations, nor are we involved in the proceedings brought by the SEC against the accounting firms. However, the independent registered public accounting firm that issue the audit reports included in our annual reports filed with the SEC is affiliated with one of the four accounting firms subject to the six month suspension from practicing before the SEC in the initial administrative law decision and we may therefore be adversely affected by the outcome of the proceedings, along with other U.S.-listed companies audited by these accounting firms.

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 in the United States and China. However, it is not clear how these recent developments could affect the SEC's final decision in the case against the five accounting firms or any subsequent appeal to courts that the accounting firms may initiate. Therefore, it is difficult to determine the final outcome of the administrative proceedings and the potential consequences thereof.

If our independent registered public accounting firm were denied, 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 to not be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting from the NASDAQ or our deregistration under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our stock in the United States.

**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;

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

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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 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 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.

***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.***

### **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.

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. 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. In addition, there is no formal declaration with regard to how to determine whether an overseas holding company lacks a reasonable commercial purpose or was established for the purpose of avoiding PRC tax . 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.

**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.

Since its incorporation, 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\$1.98 million), of which CNY6 million (US\$0.99 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\$8.26 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.

Yangpu Lianzhong was established in January 2008 with a registered capital of US\$16.37 million (CNY99.11 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**

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 and its subsidiaries.

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

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****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.

Initial data compiled by the International Lead and Zinc Study Group ( ILZSG ) for the year 2013 showed that global output of refined zinc metal was 13.26 million tonnes, representing an increase of 0.58 million tonnes from 2012 usage. The global refined zinc metal production increased by 4.6% in 2013 as compared to 2012.

Zinc cash settlement price and three-month forward price on the London Mercantile Exchange ( LME ) averaged US\$1,909 (CNY11,558) per tonne and US\$1,939 (CNY11,739) per tonne, respectively, during 2013, 2.0% and 1.32% lower than during 2012. The three-month forward price of zinc peaked at US\$2,230 (CNY13,501) per tonne and bottomed at US\$1,812 (CNY10,970) per tonne in the year of 2013.

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

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
4,186	5,210	5,344	4,850	5,300

Metal production (in thousand tonnes)					
Consumption (in thousand tonnes)	4,310	4,950	5,200	5,350	5,950
Average price (CNY/tonne)	13,721	17,967	16,922	15,249	15,178

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

### **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.

After the year of 2000, the rapid development of the global steel industry, especially in Asia, led to the substantial increase in the world's iron ore consumption. During the period 2001 to 2012, the global iron ore consumption increased by 88.0%, with an average annual growth rate of 5.9%. And China's iron ore consumption grew 4.2 times with the average annual growth rate of 13.8%, contributing to the global iron ore production.

World production of iron ore in 2013 is estimated to be 2.02 billion tonnes. World iron ore production is dominated by three companies: Companhia Vale do Rio Doce (Brazil), Rio Tinto Plc (Australia) and BHP Billiton Limited (Australia). These three companies together produced 680 million tonnes of iron in 2012, which would account for 33% of the global iron ore production.

China produced 1,451 million tonnes of iron-ore in 2013, increased by 10.76% compared with 2012. China imported 820 million tonnes of iron ore in 2013, increased by 10.22% from 744 million tonnes in 2012. According to the data disclosed by the China Iron and Steel Association (CISA), the average CIF price of the imported iron ore was US\$113 (CNY684) per tonne, down 12.13% from 2012. Australia, Brazil, and South Africa are the major exporters of iron ore to China, according to General Administration of Customs of the PRC.

### **Micaceous Iron Oxide**

Micaceous Iron Oxide (MIO) (chemical compound symbol  $\text{Fe}_2\text{O}_3$ ) 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 13,400 tonnes of iron and 100 tonnes of zinc in 2012, and approximately 37,048 tonnes of iron and 0 tonnes of zinc in 2013. 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—where preliminary exploration is presently being conducted.

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 zinc and iron 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:

**Zinc:** 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)).

**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)).

**Micaceous Iron Oxide:** 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, 2011, 2012 and 2013, are set forth in the following table:

<b>Major Product</b>	<b>2011</b> <i>CNY/ MT</i>	<b>2012</b> <i>CNY/ MT</i>	<b>2013</b> <i>CNY/ MT</i>
Zinc (based on zinc concentrates grade 42% ~ 44%)	10,294	9,190	N/A
Iron concentrates (Grade 65% ~ 66%)	1,241	986	939
Micaceous Iron Oxide Grey (Grade 160, 240, 320)	1,920	1,942	N/A

The following table summarizes the production quantity and sales quantity of our metal products for each of the years ended December 31, 2009, 2010, 2011, 2012 and 2013 included in continuing operations.

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Production quantity (in tonnes):					
Zinc (based on zinc concentrates grade 42% ~ 44%)	644	1,485	1,160	100	
Iron concentrates	59,500	34,060	23,200	13,400	37,048

(Grade 65% ~ 66%) Micaceous iron oxide grey (Grade 160, 240, 320) Sales quantity (in tonnes):	1,001	1,119	1,249	85	
Zinc (based on zinc concentrates grade 42% ~ 44%)	740	1,408	1,013	258	
Iron concentrates (Grade 65% ~ 66%)	58,779	35,042	21,163	10,114	42,123
Micaceous iron oxide grey (Grade 160, 240, 320)	744	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, 2014, 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 porphyritic 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, 2013 through December 31, 2013 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\$11.91) per tonne of ore extracted, and CNY6.00 (US\$0.99) per tonne of useless stone removal. For the developing of ramps, the subcontractor charged a service fee of CNY2,800.00 (US\$462.48) per extra meter of inclined shaft and CNY1,960.00 (US\$323.74) 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, 2014 to December 31, 2014. Under the agreement, the subcontractor charges a service fee of CNY72.10 (US\$11.91) per tonne of ore extracted, and CNY6.00 (US\$0.99) per tonne of useless stone removal. For the developing of ramps, the subcontractor charges a service fee of CNY3,150.00 (US\$520.29) per extra meter of inclined shaft and CNY2,310.00 (US\$381.55) 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, 2012 and 2013, the net book value of mining related property, plant and equipment of Yangchong Mine was approximately CNY6.89 million (US\$1.14 million) and CNY7.87 million (US\$1.30 million), respectively.

As of December 31, 2013, the reserve and mineralized material estimates of Yangchong Mine are as follows:

	As of December 31, 2013	
	Probable Reserve	Average quality of ore
	(in metal tonnes)	
Yangchong Mine		
Zinc	4,505	5.82%

Iron	43,592	44.76%
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Note:

*The probable reserve as of December 31, 2013 has been adjusted by removing those reserves extracted by the Company's past mining activities. Based on the 2013 production levels, the length of the mining activity of our probable reserves for Yangchong mine is approximately 1.5 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.*

**Zaoyuan Mine**

The Zaoyuan Mine is also an underground mine located in Fanyang Town, Fanchang County, Anhui Province in the PRC, the centre of which has a geological coordinate EL 118°12' 47" , NL 31°08' 54" . The mine is approximately 8.5 kilometers east of Fanchang County and 17 kilometers southeast of Digang Town. Access to the mine is via Province Road 321 approximately 40 kilometers through Wuhu City. Zaoyuan Mine has a total mining area of approximately 0.0136 square kilometers. Prior to depletion of minable resources, the Zaoyuan Mine contained mainly iron.

The Zaoyuan Mine has been in operation since 1998. In 2006, the monthly mining capacity of the Zaoyuan Mine was approximately 4,000 tonnes of iron ore. The Company is the only party that is currently licensed to mine the Zaoyuan Mine. The Company's license to mine the Zaoyuan Mine expired on October 31, 2009, and the Company did not renew the license, as the minable resources of this mine were depleted. Zaoyuan Mine ceased its operations in October 2009.

The net book value of property, plant and equipment of Zaoyuan Mine at December 31, 2012 and 2013 were nil as they were fully depreciated and scrapped. All of the minable reserves of Zaoyuan mine had been fully extracted in 2009.

### **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\$0.49 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. However, the mining of Sichong Mine ceased in November 2013 as the site was designated as an exploration restricted area by Fanchang County Bureau of Land and Resources.

### **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, 2011, 2012 and 2013, the largest five suppliers accounted for 62%, 60% and 31%, respectively, of Wuhu Feishang's purchases. For the years ended December 31, 2011, 2012 and 2013, the largest supplier accounted for 36%, 19% and 15%, of Wuhu Feishang's purchases, respectively.

### **Customers**

Wuhu Feishang sells all of its zinc and iron products to companies in the PRC. 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 and sales took place in 2013.

For the three years ended December 31, 2011, 2012 and 2013, Wuhu Feishang's five largest customers accounted for 96%, 99% and 100% of Wuhu Feishang's sales, respectively. During the year ended December 31, 2011, the three largest customers accounted for 41%, 24% and 17%, respectively, of Wuhu Feishang's sales. 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.

**Competition**

During 2011 and 2012, Wuhu Feishang faced competition from Nanjing Xixia Lead Zinc Silver Mine ( Nanjing Xixia ) which produces 20,000 tonnes of zinc annually. Huludao sources zinc metal from both Nanjing Xixia and Wuhu Feishang. The annual demand of zinc metal of Huludao is 300,000 tonnes. As Wuhu Feishang has a long-standing sales relationship with Huludao, management believes that Wuhu Feishang will be able to renew its sales contract with Huludao as and when its zinc production recommences. In addition, 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\$0.41 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 Baigupchong 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 CNY733,700 (US\$121,187), CNY277,935 (US\$45,907) and CNY187,300 (US\$30,937) were paid in 2011, 2012 and 2013, respectively. The natural resources fee for the renewal of the mining rights to Yangchong Mine of CNY3,002,900 (US\$495,995) was paid in December 2005 whereas that of Zaoyuan Mine of CNY354,000 (US\$58,471) was paid in October 2006. 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 would be 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 would no longer hold 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 Stock Exchange of Hong Kong Limited 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:

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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.

The following table summarizes the activities of these operating subsidiaries:

<b>Business Segment</b>	<b>Name of Subsidiaries</b>	<b>Effective Interest controlled by the Company</b>	<b>Principal Activities</b>
Coal Development and Mining	Guizhou Yongfu	70%	Anthracite mining in its Yongsheng Mine in Guizhou Province, the PRC
	Guizhou Dayun	100%	Anthracite mine construction of its Dayun Mine in Guizhou Province, the PRC
	Baiping Mining	70%	Anthracite mining in its Baiping Mine in Guizhou Province, the PRC
	Dayuan Coal	99%	Anthracite mining in its Dayuan Mine in Guizhou Province, the PRC
	Gouchang Coal	99%	Anthracite mining in its Gouchang Mine in Guizhou Province, the PRC (temporary suspension)
	Linjiaao Coal	99%	Anthracite mining in its Zhulinzhai Mine in Guizhou Province, the PRC
	Xinsong Coal	99%	Anthracite mining in its Liujiaba Mine in Guizhou Province, the PRC

**C.**

**Organizational Structure**

China Natural Resources is a holding company owning the following subsidiaries, with the interests indicated immediately after the completion of Spin-Off:

			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%  
Yunnan Mining

(PRC)

100%  
Yangpu  
Shuanghu

(PRC)

100%  
Feishang  
Management

(PRC)

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 related party, entered into a license agreement in respect of the Company's head office in Hong Kong. The agreement was renewed on July 1, 2012. 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 some of the 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 in which the Company and Feishang Anthracite share 238 square meters on equal basis and also share certain costs and expenses in connection with their use of the office. Anka continues to provide accounting and secretarial services and day-to-day office administration to the Company. For the years ended December 31, 2011, 2012 and 2013, the Company paid its share of rental expenses and rates to Anka amounting to approximately CNY849,000 (US\$140,231), and CNY1,005,000 (US\$165,998) and CNY956,000 (US\$157,904), respectively. For the year ended December 31, 2013, Feishang Anthracite paid its share of rental expenses and rates to Anka amounting to approximately CNY217,000 (US\$35,842).

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, 2011, 2012, and 2013, the Company incurred capital expenditures (excluding fees for renewal of mining rights) of CNY349.63 million (US\$57.75 million), CNY362.63 million (US\$59.90 million) and CNY300.59 million (US\$49.65 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 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, 2011, 2012 and 2013 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 would be 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 would no longer hold 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 Stock Exchange of Hong Kong Limited of Feishang Anthracite on January 22, 2014.

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

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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.



2013 vs 2012

Sales increased by CNY26.63 million (US\$4.40 million), or 180.83%, to CNY41.36 million (US\$6.83 million) for the year ended December 31, 2013 from CNY14.73 million (US\$2.43 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\$163) for the year of 2012 to CNY939 (US\$155) 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\$0.39 million) from CNY2.37 million (US\$0.39 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\$2.69 million) with a gross profit margin of 39.31%, compared to CNY5.69 million (US\$0.94 million) with a gross profit margin of 38.64% for the year ended December 31, 2012. The approximately CNY10.57 million (US\$1.75 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\$2.66 million) or 40.70%, compared to CNY4.77 million (US\$0.79 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.

#### 2012 vs 2011

The sales from our metal segment's operation decreased by CNY28.21 million (US\$4.66 million), or 65.70%, to CNY14.73 million (US\$2.43) for the year ended December 31, 2012 from CNY42.94 million (US\$7.09 million) for the year ended December 31, 2011. The decrease was mainly contributed by a decrease in the production volume and the average selling price per tonne of zinc and iron concentrates.

Sales were mainly derived from sales of zinc concentrates, iron concentrates and micaceous iron oxide-grey. Sales of zinc dropped by CNY8.06 million (US\$1.33 million), or 77.28%, from CNY10.43 million (US\$1.72 million) in 2011 to CNY2.37 million (US\$0.39 million) in 2012. The decrease was primarily attributable to the decrease in both our zinc sales volume and sales price in 2012. In 2012, we sold 258 tonnes of zinc, representing a decrease of 755 tonnes, or 74.53%, from 1,013 tonnes in 2011. The decrease in zinc 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. In addition, the selling price of zinc in 2012 decreased by CNY1,104 (US\$182) per tonne, or 10.73%, from CNY10,294 (US\$1,700) in 2011 to CNY9,190 (US\$1,518) in 2012. Sales of iron concentrates also dropped by CNY16.28 million (US\$2.69 million), or 62.02%, from CNY26.25 million (US\$4.34 million) in 2011 to CNY9.97 million (US\$1.65 million) in 2012. The decrease in iron concentrates sales was mainly caused by a drop in both iron sales volume and sales price in 2012. The sales volume of iron decreased by 11,049 tonnes from 21,163 tonnes in 2011 to 10,114 tonnes in 2012. The decrease in iron concentrates production was caused by the production suspensions described above. The average selling price of iron was CNY986 (US\$163) per tonne in 2012, representing a drop of CNY255 (US\$42), or 20.55%, from CNY1,241 (US\$205) in 2011. Sales of micaceous iron oxide-grey decreased by CNY1.90 million (US\$0.31 million), or 69.60%, from CNY2.73 million (US\$0.45 million) in 2011 to CNY0.83 million (US\$0.14 million) in 2012. The decrease was mainly due to cessation of micaceous iron oxide-grey operations. We sold 428 tonnes of micaceous iron oxide-grey in 2012, representing an decrease of 996 tonnes, or 69.94% from 1,424 tonnes in 2011. However, the average selling price of micaceous iron oxide-grey slightly increased by CNY22 (US\$4) per tonne, or 1.15%, from CNY1,920 (US\$317) in 2011 to CNY1,942 (US\$321) in 2012.

Gross profit for the year ended December 31, 2012 decreased to CNY5.69 million (US\$0.94 million) with a gross profit margin of 38.64%, compared to CNY21.69 million (US\$3.58 million) with a gross profit margin of 50.52% for the year ended December 31, 2011. The approximately CNY16.00 million (US\$2.64 million), or 73.77%, drop in gross profit, was mainly due to the decrease in iron and zinc selling prices and production volume compared to the prior year.

The gross profit or gross profit margin on sales of zinc concentrates for the year ended December 31, 2012 was CNY0.78 million (US\$0.13 million) or 32.67%, compared to CNY6.11 million (US\$1.01 million) or 58.61% for the same period in 2011. The drop in gross profit was mainly caused by the decrease in zinc volume sold. The gross profit or gross profit margin on sales of iron for the year ended December 31, 2012 was CNY4.77 million (US\$0.79 million), or approximately 47.84%, compared to CNY14.57 million (US\$2.41 million), or 55.51% for the same period in 2011. The decrease in gross profit was primarily caused by the drop in both iron volume sold and selling price of iron concentrates.

The gross loss of CNY0.37 million (US\$0.06 million) on sales of micaceous iron oxide-grey for the year ended December 31, 2012, as compared to a gross loss of CNY1.01 million (US\$0.17 million) for the same period in 2011. The gross loss was mainly due to an increase in the price of raw materials purchased, together with a drop in the sales volume of micaceous iron oxide-grey.

### **Administrative Expenses**

#### 2013 vs 2012

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 2013 decreased by CNY1.52 million (US\$0.25 million), or 7.82% to CNY17.91 million (US\$2.96 million) from CNY19.43 million (US\$3.21 million) in 2012. Before the Spin-Off, the metal mining business and the discontinued coal mining business shared certain administrative expenses. The decrease of 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.

2012 vs 2011

Administrative expenses in 2012 decreased by CNY4.81 million (US\$0.79 million), or 19.85% to CNY19.43 million (US\$3.21 million) from CNY24.24 million (US\$4.00 million) in 2011. Before the Spin-Off, the metal mining business and the discontinued coal mining business shared certain administrative expenses. The decrease of 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.

**Other Operating Expenses, net**

2013 vs 2012

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

2012 vs 2011

No other operating expenses in 2011 because there is no mine recovery operation in 2011.

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

2013 vs 2012

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

2012 vs 2011

Non-operating income (expense) decreased from a net income of CNY5.19 million (US\$0.86 million) in 2011 to a net expense of CNY0.22 million (US\$0.04 million) in 2012. The decrease was primarily caused by the write back of over-accrued liabilities amounting to CNY5.26 million (US\$ 0.87 million) by the metal segment in 2011 which did not recur in 2012.

**Income Tax Expense**

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.

2013 vs 2012

Income tax expense turned from a benefit of CNY0.97 million (US\$0.16 million) in 2012 to an expense of CNY2.14 million (US\$0.35 million) in 2012. The increase was mainly contributed by: (i) the increase in deferred income tax expense amounting to CNY2.60 million (US\$0.43 million) arising from the recognition of deferred tax assets mainly due to the operating loss of Feishang Mining amounting to CNY1.07 million (US\$0.18 million) in 2012; and (ii) the increase in current income tax expense amounting to CNY0.51 million (US\$0.08 million).

2012 vs 2011

Income tax expense turned from an expense of CNY4.29 million (US\$0.71 million) in 2011 to a benefit of CNY0.97 million (US\$0.16 million) in 2012. The decrease was mainly contributed by (i) the decrease in current income tax expense amounting to CNY5.02 million (US\$0.83 million); and (ii) the decrease in deferred income tax amounting to CNY0.24 million (US\$0.04 million).

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

### 2013 vs 2012

The profit from continuing operations increased significantly from a loss of CNY14.39 million (US\$2.38 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\$1.75 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.

### 2012 vs 2011

The loss from continuing operations increased from CNY1.22 million (US\$0.20 million) in 2011 to CNY14.39 million (US\$2.38 million) in 2012. The increased loss was mainly due to (i) a CNY16.00 million (US\$2.64 million) decrease in gross profit compared to the year ended December 31, 2011; and (ii) the write back of over-accrued liabilities amounting to CNY5.26 million (US\$ 0.87 million) in 2011 which did not recur in 2012, partly offset by a decrease in the income tax expense of CNY5.26 million (US\$ 0.87 million) in 2012.

## **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.

### 2013 vs 2012

Net losses from discontinued operations increased by 398.87% from CNY67.06 million (US\$11.08 million) in 2012 to CNY334.54 million (US\$55.26 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\$23.44 million) in 2012 to CNY178.50 million (US\$29.48 million) in 2013. This reflected a 26.76% increase in revenue from sales of self-produced coal from CNY140.82 million (US\$23.26 million) in 2012 to CNY178.50 million (US\$29.48 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\$53.44) per tonne in 2012 to CNY316.85 (US\$52.33) 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\$15.84 million) in 2012 to CNY108.24 million (US\$17.88 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\$12.77 million) in 2012 to CNY142.06 million (US\$23.46 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\$30.46 million) in 2013 in connection with the temporary suspension of Gouchang Coal Mine. No such impairment loss was incurred in 2012 and 2011;

v)

Other operating expenses from discontinued operations increased from CNY1.62 million (US\$0.27 million) in 2012 to CNY6.0 million (US\$0.99 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\$7.36 million) in 2012 to CNY115.25 million (US\$19.04 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\$13.79 million) in 2012 to CNY 132.22 million (US\$21.84 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\$167.41 million) as of December 31, 2012 to CNY1,908.05 million (US\$315.16 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\$1.30 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 and 2011;

vii)

Net non-operating expense from discontinued operations decreased from CNY2.18 million (US\$0.36 million) in 2012 compared to net non-operating income of CNY0.13 (US\$0.02 million) million in 2013. The net non-operating expense 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\$7.90 million) in 2013, compared to an income tax benefit of CNY15.21 million (US\$2.51 million) in 2012. The income tax benefit in 2013 was primarily attributable to the loss before tax of CNY382.35 million (US\$63.15 million) in 2013, resulting in the recognition of deferred tax assets.

#### 2012 vs 2011

Net losses from discontinued operations increased by 3.33% from CNY64.90 million (US\$10.72 million) in 2011 to CNY67.06 million (US\$11.08 million) in 2012. The increase was attributable to a combination of factors including:



i)

Revenue from discontinued operations increased by 34.91% from CNY105.21 million (US\$17.38 million) in 2011 to CNY141.94 million (US\$23.44 million) in 2012. This reflected a 95.18% increase in revenue from sales of self-produced coal from CNY72.15 million (US\$11.92 million) in 2011 to CNY140.82 million (US\$23.26 million) in 2012, which was partially offset by a 96.62% decrease in revenue from sales of third party coal from CNY33.06 million (US\$5.46 million) in 2011 to CNY1.12 million (US\$0.18 million) in 2012. The increase in revenue from sales of self-produced coal resulted from an increase in sales volume as well as an increase in average selling price. Sales volume of self-produced coal increased from 243,247 tonnes in 2011 to 435,205 tonnes in 2012, principally as a result of an increase in the production output of Baiping Coal Mine in 2012 and the commencement of commercial production at Zhulinzhai Coal Mine in April 2012 and Liujiaba Coal Mine in December 2012, partially offset by the suspension of production at Gouchang Coal Mine from March to August 2012 under certain newly implemented mine gas control requirements in Guizhou province. The average selling price of self-produced coal increased from CNY296.35 (US\$48.95) per tonne in 2011 to CNY323.57 (US\$53.44) per tonne in 2012, mainly due to the higher market prices of anthracite coal in the PRC in 2012. Revenue from the sales of third party coal decreased, primarily as a result of a decrease in sales volume from 70,811 tonnes in 2011 to 1,805 tonnes in 2012. We do not intend to engage in any significant coal trading activities in the future;

ii)

Cost of sales from discontinued operations increased by 29.08% from CNY74.29 million (US\$12.27 million) in 2011 to CNY95.89 million (US\$15.84 million) in 2012. This was primarily due to our increased sales volume. As a percentage of revenue, cost of sales decreased from 70.61% in 2011 to 67.56% in 2012. Cost of sales as a percentage of revenue decreased in 2012 principally due to a significant reduction of our coal trading activities, which had lower profit margins than selling self-produced coal. For the self-produced coal, cost of sales as a percentage of revenue increased from 61.07% in 2011 to 67.30% in 2012. This was mainly the result of an increase in the cost of materials, particularly the cost of explosives and mine roof support materials. For our sales of third-party coal, cost of sales as a percentage of revenue increased from 91.44% in 2011 to 99.32% in 2012. This was mainly due to differences in coal quality and market conditions;

iii)

Administrative expenses from discontinued operations increased by 56.45% from CNY49.43 million (US\$8.16 million) in 2011 to CNY77.33 million (US\$12.77 million) in 2012. This increase primarily reflected higher salaries and benefits expenses for the administrative staff, as the Group increased the number of administrative staff in 2012 to support the growth of business, losses incurred from the suspension of production at Gouchang Coal Mine from March to August 2012, as well as expenses incurred in connection with the preparation for the Listing;

iv)

Other operating expenses from discontinued operations increased from CNY1.55 million (US\$0.26 million) in 2011 to CNY1.62 million (US\$0.27 million) in 2012. Other operating expenses in 2011 consisted mainly of administrative penalties and fines, which primarily related to our safety facilities and miscellaneous charges related to temporary use of land, while other operating expenses in 2012 consisted mainly of miscellaneous levies and charges;

v)

Finance costs from discontinued operations increased by 39.86% from CNY31.84 million (US\$5.26 million) in 2011 to CNY44.53 million (US\$7.36 million) in 2012, principally due to a 70.46% increase in interest expenses on interest-bearing bank and other borrowings from CNY48.98 million (US\$8.09 million) in 2011 to CNY83.49 million (US\$13.79 million) in 2012. Interest expenses on interest-bearing bank and other borrowings increased primarily because the Group significantly increased the bank borrowings from CNY735.89 million (US\$121.55 million) as of December 31, 2011 to CNY1,013.53 million (US\$167.41 million) as of December 31, 2012, and the average interest rate on the outstanding bank borrowings increased from 8.0% in 2011 to 8.5% in 2012. The increase in interest expenses was partially offset by a higher level of capitalized interest in 2012 as compared to 2011, as well as a decrease in interest on payable for mining rights. The higher level of capitalized interest in 2012 was mainly the result of an increase in bank borrowings for funding coal mine construction. Interest on payables for mining rights decreased in 2012 primarily because the mining right premiums for Liujiaba Coal Mine and Gouchang Coal Mine were fully paid in 2012;

vi)

Net non-operating expense from discontinued operations increased significantly from CNY0.89 million (US\$0.15 million) in 2011 to CNY2.18 million (US\$0.36 million) in 2012, primarily reflecting an increase in sponsorships and contributions to the community and certain government organizations;

vii)

We had an income tax benefit from discontinued operations of CNY15.21 million (US\$2.51 million) in 2012, compared to an income tax expense of CNY9.75 million (US\$1.61 million) in 2011. Our income tax benefit in 2012 primarily reflected the recognition of deferred tax assets for prior year tax losses of CNY15.3 million (US\$2.53 million), as the Guizhou province's local taxation bureau confirmed in 2012 that certain of our PRC subsidiaries should have been subject to income tax at a rate of 25% of their taxable income as determined under the PRC Enterprise Income Tax Law since January 2011, rather than 25% of their deemed profits. Prior to 2012, certain of our PRC subsidiaries were required by the Guizhou province's local taxation bureau to pay tax at a rate of 25% of their deemed profits, which resulted in these PRC subsidiaries paying a significantly higher amount of tax than otherwise required under the PRC Enterprise Income Tax Law.

## 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.

The price adjustment fund ( PAF ) was imposed by the Guizhou Provincial Government of the PRC at predetermined rates and on the quantity of coal sold by entities operated in the Guizhou Province. The PAF paid can be claimed as a deductible expense for corporate income tax purposes and the amount claimed is based on the actual amount paid. The Group recognised PAF in cost of sales in the consolidated statement of profit or loss.

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:

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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.

**Changes in Accounting Policy and Disclosures**

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

IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i>
IFRS 10	<i>Transfers of Financial Assets</i>
IFRS 11	<i>Consolidated Financial Statements</i>
IFRS 10, IFRS 11 and IFRS 12	<i>Joint Arrangements</i>
Amendments	IFRS 12 <i>Disclosure of Interests in Other Entities</i>
IFRS 12	Amendments to IFRS 10, IFRS 11 and IFRS 12 <i>Transition Guidance</i>
IFRS 13	<i>Disclosure of Interests in Other Entities</i>
IAS 1 Amendments	<i>Fair Value Measurement</i>
IAS 19 (2011)	Amendments to IAS 1 <i>Presentation of Financial Statements</i>
IAS 27 (2011)	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 28 (2011)	<i>Employee Benefits</i>
Annual Improvements 2009-2011 Cycle	<i>Separate Financial Statements</i>
	<i>Investments in Associates and Joint Ventures</i>
	Amendments to a number of IFRSs issued in June 2012



Other than as further explained below regarding the impact of IFRS 10, IFRS 12, IFRS 13 and IAS 1 Amendments, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

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

(a)

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and addresses the issues in SIC 12 Consolidation – Special Purpose Entities. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013. The adoption of IFRS 10 did not have any impact on the earnings per share attributable to owners of the parent and other comprehensive income for the year ended 31 December 2012.

(b)

IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in notes 22 to the financial statements.

(c)

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended. The amendments have had no impact on the financial position or performance of the Group.

(d)

The IAS 1 Amendments change the grouping of items presented in other comprehensive income ( OCI ). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title statement of profit or loss as introduced by the amendments in these financial statements.

### **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>

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IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 <sup>4</sup>
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) <i>Investment Entities</i> <sup>1</sup>
IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits- Defined Benefit Plans: Employee Contributions</i> <sup>2</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets</i> <sup>1</sup>
IAS 39 Amendments	Amendments to IAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
IFRIC 21	<i>Levies</i> <sup>1</sup>
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013 <sup>2</sup>
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2014

<sup>2</sup> Effective for annual periods beginning on or after July 1, 2014

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2016

<sup>4</sup> No mandatory effective date yet determined but is available for adoption

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

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

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

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 included 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 in accordance with IFRS 9 rather than consolidate them.

Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

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 are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

**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, 2013.

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, 2013, 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>
CNY50,385	50,385	8,322
HK\$29,914	23,362	3,859
US\$470	2,844	470
Total	76,591	12,651

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, 2011, 2012 and 2013 including cash flows from discontinued operations:

	<b>Years Ended December 31,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>CNY'000</b>	<b>CNY'000</b>	<b>CNY'000</b>
Cash and cash equivalent at beginning of year	126,685	136,587	210,944
Net cash used in operating activities	(62,132)	(80,979)	(149,555)
Net cash used in investing activities	(494,839)	(365,384)	(296,701)
Net cash provided by financing activities	566,990	520,753	462,197
Net (decrease) increase in cash	(10,019)	74,390	15,941
Effect of exchange rate changes on cash	(117)	(33)	(3,411)
Cash and cash equivalent at end of year	136,587	210,944	*223,474

\*Include cash and cash equivalent attributable to a discontinued operation amounting to CNY146,883.

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

	<b>Years Ended December 31,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Current ratio	0.44x	0.32x	1.17x
Working capital (CNY'000)	(329,313)	(750,624)	429,067
Gearing ratio	58.29%	67.13%	

2013 vs 2012

The Company's net cash used by operating activities was CNY149.56 million (US\$24.70 million) in 2013 and CNY80.98 million (US\$13.38 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\$49.01 million) in 2013, compared to a net cash outflow of CNY365.38 million (US\$60.35 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\$76.34 million) in 2013, compared to the CNY520.75 million (US\$86.01 million) in 2012. This was mainly attributable to increase of CNY890.25 million (US\$147.04 million) in the net proceeds from bank loan in 2013, partially offset by the increase of CNY426.27 million (US\$70.41 million) in net repayment to related parties.

2012 vs 2011

Net cash used by operating activities was CNY80.98 million (US\$13.38 million) in 2012 and CNY62.13 million (US\$10.26 million) in 2011. They were mainly caused by the operating losses for the corresponding years.

Net cash outflow from investing activities was CNY365.38 million (US\$60.35 million) in 2012, compared to a net cash outflow of CNY494.84 million (US\$81.73 million) in 2011. The decrease was mainly due to (a) a net cash partial payment of CNY125.66 million (US\$20.76 million) on the acquisition of Feishang Anthracite in 2011, which did not recur in 2012; (b) a decrease in term deposits to CNY3.65 million (US\$0.60 million) in 2012 from CNY20.00 million (US\$3.30 million) in 2011.

Net cash provided by financing activities was CNY520.75 million (US\$86.01 million) in 2012, compared to the CNY566.99 million (US\$93.65 million) in 2011. This was mainly attributable to (a) the net proceeds of CNY273.16 million (US\$45.12 million) from bank loan to finance the construction/ technical innovation of the coal mines; and (b) the net advances from related parties of CNY233.68 million (US\$38.60 million).

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:

.

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

.

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

.

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

.

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

.

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; and



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, 2011, 2012 and 2013. 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, zinc, anthracite 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

.  
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, 2013, 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, 2013</b>	<b>Payments due by period</b>				<b>Later years CNY 000</b>
	<b>Total CNY 000</b>	<b>2014 CNY 000</b>	<b>2015-2016 CNY 000</b>	<b>2017-2018 CNY 000</b>	
Operating lease obligations	850	512	338		
Capital commitments	600	600			

Assets retirement obligations	3,840			3,840
Total	5,290	1,112	338	3,840

**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 forward looking statement in this Annual Report, see **Forward-Looking Statements** on page iii of this Annual Report.

**ITEM 6.****DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****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	48	Chairman of the Board of Directors and Chief Executive Officer
Ma Sin Ling	45	Director, Chief Financial Officer and Secretary
Woo Ming Yee	47	Director
Lam Kwan Sing	44	Non-employee Director
Ng Kin Sing	51	Non-employee Director
Yip Wing Hang	47	Non-employee Director

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. Mr. Li has served as a director of Feishang Mining since September 2004. Mr. Li served as director of Wuhu Feishang from December 2001 to July 2011. Mr. Li has been the chairman of Feishang Industrial, WFID and Wuhu Port, companies beneficially owned by him, since June 2000, December 2001 and 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. Ma Sin Ling was appointed as a director, Chief Financial Officer and Secretary in January 2014. Ms. Ma has been working at the Company and its predecessor since August 1997 and served as Chief Financial Manager prior to her appointment as Chief Financial Officer. From July 1990 to January 1993, she worked in the audit department of Ernst & Young, Hong Kong. From January 1993 to August 1993, she worked at Time Inc. Asia as an accountant. From December 1994 to January 1997, she worked in Everbright Finance and Investment Co, Ltd. as assistant manager in the corporate finance department. From February 1997 to May 1997, she worked in Natwest Securities Asia Holdings Ltd. as Executive - Finance. Ms. Ma holds a Master of Science degree in Finance from the Lancaster University in the United Kingdom. She is a fellow of the Hong Kong Institute of Certified Public Accountants.

Ms. Woo Ming Yee was appointed as a director in January 2014. Ms. Woo is a certified public accountant (practicing) in Hong Kong since 1995 and has been a self-employed practicing accountant since that time. She worked at Ernst & Young, Hong Kong from 1988 till 1992 providing audit, tax, financial consultancy and corporate related advisory services to a wide range of clients in various fields, including finance and banking, manufacturing, trading and law. She is a fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms. Woo also holds an Executive Master of Business Administration degree from the University of Birmingham in the United Kingdom and a Bachelor's degree in Accounting & Finance from the Middlesex University in the United Kingdom. Ms. Woo is the spouse of Mr. Tam Cheuk Ho, former executive officer and director of the Company and currently an Executive Director of Feishang Anthracite, an affiliate of the Company.

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.

**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	52	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, 2013, 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				
Woo Ming Yee				
Lam Kwan Sing	7,692			
Ng Kin Sing	7,692			
Yip Wing Hang	7,692			
<u>Senior Management</u>				
Xu Chengyin	19,214			
Han Weibing *	49,552			
Wan Huojin *	48,065			

\*

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 no longer work for 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 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.

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, 2013, 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, 2013:

<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</b>
	<b>outstanding options, warrants and rights</b>	<b>(a)</b>		<b>issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders				
2003 Equity Compensation Plan			N/A	
Equity compensation plans not approved by security holders				
Total			N/A	

### **Stock Option Plan**

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 Company may adopt a new equity compensation plan in the future.

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.

At the annual meeting of shareholders in 2013, Messrs. Tam Cheuk Ho and Wong Wah On Edward were elected 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. Messrs. Li Feilie and Ng Kin Sing serve as Class I directors until immediately following the annual meeting to be held in 2014 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. 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.

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.

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, 2013, 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:

·  
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:

.

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, 2013 (a) mining operations employed 309 persons (excluding the discontinued coal mine segment) on a full time basis, and (b) the corporate segment employed 6 persons (excluding the discontinued coal mine segment) 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>2012</b>	<b>2013</b>
Hong Kong	Accounting, administration and management	7	3
		7	3
The PRC	Accounting, administration and management	36	37
	Sales and quality inspection	5	5
	Purchasing and supplies	14	12
	Production	265	230
	Cashier	1	1
	Others	25	27
		346	312

Total

\*\* 353

\* 315

\*

Exclude 366 full time employees of Feishang Anthracite and 1,557 workers provided by the third party labor agency.

\*\*

Exclude 1,656 full time employees of Feishang Anthracite.

46

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

The following table sets forth, as of April 24, 2014, the share ownership of the Company's common shares by each of our directors, executive officers and key employees.

As of April 24, 2014, 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	Amount and Nature of Beneficial Ownership	Percent of Class
Li Feilie	14,780,593(1)	59.33%
Ma Sin Ling	120,000	0.48%
Woo Ming Yee	281,926(2)	1.13%
Lam Kwan Sing		
Ng Kin Sing		
Yip Wing Hang		
Xu Chengyin		
Officers and directors as a group (7 persons)	15,182,519	60.94%

(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.

(2)

Consists of 281,926 outstanding common shares held in the name of Mr. Tam Cheuk Ho, spouse of Ms. Woo.

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



**Major Shareholders****Major Shareholders**

The following table sets forth, as of April 24, 2014, 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 24, 2014, 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%
Rosetta Stone Capital Limited	2,250,000(2)	9.03%

(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.

(2)

Consists of 2,250,000 outstanding common shares. Based upon the information provided by Rosetta Stone Capital Limited, we understand that Rosetta Stone Capital Limited is owned 32.5% by Mr. Guozhong Xie, 29.17% by Keen View Investments Limited, 29.17% by Sun Fortune Investments Limited, 5.83% by Eastern Prime Capital Investments Limited (formerly known as Smartmind Investments Limited) and 3.33% by Mr. Yuen Kin Lo. Mr. Guozhong Xie is the sole director of Rosetta Stone Capital Limited. Ms. Pan Pan Hui is the sole shareholder and director of Keen View Investments Limited. Ms. Yi Mei Liu is a controlling shareholder and director of Sun Fortune Investments Limited. Eastern Wisdom Forever Incorporated is the sole shareholder of Eastern Prime Capital Investments Limited and, Mr. Wendong Zhang and Ms. Ying Xia are directors of Eastern Prime Capital Investments Limited and shareholders of Eastern Wisdom Forever Incorporated. We also understand that Rosetta Stone Capital Limited maintains an office at 10th Floor, Center Point, 181 Gloucester Road, Hong Kong.

### **Significant Changes in Ownership**

During the past three years, there have been no significant changes in the percentage ownership held by any major shareholder.

### **Geographic Breakdown of Shareholders**

Based upon a review of our shareholder records as of December 31, 2013, on that date our common shares were held of record by a total of 179 persons, 150 of whom, who held approximately 29% 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**

#### **Business Acquisitions**

On April 30, 2010, the Company acquired all of the issued and outstanding capital stock of Feishang Anthracite, a BVI company, from Feishang Group, a related party. Mr. Li Feilie, our Chief Executive Officer and Chairman is the sole beneficial owner of Feishang Group. The terms of the acquisition are described under Item 4.A., above.

### **Commercial Transactions with Related Companies**

Commercial transactions with related companies are summarized as follows:

	<b>Years Ended December 31,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>CNY 000</b>	<b>CNY 000</b>	<b>CNY 000</b>
CHNR's payment of its share of office rental, rates and others to Anka Consultants Limited (Anka) (1)	1,234	1,385	1,502

(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 which was renewed on July 1, 2012, 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 and Anka shared 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. On September 1, 2013, the Company and Feishang Anthracite entered into new license agreements with Anka respectively in which the Company and Feishang Anthracite share 238 square meters on equal basis and also share certain costs and expenses in connection with their use of the office. Anka continues to provide accounting and secretarial services and day-to-day office administration to the Company.

**Receivables/ Payables with Related Parties**

Loans with related companies are summarized as follows:

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

(1)

Payable to Feishang Enterprise from Feishang Management for the net amount of expenses paid by Feishang Enterprise on behalf of Guizhou Puxin and certain other subsidiaries.

(2)

Payable to Feishang Group for the acquisition of Feishang Anthracite and other expenses.

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.

**Loan Guarantee provided by Related Companies**

See Item 5.B. above for a more detailed description of the loans that have been guaranteed by related parties.

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, 2011, 2012 and 2013 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 would be 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 would no longer hold 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 pr