

CHINA NATURAL RESOURCES INC
Form 20-F
April 30, 2019

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, 2018

OR

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

For the transition period from: _____ to _____

OR

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

Date of event requiring shell company report _____

Commission file number: **0-26046**

CHINA NATURAL RESOURCES, INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Bonaventure Yue, Chief Financial Officer

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

bonyue@chnr.net

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

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

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

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, 2018.

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 registrant 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, large accelerated filer and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

U.S. GAAP

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

Other

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

Item 17 Item 18

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

Yes " No

CONVENTIONS

Unless otherwise specified, all references in this Annual Report to U.S. Dollars, Dollars, US\$, or \$ are to United States dollars; all references to Hong Kong Dollars or HK\$ are to Hong Kong dollars; and all references to Renminbi or CNY are to Chinese Yuan, which is the lawful currency of the People's Republic of China. The accounts of the Company and its subsidiaries are maintained in 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 www.ofx.com on December 31, 2018, which was US\$1.00 = CNY6.8785. 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, 2018. 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 Antay Pacha are to Planta Metalurgica Antay Pacha S.A., a company organized in Bolivia and, until December 29, 2017, an indirect wholly-owned subsidiary of CHNR.

References to Bayannaer Mining are to Bayannaer City Feishang Mining Company Limited, a company organized in the PRC and a wholly-owned subsidiary of Yangpu Shuanghu.

References to the BVI are to the British Virgin Islands.

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

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

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

References to 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 Double Grow are to Double Grow International Limited, a company organized in the BVI and, until December 29, 2017, a wholly-owned subsidiary of CHNR.

References to Easy Gain are to Easy Gain Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of Double Grow.

References to Feishang Anthracite are to Feishang Anthracite Resources Limited (formerly known as Wealthy Year Limited), a company organized in the BVI whose ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) on January 22, 2014; and, until January 22, 2014, a wholly-owned subsidiary of CHNR.

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 Co., Ltd., a related company organized in the PRC and controlled by Mr. Li Feilie, the principal beneficial owner of the Company and its former Chairman and CEO.

References to Feishang Hesheng are to Feishang Hesheng Investment Limited, a related company organized in the BVI that is ultimately controlled by Mr. Li Feilie.

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 BVI and, since February 3, 2006, a wholly-owned subsidiary of CHNR.

References to **Feishang Group** are to Feishang Group Limited, CHNR's principal shareholder and a company organized in the BVI that is ultimately controlled by Mr. Li Feilie.

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. FMH Services is currently inactive.

References to **Full Profit** are to Full Profit Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of Double Grow.

References to the **Group** are to the Company and its direct and indirect subsidiaries.

References to **HK** or **Hong Kong** are to Hong Kong Special Administrative Region.

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

References to **Newhold** are to Newhold Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of CHNR.

References to **Pineboom** are to Pineboom Investments Limited, a company organized in the BVI and a wholly-owned subsidiary of CHNR.

References to the **PRC** or **China** are to the People's Republic of China and, solely for the purpose of this annual report, excluding Hong Kong, Macao, and Taiwan.

References to the **Related-Party Debtholders** are to the companies affiliated with Mr. Li Feilie, CHNR's principal beneficial owner, including without limitation, Feishang Enterprise and Feishang Group.

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

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

References to **shareholders** of CHNR are to the members of China Natural Resources, Inc., a BVI corporation.

Members under British Virgin Islands law are the equivalent of **shareholders** under the laws of the several states of the United States.

References to Silver Moon are to Silver Moon Technologies Limited, a company organized in the BVI and an 80%-owned subsidiary of CHNR. Silver Moon is currently inactive.

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 BVI and a wholly-owned subsidiary of CHNR. Sunwide is currently inactive.

References to Wuhu Feishang are to Wuhu Feishang Mining Development Co., Limited, a company organized in the PRC and, until March 3, 2017, a wholly-owned subsidiary of Feishang Mining.

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 Yangpu Shuanghu.

Forward-Looking Statements

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

PART I

ITEM 1.

IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

No disclosure is required in response to this Item.

ITEM 2.

OFFER STATISTICS AND EXPECTED TIMETABLE

No disclosure is required in response to this Item.

ITEM 3.

KEY INFORMATION

A.

Selected Financial Data

The selected financial information as of and for the years ended December 31, 2014, 2015, 2016, 2017 and 2018 set forth below should be read in conjunction with, and is qualified in its entirety by reference to, Item 5. Operating and Financial Review and Prospects and our audited consolidated financial statements and the notes thereto included elsewhere in this Annual Report.

On February 3, 2006, we consummated the acquisition of all of the issued and outstanding capital stock of Feishang Mining (the Acquisition). The Acquisition 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, 2014, 2015, 2016, 2017 and 2018, prepared and presented in accordance with IFRSs. Details of the Company's acquisition of Feishang Mining are described elsewhere in this Annual Report.

Ernst & Young Hua Ming LLP, which has been engaged as our independent registered public accounting firm for the years ended December 31, 2016, 2017 and 2018, has issued unqualified auditor's reports on our consolidated statements of financial position as of December 31, 2016, 2017 and 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the years ended December 31, 2016, 2017 and 2018.

The statements of profit or loss data for each of the years ended December 31, 2016, 2017 and 2018 and the statements of financial position data as of December 31, 2017 and 2018 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, 2014, 2015 and 2016 and the statements of profit or loss data for the years ended December 31, 2014 and 2015 are derived from our audited consolidated financial statements that are not included in this Annual Report. Our historical results are not necessarily indicative of our results in any future period.

In accordance with IFRS 5, consolidated statements of profit or loss have been restated retrospectively for all periods presented due to 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 in the consolidated statements of profit or loss for the year ended December 31, 2014.

Moreover, consolidated statements of profit or loss have been restated retrospectively for the years ended December 31, 2014, 2015 and 2016 due to the disposal of Wuhu Feishang and Double Grow on March 3, 2017 and December 29, 2017, respectively. Wuhu Feishang and Double Grow were the primary contributors to the Group's exploration and mining of non-ferrous metals segment and copper smelting segment, respectively, which represented a separate major line of business with separately identifiable operations and cash flows. Accordingly, the results of Wuhu Feishang and Double Grow are classified and separately reported as discontinued operations in the consolidated statements of profit or loss for the year ended December 31, 2017. The comparative amounts reported in the consolidated statements of profit or loss and related notes have been revised accordingly to reflect the reclassification between continuing operations and the discontinued operations. In addition, the gains recognized on the disposal of Wuhu Feishang and Double Grow are included in the results of the discontinued operations.

Amounts in thousands, except share amounts and per share data

	Year Ended December 31, 2014 CNY	Year Ended December 31, 2015 CNY	Year Ended December 31, 2016 CNY	Year Ended December 31, 2017 CNY	Year Ended December 31, 2018 CNY
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**Consolidated Statements of Profit or
Loss Data**

Continuing operations

Revenue

Cost of sales

Gross profit

Profit/(loss) before income tax from
continuing operations

	11,290	(3,769)	(4,445)	(6,179)	(6,179)
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Profit/(loss) for the year from continuing
operations attributable to:

Owners of the Company

	6,280	(5,273)	(4,445)	(6,179)	(6,179)
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Non-controlling interests

	6,280	(5,273)	(4,445)	(6,179)	(6,179)
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Loss for the year from discontinued
operations attributable to:

Owners of the Company

	(49,428)	(36,176)	(18,591)	(23,817)	
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Non-controlling interests

	(783)				
	(50,211)	(36,176)	(18,591)	(23,817)	

Loss attributable to:

Owners of the Company

	(43,148)	(41,449)	(23,036)	(29,996)	(6,179)
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Non-controlling interests

	(783)				
	(43,931)	(41,449)	(23,036)	(29,996)	(6,179)

Loss per share attributable to owners of
the Company:

Basic

For profit/(loss) from continuing
operations

	0.27	(0.21)	(0.18)	(0.25)	(0.25)
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For loss from discontinued operations

	(2.00)	(1.45)	(0.74)	(0.95)	
	(1.73)	(1.66)	(0.92)	(1.20)	(0.25)

Diluted

For profit/(loss) from continuing
operations

	0.27	(0.21)	(0.18)	(0.25)	(0.25)
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For loss from discontinued operations	(2.00)	(1.45)	(0.74)	(0.95)	
	(1.73)	(1.66)	(0.92)	(1.20)	(0.2)
Weighted average number of shares outstanding					
Basic	24,910,916	24,910,916	24,910,916	24,910,916	24,910,916
Diluted	24,910,916	24,910,916	24,910,916	24,910,916	24,910,916

	Amounts in thousands, except share amounts and per share data				
	December 31, 2014 CNY	December 31, 2015 CNY	December 31, 2016 CNY	December 31, 2017 CNY	December 31, 2018 CNY
Consolidated Statements of Financial Position Data					
Total assets	80,662	111,057	94,793	29,748	7,743
Current assets	63,150	57,580	36,242	29,411	7,468
Current liabilities	37,827	123,889	76,296	45,253	29,541
Total equity/ (deficiency in assets)	23,240	(17,799)	13,195	(15,505)	(21,798)
Equity/ (deficiency in assets) attributable to owners of the Company	23,240	(17,799)	13,195	(15,505)	(21,798)
Capital stock	312,081	312,081	312,081	312,081	312,081

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 and CNY38.46 million on February 28, 2005 and January 27, 2006, respectively. Wuhu Feishang declared dividends of CNY127.10 million to its parent on April 27, 2012 which were paid in 2013. On June 28, 2013, Feishang Mining declared and paid dividends of HK\$155.00 million to the Company. On September 24, 2014, Wuhu Feishang declared dividends of CNY39.24 million to its parent which were paid in 2015. On May 19, 2015, Feishang Mining declared and paid dividends of HK\$39.50 million to the Company.

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 for each of the preceding five years, and for each month during the preceding six months. The rates of exchange for 2014 are the rates quoted by Bloomberg L.P. The rates of exchange for 2015 are the rates quoted by www.oanda.com. The rates of exchange for 2016 to 2018 and the preceding six months are the rates quoted by www.ofx.com. 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 25, 2019 was US\$1.00 = CNY6.7431.

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

MONTH	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
High	6.9758	6.9636	6.9590	6.8785	6.7924	6.7391
Low	6.8688	6.8909	6.8370	6.7004	6.6872	6.6946

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	2014	2015	2016	2017	2018
High	6.2598	6.4917	6.9597	6.9610	6.9758
Low	6.0406	6.0933	6.4490	6.4642	6.2637
Average for period	6.1711	6.2436	6.6551	6.7404	6.6363

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 our Mine Exploration Activities in Inner Mongolia

The Wulatehouqi Moruogu Tong Mine (Moruogu Tong Mine) is in the exploration stage and we may not generate revenues for the foreseeable future.

We are in the exploration stage at Moruogu Tong Mine located in the Inner Mongolia Autonomous Region of the PRC, and, at this stage, we cannot predict whether ore can be mined on a profitable basis. During the exploration stage, the mine incurs operating expenses but does not yet generate revenues for the Company. The Company intends to fund mine exploration, construction and development through bank borrowings, funds received pursuant to its Cooperation Agreement with Bayannaer Jijincheng Mining Co., Ltd. (Jijincheng Mining), and loans from a related party. To date, the exploration program has indicated the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration designed to confirm and increase measured resources, with the prospect of identifying other minable metal resources such as copper.

Further exploration is subject to negotiation with Jijincheng Mining (based on a number of factors including, inter alia, the economic, geological and technical viability) as to whether to continue exploration of potential copper resources in 2019, and a final appraisal and application for mining rights will be scheduled thereafter. While the results of preliminary prospecting suggest that Moruogu Tong Mine contains mineable quantities of lead and silver, until further exploration and analysis is completed, we cannot predict the nature and extent of minerals contained at

the mine or the commercial viability of pursuing a plan of extraction. In the event that further exploration and analysis does not confirm initial findings, continued activities in furtherance of revenue-producing mining operations at Moruogu Tong Mine will cease.

Moruogu Tong Mine is currently being explored under an agreement which effectively reduces our share in any future profits from mineral extraction at the mine.

On August 20, 2017, Bayannaer Mining entered into a mutual cooperation agreement (the Cooperation Agreement) with Jijincheng Mining, an unrelated third party. The Cooperation Agreement is intended to provide for financial support for the operating expenses of Moruogu Tong Mine during the exploration stage, and the allocation of rights and responsibilities between Bayannaer Mining and Jijincheng Mining. Pursuant to the Cooperation Agreement: (i) Bayannaer Mining contributed the existing exploration results for Moruogu Tong Mine; (ii) Jijincheng Mining provides the necessary funds for further exploration at the mine; (iii) Bayannaer Mining enjoys full rights to any resources already discovered and confirmed by its independent exploration works conducted prior to commencement of the cooperative exploration project; (iv) Bayannaer Mining and Jijincheng Mining will each receive a 50% interest in any newly discovered resources from the first 10 drilling holes in the cooperative exploration project; and (v) Bayannaer Mining and Jijincheng Mining will receive 30% and 70% interests, respectively, in any newly discovered resources from drilling works beyond the first 10 drilling holes in the cooperative exploration project. Other details of the Cooperation Agreement, including allocations and distributions upon completion of exploration works, remain to be negotiated between the parties. There is no assurance that the details of the arrangement that remain to be negotiated will be resolved in a manner satisfactory to the Company.

Our estimates of the reserves contained in Moruogu Tong Mine are based upon protocols not generally recognized in the United States and the various assumptions underlying our estimates may be inaccurate.

Moruogu Tong Mine is the subject of a geological survey prepared in conformity with procedures and protocols recognized in the PRC. These procedures and protocols are different from those generally recognized in the United States. In addition, 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. The exploration program at Moruogu Tong Mine has indicated the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration designed to confirm and increase measured resources. If the assumptions upon which we conduct the reserve study prove to be inaccurate, we may reach incorrect conclusions as to the nature and extent of resources present at Moruogu Tong Mine.

Volatility in the market prices of metals may adversely affect the results of our mining operations.

The market prices of lead, silver and other metals have experienced significant volatility in recent years. Market prices depend upon many factors outside of our control and include industry specific factors such as supply and demand, as well as factors such as local and world-wide general economic conditions. The uncertainties surrounding the market prices of metals and the costs of extraction may adversely affect our ability to operate on a profitable basis.

We will be subject to government regulations in various aspects of our exploration activities and our failure to comply with applicable government regulations could adversely affect us.

Bayannaer Mining, our subsidiary that acquired exploration rights to Moruogu Tong Mine, is and will continue to be subject to regulations in various aspects of its operations by a variety of laws, rules and regulations administered by the national and local governments, including laws, rules and regulations relating to: exploration activities; environmental protection; the use and preservation of dangerous substances; employment practices; as well as land use laws and a variety of local business laws, customs and implementation rules. Our failure to comply with applicable laws, rules, regulations and customs could adversely affect our operations and subject us to fines and other penalties including suspension or termination of our business permits.

We do not have binding agreements with customers to purchase our future output of metals.

While we believe there is a robust market for lead, silver and other metals not only in China but also in other countries, we do not currently have any commitments from any customers to purchase our future output of metals.

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, 2016, 2017 and 2018, we incurred operating losses from continuing operations of CNY4.52 million, CNY6.20 million and CNY6.21 million (US\$0.90 million), respectively. Our operating losses mainly represented exploration expenses in Moruogu Tong Mine, as well as administrative expenses such as legal and professional fees, rental and office expenses. Our profitability is dependent upon many factors, including our ability to fund our exploration and operating expenses, produce metal outputs, and sell our production

outputs to third parties. Other factors, such as uncertainty over the demand and market price for lead, silver and other metals, are outside of our control. There is no assurance that we will be successful in our efforts to achieve profitability.

We do not currently generate revenues from operations; we will have to fund operating expenses until we are able to generate sufficient revenue to pay them.

We do not currently generate revenues from operations. We will continue to incur operating expenses prior to the commencement of revenue-producing activities, and we intend to fund those expenses from the proceeds of loans from our Related-Party Debtholders, payments pursuant to the Cooperation Agreement and, to the extent deemed necessary, bank borrowings. If we encounter delays prior to the commencement of revenue production in our mining operations, we will be required to fund operating expenses longer than expected. There is no assurance that we will be able to secure amounts sufficient to fund our operating expenses until such time as we are able to generate revenues sufficient to pay those expenses.

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 United States Securities and Exchange Commission (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, 2018 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.

Risks Relating to PRC Operations

Our current business operations are conducted in the PRC; our executive officers, directors and principal shareholder, our auditors and our bank accounts are located in the PRC; and many of our subsidiaries are organized and funded in the PRC. As we are subject to the laws, rules, regulations and customs of the PRC, investors should consider the following risk factors.

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.

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

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in the costs of supplies, it may have an adverse effect on our profitability. In order to control inflation in the past, the PRC government has imposed controls on bank credit, limits on loans for fixed assets and restrictions on bank lending. Such an austere policy can lead to a slowing of economic growth, and recent statistics have, indeed, suggested that China's high annual economic growth will slow down. According to China National Bureau of Statistics released data, China's consumer price index (CPI) remained stable for 2018, rising 2.1 percent year on year well below the government's 3.0 percent target. As CPI is the main gauge of inflation, the lower than targeted CPI increase reflects that inflation in China remains largely in check.

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

We are a holding company incorporated in the BVI. As a result of our holding company structure, dividends and other distributions to our shareholders, if any, will depend primarily upon 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 Renminbi 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 or make other distributions 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. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated 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 (SAFE) 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. ADDITIONAL INFORMATION Exchange Controls 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 most of our operating expenses are denominated in Renminbi, any significant revaluation of the Renminbi may materially and adversely affect our cash flows and financial condition. Conversely, if we convert our Renminbi into U.S. dollars, should we determine to pay dividends on our common shares or for other business purposes, appreciation of the Renminbi against the U.S. dollar could affect the amount of U.S. dollars we convert. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on our business, financial condition and results of operations resulting in a lower income, a charge to our income statement and a reduction in the value of these U.S. assets.

In 2018, the annual cumulative depreciation of the exchange rate of the Renminbi against the U.S. dollar was 5.71%. Since the beginning of 2019 to March 31, 2019, the exchange rate of the Renminbi against the U.S. dollar appreciated by 2.42%.

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

In 2005, the SAFE promulgated regulations in the form of public notices, which require registrations with, and approval from, the SAFE on direct or indirect offshore investment activities by PRC resident individuals. The SAFE regulations require that if an offshore company directly or indirectly formed by or controlled by PRC resident

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

Our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities. In May 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulation Commission, or the CSRC, and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has vexed U.S. regulators in recent years. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

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

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

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If the firms fail to meet specified criteria, during a period of four years starting from the settlement date, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Additional remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of additional proceedings against a firm, or in extreme cases the resumption of the current proceeding against all four

firms.

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

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to our delisting from the NASDAQ Stock Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our shares 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 BVI company, 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. We do not maintain a business presence in the United States. 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 BVI 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 BVI 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 a 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 annual reports on Form 10-K;

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

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

.
our officers, directors and principal shareholder are not required to file reports under Section 16 of the Exchange Act detailing their beneficial ownership of our shares; and they are not subject to the shortswing profit provisions under Section 16.

Since there is generally greater information available about domestic issuers than about foreign private issuers such as us, it may be 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.

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. However, we have elected to claim certain exemptions afforded to foreign private issuers by 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;

.

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

.

while executive compensation is recommended by our Compensation Committee which is comprised of independent directors, the compensation of our executive officers is ultimately determined by the Board of Directors rather than an independent committee of the board or by the independent members of the Board of Directors;

.

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

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

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; the terms of these transactions are not negotiated at arms-length and 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 principal beneficial owner and former Chairman and Chief Executive Officer and/or companies that he owns or controls. These transactions are described in greater detail elsewhere in this Annual Report. In general, NASDAQ rules require that related party transactions be reviewed by an audit committee or other committee comprised of independent directors. However, under NASDAQ rules applicable to foreign private issuers such as our company, we are exempt from certain NASDAQ requirements, including requirements 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. 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 principal beneficial owner and his affiliates control us through their stock ownership; and their interests may differ from other shareholders.

Mr. Li Feilie, beneficial owner of a majority of our outstanding common shares, 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. Through his related companies, Mr. Li also provides funding to support the Company's operating expenses and holds a substantial amount of the Company's debt (see Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS Related Party Transactions, below). Mr. Li's interests may differ from those of other shareholders. Additional information relating to the beneficial ownership of our securities is contained elsewhere in this Annual Report under Item 6.E. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES Share Ownership.

The rights of our shareholders are governed by BVI 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 BVI 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 contain 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 BVI. We may provide contractual indemnification obligations under agreements with our directors, officers and employees. These indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors, officers and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors, officers and employees for breach of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors, officers and employees even though such actions, if successful, might otherwise benefit us Company and our shareholders.

Risks Related to the Spin-Off

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

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

SAT issued an announcement in February 2015, i.e., the Notice of SAT on Several Issues Concerning the Corporate Income Tax on the Indirect Transfers of Properties by PRC Non-Residents or Circular7, which abolishes certain provisions in SAT Circular 698 as well as certain other rules providing clarification on Circular 698 and stipulates in greater detail how to evaluate the reasonable commercial substance. Circular 7 provides comprehensive guidelines

relating to, and also heightens the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interest) of a PRC resident enterprise (PRC Taxable Assets). Pursuant to Circular 7, an indirect transfer of assets, including equity interests in a PRC resident enterprise, by non- PRC resident enterprise may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax.

On October 17, 2017, SAT issued the Announcement on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source (the Circular 37), which was implemented on December 1, 2017. Circular 37 replaced and supplemented certain previous provisions in Circular 7 and further reduced the burden of a withholding obligator who is a non-resident enterprise and transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, such as revocation of contract filing requirements and tax liquidation procedures, strengthens the cooperation of tax authorities in different places, and clarifies the calculation of tax payable and mechanism of foreign exchange. Pursuant to Circular 37, where the income on which enterprise income tax shall be withheld at source as obtained by a non-resident enterprise are dividends, bonuses or other income from equity investments, the date when the obligation of withholding the relevant payable taxes occurs shall be the date of the actual payment of the dividends, bonuses or income from other equity investments.

It remains uncertain whether any of our transactions involving PRC taxable assets outside of the PRC will be reclassified by applying Circular 7 and Circular 37. If any of our transactions involving PRC taxable assets outside of the PRC constitutes an indirect transfer of the PRC taxable assets and is subject to the enterprise income tax obligation under Circular 7 and Circular 37, the amount of the enterprise income tax shall be calculated based on the income from the transfer (the difference between the consideration for transfer and costs of equity interests) and applicable tax rate (a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty). However, as Circular 7 and Circular 37 became effective in February 2015 and December 2017, respectively, after completion of the Spin-Off, and are not retrospective, we believe the risk is remote.

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

ITEM 4.

INFORMATION ON THE COMPANY

A.

History and Development of the Company

From Inception Until 2006

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

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. 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 BVI company. Feishang Group is ultimately controlled by its sole beneficial owner, Mr. Li Feilie, our principal beneficial owner and our former Chief Executive Officer and Chairman. 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 Mr. 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 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; Coal Mining and Production; Copper Smelting; and Other Activities

At various times during the period from February 2006 through December 2017, we:

Owned and operated a copper smelting plant located in Western Bolivia. We conducted our copper smelting operations through Double Grow and its direct and indirect subsidiaries, including Antay Pacha. On December 29, 2017, we sold our interest in Double Grow and its subsidiaries to an unrelated third party (see DISCONTINUED SEGMENT Copper Smelting Operations, below).

Engaged in the exploration, mineral extraction, processing and sales of iron, zinc and other non-ferrous metals extracted or produced at mines primarily located in Anhui Province in the PRC, as well as our operation of related businesses. On December 27, 2015, we temporarily suspended our metals mining operations due to the low market price for non-ferrous metals and because we had substantially depleted minable ore at Yangchong Mine, our sole operating mine. We sold our non-ferrous mining operations to an unrelated third party in March 2017 after concluding that market prices for non-ferrous metals, and the related costs of extraction and processing, did not warrant continued operations at Yangchong Mine (see DISCONTINUED SEGMENT Exploration and Mining of Non-ferrous Metals,” below).

Engaged in the mining and production of anthracite coal at mines located in Guizhou Province in the PRC. We conducted these activities through our indirect wholly-owned subsidiary, Feishang Anthracite. We disposed of our coal mining and related businesses in connection with the January 2014 Spin-Off and listing on the Main Board of the Hong Kong Stock Exchange of the shares of Feishang Anthracite (see “DISCONTINUED SEGMENT - Coal-Mining and Related Businesses,” below).

Engaged in copper smelting operations through our subsidiary Mark Faith Technology Development Limited in Inner Mongolia. We sold our copper smelting operations to an unrelated third party in September 2009.

Exploration Activities in Inner Mongolia

The Board of Directors has determined to focus the Company’s resources on metals explorations and mining activities and other business opportunities in the PRC. We are currently exploring for lead, silver and other metals in the Inner Mongolia Autonomous Region of the PRC.

In November 2017, we acquired all of the issued and outstanding capital stock of Bayannaer Mining for a purchase price of CNY716,900. Bayannaer Mining holds an exploration permit issued by the Land and Resources Department of Inner Mongolia Autonomous Region covering Moruogu Tong Mine, located in Wulatehouqi, Bayannaer City, Inner Mongolia. The exploration permit evidences Bayannaer Mining's right to explore for minerals at Moruogu Tong Mine (see BUSINESS SEGMENT Metal Exploration Activities in Inner Mongolia, below). Initial results of the exploration program indicate the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration, which is designed to confirm and increase measured resources, and identify other minable metal resources such as copper. We anticipate that our working capital and capital expenditures for our exploration activities will be funded through internally generated cash in prior years, non-interest bearing loans from related parties, and funds provided pursuant to the Cooperation Agreement.

Other Matters

During 2018, we invested CNY5.00 thousand (US\$0.73 thousand) in capital expenditures.

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.

The SEC maintains an Internet website that contains reports, information statements and other documents that we furnish to or file with the SEC. Those documents may be viewed, downloaded and/or printed. The address of the SEC website is <http://sec.gov>.

We maintain a company website at <http://www.chnr.net>. The information on our website is not a part of this report.

B.

Business Overview

BUSINESS SEGMENT Metal Exploration Activities in Inner Mongolia

Acquisition of Bayannaer Mining

On November 30, 2017, CHNR's subsidiary Yangpu Shuanghu entered into separate agreements with Feishang Enterprise and Shenzhen Chaopeng Investment Co., Ltd. (Shenzhen Chaopeng), each of which is a related party. Pursuant to the agreement with Feishang Enterprise (the Feishang Enterprise Agreement), the Company consummated its acquisition of approximately 98.32% of the issued and outstanding capital shares of Bayannaer Mining. Pursuant to the agreement with Shenzhen Chaopeng (together with the Feishang Enterprise Agreement, the Acquisition Agreements), the Company consummated its acquisition of approximately 1.68% of the issued and outstanding capital shares of Bayannaer Mining. The Acquisition Agreements are identical to each other except as to the name of seller, the amount of consideration and similar information.

The purchase price for all of the issued and outstanding capital shares of Bayannaer Mining (the BM Acquired Shares) is CNY716,900, which is approximately equal to the net asset value of Bayannaer Mining as of September 30, 2017. The purchase price was paid by delivery to Feishang Enterprise and Shenzhen Chaopeng of Yangpu Shuanghu's several promissory notes (the Notes) in the aggregate principal amount of CNY716,900, payable without interest. The Notes were paid in December 2017.

The Acquisition Agreements contain customary representations, warranties and covenants covering such matters as ownership of the BM Acquired Shares by the sellers free and clear of all liens, charges and encumbrances and due authorization, execution and enforceability of the Acquisition Agreements, as well as covering the historical operations of Bayannaer Mining, including without limitation, its organization, capitalization, financial condition, tax payments and compliance with applicable laws, rules and regulations. The Acquisition Agreements also contain indemnification provisions in favor of the Company in the event of breaches of the sellers' representations, warranties and covenants.

Bayannaer Mining holds an exploration permit issued by the Land and Resources Department of Inner Mongolia Autonomous Region covering Moruogu Tong Mine, located in Wulatehouqi, Bayannaer City, Inner Mongolia. Based upon preliminary geologic surveys, it is believed that Moruogu Tong Mine contains minable amounts of lead and silver resources, with the prospect that further surveying and exploration may indicate the presence of other minable ore such as copper.

Feishang Enterprise and Shenzhen Chaopeng are each beneficially owned by Mr. Li Feilie, the principal beneficial owner of the Company, and members of his family. Mr. Li is also the former Chief Executive Officer and Chairman of the Company and currently serves as an executive officer and director of certain subsidiaries of the Company (see Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS Related Party Transactions, below). Wong Wah On Edward, the Chief Executive Officer and Chairman of the Company, and Bonaventure Yue, the Company's Chief Financial Officer and a Director, are each also executive officers of Feishang Enterprise and/or certain of its affiliates.

The foregoing description of the Acquisition Agreements is only a summary and is qualified in its entirety by reference to the Acquisition Agreements, copies of which have been translated into English and incorporated by

reference as Exhibits 4.16 and 4.17, respectively, to this Annual Report.

Lead and Silver Industry and Market

Lead (chemical element symbol Pb) is a supple and ductile heavy metal that is denser than most common materials. In its pure state, lead is bluish-white; it tarnishes to a dull gray color when exposed to air. It is extensively used in construction, plumbing, batteries, bullets and shot, weights, solders, pewters, fusible alloys, white paints, leaded gasoline, and radiation shielding. Lead's properties of high density, low melting point, ductility and relative inertness to oxidation allow it to be used in a wide range of applications, of which uses in lead-acid batteries are by far the most prevalent. The reactions in the battery between lead, lead dioxide, and sulfuric acid provide a reliable source of voltage. Despite having lower energy density and charge-discharge efficiency than lithium-ion batteries, lead-acid batteries have stable electromotive force when discharging and steady working voltage, while being significantly cheaper. These properties and their ability to supply high surge currents and operate under a wide range of temperatures make them by far irreplaceable in the automobile industry.

Lead is an internationally traded commodity, the price of which is effectively established on commodity markets throughout the world. During 2018, world lead production output increased steadily, especially in the second half of the year, but lead was still in short supply globally for most of the year. In China, lead imports have surged since 2017 and remained high during 2018. Due to the global economy upturn, lead prices have increased rapidly since mid-2016. During 2018, lead prices remained volatile at relatively high levels, but generally followed a decreasing trend. It reached an annual high of CNY20,810 (US\$3,025) per tonne in June 2018 before it started to decline. The closing price at the end of 2018 was CNY18,050 (US\$2,624) per tonne, representing a decrease of approximately 6% compared with the opening price at the beginning of the year.

The following table shows the world refined production and world refined usage of lead over the past five years:

	2014	2015	2016	2017	2018
World refined production (in thousand tonnes)	11,139	10,310	10,832	11,678	11,817
World refined usage (in thousand tonnes)	11,127	10,244	10,828	11,857	11,972
China's refined production (in thousand tonnes)	4,946	4,068	4,483	5,028	4,955
China's refined usage (in thousand tonnes)	4,951	4,076	4,447	5,144	5,145
LME average price (US\$/tonne)	1,857	1,783	2,015	2,531	2,021
SHFE average price (CNY/tonne)	12,375	13,145	17,555	19,160	18,005

Source: ILZSG, LME, SHFE, Wind Economic Database.

Silver (chemical element symbol Ag) is a soft, ductile, and malleable metal with the highest electrical conductivity, thermal conductivity and reflectivity of any metal. It has a brilliant white metallic luster that can take a high polish and has similar physical and chemical properties with copper and gold. Most silver is produced as a byproduct during refining of copper, gold, lead, or zinc. Despite being more abundant than gold, silver has long been valued as a

precious metal and used in currency and as an investment medium (bullion coins) alongside gold. It is also used in jewelry, silverware, medicine, electronics, brazing alloys, chemical equipment, catalysis, and photography, etc.

Silver is an internationally traded commodity, the price of which is effectively established on commodity markets throughout the world. Before 2018, silver was in short supply globally, but excess supply occurred in 2018 due to sluggish industrial demand and a slowing global economy. Silver prices have been declining since 2011. Although a slight rebound occurred in 2016, the downward trend continued in the second half of 2016. During 2018, silver prices remained volatile at relatively low levels and generally followed a decreasing trend. It reached an annual high of CNY3,939 (US\$573) per kg in January 2018 before it started to decline. The closing price at the end of 2018 was CNY3,700 (US\$538) per kg, representing a decrease of approximately 5% compared with the opening price at the beginning of the year.

The following table shows the world refined production and world refined usage of silver over the past five years:

	2014	2015	2016	2017	2018
World production from mines (in tonnes)	27,112	27,406	26,147	25,043	24,071
World total production (in tonnes)	32,680	32,338	31,324	31,103	31,041
World total demand (in tonnes)	34,783	35,815	31,968	30,360	30,170
COMEX average price (US\$/oz)	15.6	13.8	16.0	17.1	15.5
SHFE average price (CNY/kg)	3,524	3,294	4,102	3,885	3,674

Source: COMEX, SHFE, Wind Economic Database.

Metal Exploration Activities

Overview of Bayannaer Mining

Bayannaer Mining was established in 2005 to engage in mineral exploration activities in Bayannaer City, located in the Inner Mongolia Autonomous Region of the PRC. The registered capital of Bayannaer Mining is CNY59.48 million, approximately 98.32% of which was contributed by Feishang Enterprise and approximately 1.68% by Shenzhen Chaopeng.

In 2005, Bayannaer Mining obtained 11 exploration rights from the Land and Resources Department of Inner Mongolia Autonomous Region. Following completion of preliminary exploration activities and evaluation, management determined to retain exploration rights solely to Moruogu Tong Mine; and, to date, has received a series of license renewals. Total exploration expenses (other than non-current assets and administrative expense) incurred to date amount to approximately CNY35.50 million. The current exploration permit for Moruogu Tong Mine runs from September 14, 2017 to September 13, 2019 and covers a site area of 10.43 square kilometers.

Moruogu Tong Mine is located in Wulatehouqi, Bayannaer City, in the Inner Mongolia Autonomous Region of the PRC. In 2006, Bayannaer Mining engaged the Land and Resources Exploration and Development Institute of Inner Mongolia to carry out prospecting, including geophysical and drilling works; and, to date, has incurred exploration expenses of approximately CNY16.70 million, which were paid from internal funds. To date, the exploration program at Moruogu Tong Mine primarily involved the completion of mine geological surveying and mapping at 1:2000 covering an area of 2.73 square kilometers, which included trenching exploration works totaling 982.94 cubic meters in nine trenches and 76 drill holes for a total of 22,272.86 meters. 1,467 different samples, including basic analysis samples, chemical analysis samples, spectra samples and aqueous analysis samples, etc., were collected during the exploration program.

Initial results of the exploration program indicate the presence of a mid-size deposit of lead and silver ore and resources sufficient in quantity and quality to warrant further exploration designed to confirm and increase measured resources, with the prospect of identifying other minable metal resources such as copper. Further exploration is subject to negotiation with Jijincheng Mining (based on a number of factors including, inter alia, the economic, geological and technical viability of mining) as to whether to continue exploration of potential copper resources in 2019. Thereafter, a final appraisal and application for mining rights will be scheduled.

The future budgeted amount for the exploration project, including drilling expenses, site construction costs, grassland compensation fees and simple infrastructure construction costs, is anticipated to be approximately CNY11.40 million. This project is expected to be financed by bank borrowings, funds received pursuant to the Cooperation Agreement, and loans from a related party. While the results of preliminary prospecting suggest that Moruogu Tong Mine contains mineable quantities of lead and silver, until further exploration and analysis is completed, the Company cannot predict the nature and extent of minerals contained at the mine or the commercial viability of pursuing a plan of extraction. It is possible that further exploration and analysis will not confirm initial findings and that continued activities in furtherance of mining operations will cease.

Mutual Cooperation Agreement

On August 20, 2017, Bayannaer Mining entered into the Cooperation Agreement with Jijincheng Mining, an unrelated third party. The Cooperation Agreement is intended to provide for financial support by Jijincheng Mining for the operating expenses of Moruogu Tong Mine during the exploration stage, and the allocation of rights and responsibilities between Bayannaer Mining and Jijincheng Mining. Pursuant to the Cooperation Agreement: (i) Bayannaer Mining contributed the existing exploration results for Moruogu Tong Mine; (ii) Jijincheng Mining provides the necessary funds for further exploration at the mine; (iii) Bayannaer Mining enjoys full rights to any resources already discovered and confirmed by its independent exploration works conducted prior to commencement of the cooperative exploration project; (iv) Bayannaer Mining and Jijincheng Mining will each receive a 50% interest in any newly discovered resources from the first 10 drilling holes in the cooperative exploration project; and (v) Bayannaer Mining and Jijincheng Mining will receive 30% and 70% interests, respectively, in any newly discovered resources from drilling works beyond the first 10 drilling holes in the cooperative exploration project. Other details of the Cooperation Agreement, including allocations and distributions upon completion of exploration works, remain the

subject of continuing discussion between the parties. To date, total exploration expenses paid by Jijincheng Mining amount to approximately CNY6.70 million.

The foregoing description of the Cooperation Agreement is only a summary and is qualified in its entirety by reference to the Cooperation Agreement, a copy of which has been translated into English and incorporated by reference as Exhibit 4.21 to this Annual Report.

Geography

The following diagram shows the geography of Bayannaer Mining's exploration site and its surrounding areas:

Moruogu Tong Mine of Bayannaer Mining is located in Wulatehouqi, Bayannaer City, in the Inner Mongolia Autonomous Region of the PRC. The mine is approximately 45 kilometers to Chaogewenduer Town and 40 kilometers to Qingshan Town. The Qingxian Road passes through the southern part of the mine and transportation is

very convenient. Connectivity to water, electric and other necessary services will be addressed at the time of mine construction and development. The current exploration permit for Moruogu Tong Mine runs from September 14, 2017 to September 13, 2019 and covers a site area of 10.43 square kilometers.

Government Regulation of Mineral Exploration Activities

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

Bayannaer Mining's exploration permit entitles it to undertake exploration activities in compliance with applicable laws and regulations, within the specific area covered by the license during the license period. Bayannaer Mining is required to complete a prospecting report and a final appraisal and file with the relevant government authority before it can apply for mining rights and proceed to mine construction. A mining rights permit entitles the holder 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. Holders are required to submit a mining proposal and feasibility studies to the Land and Resources Department of Inner Mongolia Autonomous Region. Entities seeking mining rights are also obligated to pay natural resources fees and resources compensation fees in relation to sales of metal concentrates.

The State Administration for Environmental Protection 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 applicant 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 all operations that may cause pollution or produce other hazards to take environmental protection measures and to establish an environmental protection responsibility system. Such 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 report to and register with the Ecology and Environment Department of Inner Mongolia Autonomous Region.

If an enterprise fails to report or register the environmental pollution caused by it, it is subject to receiving a warning or penalty. Enterprises which fail to restore the environment or remedy the effects of the pollution within the prescribed time are also subject to penalty or termination of their business licenses. Enterprises which have polluted and endangered the environment are responsible for remedying the danger and effects of the pollution, as well as for the payment of compensation for any losses or damages suffered as a result of such environmental pollution. A material violation of the Environmental Protection Law that causes a material loss to public and private belongings or personal injuries or death may result in criminal liabilities.

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

NON-BUSINESS SEGMENT Corporate Activities

Active Subsidiaries

Feishang Management

Feishang Management was incorporated in the PRC in October 2008. It is a wholly-owned subsidiary of Yunnan Mining and was engaged in providing of management and consulting services to the other companies in the Group. Feishang Management currently serves as a cost center for the Group.

Inactive Subsidiaries

The following subsidiaries are not currently engaged in active operations but remain in good standing in their home jurisdictions and are poised to participate in future opportunities, should they arise:

China Coal

China Coal was incorporated in Hong Kong in January 2008. It is a wholly-owned subsidiary of CHNR.

Feishang Dayun

Feishang Dayun was incorporated in Hong Kong in June 2008. It is a wholly-owned subsidiary of Pineboom.

Feishang Mining

Feishang Mining was incorporated in the BVI in September 2004. It is a wholly-owned subsidiary of CHNR.

Feishang Yongfu

Feishang Yongfu was incorporated in Hong Kong in June 2008. It is a wholly-owned subsidiary of Newhold.

Newhold

Newhold was incorporated in the BVI in July 2008. It is a wholly-owned subsidiary of CHNR.

Pineboom

Pineboom was incorporated in the BVI in May 2008. It is a wholly-owned subsidiary of CHNR.

Yangpu Lianzhong

Yangpu Lianzhong was incorporated in the PRC in January 2008. It is a wholly-owned subsidiary of China Coal.

Yangpu Shuanghu

Yangpu Shuanghu was incorporated in the PRC in May 2004. It is a wholly-owned subsidiary of Feishang Yongfu.

Yunnan Mining

Yunnan Mining was incorporated in the PRC in June 2007. It is a wholly-owned subsidiary of Yangpu Shuanghu.

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.

Silver Moon

Silver Moon is a BVI company incorporated in March 2000. Silver Moon, which is 80%-owned by CHNR, is currently dormant.

Sunwide

Sunwide was incorporated in the BVI in January 2001. Sunwide is a wholly-owned subsidiary of CHNR and is currently dormant.

DISCONTINUED SEGMENT Exploration and Mining of Non-ferrous Metals

Metals mining operations included the exploration for, and extraction, production and sale of, non-ferrous metals. Our metal mining operations were conducted by Wuhu Feishang, a PRC company that was wholly-owned by Feishang Mining. Wuhu Feishang is principally engaged in the mining of zinc, iron, and other minerals and non-ferrous metals, and their sale in the PRC.

On February 24, 2017, Feishang Mining together with Wuhu City Feishang Industrial Development Co., Ltd. (Wuhu Industrial), as nominee for Feishang Mining (collectively WH Sellers), entered into an agreement (the WH Purchase Agreement) with Mr. Shen Yandi, an unrelated individual (WH Purchaser), pursuant to which WH Sellers sold and WH Purchaser purchased, all of WH Sellers' right, title and interest in and to the outstanding capital stock (the WH Equity Interests) of Wuhu Feishang.

The CNY1.00 million purchase price for the WH Equity Interests was delivered to WH Sellers, and WH Sellers delivered the WH Equity Interests to WH Purchaser, at a closing held on March 3, 2017, following receipt of regulatory approval for transfer of the WH Equity Interests to WH Purchaser. Pursuant to the WH Purchase Agreement:

Wuhu Feishang remains responsible for all of its liabilities and financial obligations other than those expressly undertaken by WH Sellers.

WH Sellers established a joint bank account and WH Purchaser contributed CNY3.00 million into the account as an earnest money deposit. The account will also include funds to be deposited by Wuhu Feishang to fund certain of Wuhu Feishang's on-going financial obligations under the WH Purchase Agreement. The funds in the account will be disbursed with the approval of WH Sellers, upon the attainment of milestones and in the manner described in the WH Purchase Agreement.

The parties allocated responsibility for certain on-going negotiations and settlements with employees and various townspeople affected by Wuhu Feishang's mining operations; as well as for certain on-going litigation.

WH Purchaser and Wuhu Feishang are prohibited from using the name "Feishang" in their operations.

A schedule of penalties is established to compensate a party for the other party's breach of the terms of the WH Purchase Agreement. In some cases, penalties are in addition to indemnification and/or performance obligations of a breaching party.

The foregoing description of the WH Purchase Agreement is only a summary and is qualified in its entirety by reference to the WH Purchase Agreement, a copy of which has been translated into English and incorporated by reference as Exhibit 4.14 to this Annual Report.

DISCONTINUED SEGMENT Copper Smelting Operations

On December 23, 2016, the Company entered into an agreement with Feishang Hesheng, a related party, and completed the acquisition of all of the issued and outstanding capital stock of Double Grow (the DG Acquired

Shares), its direct and indirect subsidiaries Easy Gain and Full Profit, each of which is organized under the laws of the BVI, and their operating subsidiary, Antay Pacha. Antay Pacha principally engages in copper smelting and the production of copper cathodes for sales to customers located primarily in Bolivia, Germany and the PRC.

The US\$1,541,129 purchase price for the DG Acquired Shares includes the assumption of US\$1,441,129 of indebtedness owed by Double Grow to Feishang Hesheng (the Loan). The Company paid the purchase price by delivery of its check in favor of Feishang Hesheng in the amount of US\$100,000 and is required under the agreement to assume Double Grow's obligation to repay the Loan. In consideration of the Company's assumption of the Loan, Feishang Hesheng delivered its Deed of Assignment of the Loan in favor of the Company.

Feishang Hesheng is beneficially owned by Mr. Li Feilie, the principal beneficial owner of the Company, and members of his family. Mr. Li is also the former Chief Executive Officer and Chairman of the Company. Mr. Wong Wah On Edward, currently the Chief Executive Officer and Chairman of the Company, is also the Company Secretary of Feishang Hesheng.

On December 23, 2016, Feishang Hesheng waived payment of a US\$8,000,000 indebtedness owed to it by Double Grow.

On December 29, 2017, the Company and Double Grow entered into an agreement (the DG Purchase Agreement) with Shanghai Kangzheng Investment Management Co., Ltd. (DG Purchaser), an unrelated third party, pursuant to which the Company sold all of the Company's right, title and interest in and to the outstanding capital stock (the DG Equity Interests) of Double Grow and its subsidiaries to the DG Purchaser.

The DG Purchase Agreement provides that the purchase price for the DG Equity Interests is US\$2,641,129 (the Purchase Price), including the payment of US\$1,441,129 in indebtedness of Double Grow to the Company. The Purchase Price was paid (a) US\$1,200,000 in cash, delivered in December 2017, and (b) US\$1,441,129 by the DG Purchaser's delivery of its promissory note payable, without interest, on January 28, 2018 (the Note). At the time the DG Purchase Agreement was signed, the parties also executed a Deed of Assignment of Loan (the Deed of Assignment) pursuant to which the Company assigned to the DG Purchaser its right to receive repayment of the US\$1,441,129 loan from Double Grow. Following the disposition, the Company ceased its copper smelting business in Bolivia.

The Board of Directors authorized the DG Purchase Agreement following its determination to focus its resources on metals mining and other business operations in the PRC. Following disposition of the DG Equity Interests in Double Grow, CHNR's operations consist of the exploration for lead, silver and other metals in the Inner Mongolia Autonomous Region of the PRC.

The foregoing description of the DG Purchase Agreement is only a summary and is qualified in its entirety by reference to the DG Purchase Agreement, a copy of which has been translated into English and incorporated by reference as Exhibit 4.18 to this Annual Report.

DISCONTINUED SEGMENT - Coal-Mining and Related Businesses

On December 31, 2013, the Board of Directors approved a conditional special interim dividend to the shareholders of CHNR satisfied by way of a distribution in specie of the entire issued share capital of Feishang Anthracite to all shareholders of CHNR in proportion to their respective shareholdings in CHNR on the Distribution Record Date. Pursuant to the Distribution, each shareholder of CHNR became entitled to five shares of Feishang Anthracite for every share of CHNR held on the Distribution Record Date. Following completion of the Distribution, CHNR no longer holds any shares in Feishang Anthracite and discontinued its acquisition and exploitation of mining rights, including the exploration, construction, development and operation of coal mines located in Guizhou Province, the PRC.

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

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

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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.

C.

Organizational Structure

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CHNR is a holding company directly or indirectly owning the following subsidiaries, to the extent indicated (as of April 25, 2019):

			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%	
			Yangpu Lianzhong		Feishang	Feishang	
			(PRC)		Yongfu	Dayun	
					(HK)	(HK)	
					100%		
					Yangpu Shuanghu		
					(PRC)		
				100%	100%		
				Bayannaer Mining	Yunnan Mining		
				(PRC)	(PRC)		
					100%		
					Feishang Management		
					(PRC)		

All current operations are conducted by Bayannaer Mining. See Item 4.B. BUSINESS SEGMENT Metal Exploration Activities in Inner Mongolia, 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, Shenzhen (Guangdong Province) and Bayannaer City (Inner Mongolia Autonomous Region) in the PRC.

On April 1, 2017, the Company signed an office sharing agreement with Anka which superseded all previously signed agreements between the parties, pursuant to which the Company shares 184 square meters of the total area of the office premises. The agreement also provides that the Company shares certain costs and expenses in connection with their use of the office, in addition to certain accounting and secretarial services and day-to-day office administration services provided by Anka. For the years ended December 31, 2016, 2017 and 2018, the Company paid its share of rental expenses and rates to Anka amounting to approximately CNY631,000, CNY949,000 and CNY1,036,000 (US\$150,614), respectively.

The offices and exploration site of Bayannaer Mining are located in Bayannaer City, Inner Mongolia Autonomous Region in the PRC. The property, plant and equipment of Bayannaer Mining mainly includes vehicles, office equipment and furniture, with a total net value as of December 31, 2019 of approximately CNY0.27 million (US\$0.04 million). On May 11, 2016, May 11, 2017 and May 11, 2018, Bayannaer Mining signed annual lease agreements with private individuals pursuant to which Bayannaer Mining leases office premises located at 10/F, Huaao Building, Shengli North Road in Bayannaer City. The office covers an area of 274 square meters and annual rent in each of 2016, 2017 and 2018 was CNY82,200, CNY82,200 and CNY82,200 (US\$11,950), respectively. It is anticipated that Bayannaer Mining will renew this lease for an additional year commencing May 11, 2019.

The Moruogu Tong Mine exploration site is located in Northwestern Qingshan Town, Wulatehouqi in Bayannaer City and covers an area of approximately 10.43 square kilometers. As is typical in the PRC, the PRC government owns all of the land on which the exploration activities are carried out. Bayannaer Mining assumed the rights to use the land when it obtained the exploration right from the Land and Resources Department of Inner Mongolia Autonomous Region in 2005.

For the years ended December 31, 2016, 2017, and 2018, the Company incurred capital expenditures (excluding fees for renewal of mining rights) of CNY4.95 million, CNY4.21 million and CNY5.00 thousand (US\$0.73 thousand), respectively.

See Item 5.F. OPERATING AND FINANCIAL REVIEW AND PROSPECTS Tabular Disclosure of Contractual Obligations for the Company's material commitments for capital expenditures. In the event we determine to pursue a mining permit and thereafter engage in mining at Moruogu Tong Mine, we will be required, among other things, for mine construction and development, including to build roads and make provision for water and electricity at the mine site. There will be significant capital expense for these and other projects. We intend to fund those capital expenditures from the proceeds of loans from our Related-Party Debtholders, payments pursuant to the Cooperation Agreement and, to the extent deemed necessary, bank borrowings.

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, uncertainties concerning the viability of mining at the Company's Moruogu Tong Mine in Inner Mongolia, uncertainties regarding the estimates of reserves contained in Moruogu Tong Mine in Inner Mongolia, uncertainties associated with volatility in the market price of lead, silver and other metals, uncertainties relating to possible future increases in operating expenses, including costs of labor and materials, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including without limitation the information set forth in Item 3.D. of this Annual Report under the heading, "Risk Factors." With respect to forward-looking statements that include a statement of its underlying assumptions or bases, the Company cautions that, while it believes its assumptions or bases are reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished.

The following discussion and analysis of the results of operations and the Company's financial position should be read in conjunction with the consolidated financial statements and accompanying notes for the years ended December 31, 2016, 2017 and 2018 included elsewhere herein. The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

A.

Operating Results

Continuing operations

On December 23, 2016, CHNR acquired all of the issued and outstanding capital stock of Double Grow, its direct and indirect subsidiaries Easy Gain and Full Profit, and their operating subsidiary, Antay Pacha. Antay Pacha proposed to principally engage in the smelting of copper ore and production of copper cathodes for sale in markets including China, Germany and Bolivia. On December 29, 2017, CHNR disposed all of the issued and outstanding capital stock of Double Grow and its subsidiaries and ceased its copper smelting business in Bolivia.

On March 3, 2017, Feishang Mining disposed of its entire interest in Wuhu Feishang to Mr. Shen Yandi, an unrelated individual, for a consideration of CNY1.00 million, after concluding that current market prices for non-ferrous metals, and the related costs of extraction and processing, did not permit us to engage in profitable mining operations. As a result of the disposition of Wuhu Feishang, the Company no longer engages in the acquisition and exploitation of mining rights covering iron, zinc and other non-ferrous metals.

On November 30, 2017, CHNR acquired all of the issued and outstanding capital stock of Bayannaer Mining, a PRC company established in 2005 to engage in mineral exploration activities in Bayannaer City, in the Inner Mongolia Autonomous Region of the PRC. Bayannaer Mining currently holds an exploration permit issued by the Land and Resources Department of Inner Mongolia Autonomous Region covering Moruogu Tong Mine, located in Wulatehouqi, Bayannaer City, Inner Mongolia. Based upon preliminary geologic surveys, it is believed that Moruogu Tong Mine contains minable amounts of lead and silver resources, with the prospect that further surveying and exploration may indicate the presence of other minable ore such as copper.

The Board of Directors has determined to focus the Company's resources on metals explorations and mining activities and other business operations in the PRC. Following disposition of the DG Equity Interests in Double Grow, our sole operations consist of the exploration for lead, silver and other metals in the Inner Mongolia Autonomous Region of the PRC.

As both Wuhu Feishang and Antay Pacha were disposed of during 2017, and the recently acquired Bayannaer Mining is still in the exploration stage, the Group did not generate any revenue during the 2018 and 2017 fiscal years. The following discussion reflects only the continuing operations of the Company:

Administrative Expenses

2018 vs 2017

Administrative expenses are mainly comprised of salaries and staff welfare expenses, depreciation expenses, travel and entertainment expenses, legal and professional fees, rental expenses, and office expenses.

Administrative expenses were CNY6.21 million (US\$0.90 million) in 2018 as compared with CNY6.20 million in 2017. No material fluctuation was noted for the comparative periods, as the decrease of audit fee in 2018 was offset by the inclusion of the administrative expenses of Bayannaer Mining which was acquired in November 2017.

2017 vs 2016

Administrative expenses increased by CNY1.68 million, or 37.17%, to CNY6.20 million in 2017 and from CNY4.52 million in 2016. The increase in administrative expenses was primarily caused by the increase in audit fee and the inclusion of the administrative expenses of Bayannaer Mining which was acquired in November 2017.

Discontinued Operations

Discontinued operations for the year ended December 31, 2017 arose from the disposal of 100% of Wuhu Feishang and Double Grow (and its subsidiaries) in 2017.

2017 vs 2016

Administrative expenses decreased by CNY3.54 million, or 33.71%, to CNY6.96 million in 2017 from CNY10.50 million in 2016. The decrease was primarily due to the inclusion of only three months administrative expenses of Wuhu Feishang, amounting to CNY0.99 million, in 2017, as compared with the inclusion of 12 months administrative expenses, amounting to CNY6.59 million, in 2016, as Wuhu Feishang was disposed of on March 3, 2017. The decrease was partly offset by the increase in administrative expenses of Antay Pacha, amounting to CNY2.10 million, caused by the expansion of Antay Pacha's operations.

Losses arising from the temporary suspension of production of Wuhu Feishang decreased by CNY3.43 million or 84.28% to CNY0.64 million in 2017 from CNY4.07 million in 2016. The decrease was due to the inclusion of only three months temporary suspension costs of Wuhu Feishang in 2017, as compared with the inclusion of 12 months temporary suspension costs in 2016. If compared on a pro rata basis, there is no material fluctuation between the two periods.

Reversal of write-down of inventories to net realizable value decreased by CNY1.74 million or 100% to nil in 2017 from CNY1.74 million in 2016. The reversal of write-down of inventories was due to the recovery of the selling price of iron concentrates during 2016.

Other operating income (expenses) increased by CNY3.24 million or 101.89% to income of CNY0.06 million in 2017 from expenses of CNY3.18 million in 2016. Other operating expenses in 2016 mainly represented equipment testing and fine-tuning expenses incurred in anticipation of the trial run and commercial production of Antay Pacha.

In addition, we recorded a CNY12.34 million gain on the disposal of Wuhu Feishang and a CNY27.91 million loss on the disposal of Double Grow in 2017, respectively.

Income Tax Expenses

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

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

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

2018 vs 2017

There are no income tax expenses in 2018 and in 2017, due to the losses in both years.

2017 vs 2016

There are no income tax expenses in 2017 and in 2016, due to the losses in both years.

Loss For The Year

2018 vs 2017

Loss for the year decreased from CNY30.00 million in 2017 to CNY6.18 million (US\$0.90 million) in 2018. The decreased loss was mainly attributable to the inclusion of the discontinued operations of Wuhu Feishang and Double Grow in 2017, amounting to CNY23.82 million.

2017 vs 2016

Loss for the year increased from CNY23.04 million in 2016 to CNY30.00 million in 2017. The increased loss was mainly attributable to (i) the increase of CNY1.68 million in administrative expenses from continuing operations as a result of increased audit fees and other administrative expenses; and (ii) the increase of loss amounting to CNY5.23 million arising from the discontinued operations of Wuhu Feishang and Double Grow.

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

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides

us a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

There was no revenue generated by us during the years ended December 31, 2018 and December 31, 2017.

Property, plant and equipment and depreciation

Property, plant and equipment comprise buildings, mining structures, mining rights, machinery and equipment, motor vehicles, exploration rights and construction in progress.

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

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

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

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

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

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

Depreciation for the following items is calculated on the straight-line basis over each asset's estimated useful life down to the estimated residual value of each asset.

Estimated useful lives are as follows:

Non-mining related buildings	8 - 35 years
Non-mining related machinery and equipment	3 - 15 years
Motor vehicles	4 - 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 of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized in the statement of profit or loss.

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount

of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

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 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 the consolidated statement of profit or loss as incurred, unless a future economic benefit is more likely than not to be realized. Exploration and evaluation assets acquired in a business combination are initially recognized at fair value. They are subsequently stated at cost less accumulated impairment.

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

Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either as other comprehensive income or loss, or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, by the end of the reporting date, taking into consideration interpretations and practices prevailing in the countries where we operate and generate 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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when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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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, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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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

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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 it has become probable that sufficient taxable profit will be available to allow all or part of the

deferred tax asset to be recovered.

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 and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Asset retirement obligations

Our 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 costs in the consolidated statement of profit or loss. Any difference between the recorded obligation and the actual costs of reclamation is recorded in the consolidated statement of profit or loss in the period the obligation is settled.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, etc.), the asset's recoverable amount is estimated.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. The calculation of fair value less costs of disposal is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset or other appropriate valuation techniques. The value in use calculation is based on a discounted cash flow model, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years.

Changes in Accounting Policies and Disclosures

We have adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40, IFRIC 22 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the consolidated financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a)

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement from January 1, 2018.

The comparative information is not restated and we recognized any transition adjustments in relation to the adoption of IFRS 9 against the opening balance of equity at January 1, 2018 as further disclosed below.

(1) Classification and measurement

On January 1, 2018 (the date of initial application of IFRS 9), our management has classified its financial assets into the appropriate IFRS 9 categories. There was no significant effect resulting from this reclassification

(2) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. We have no trade receivables and only has other receivables, and thus, we have applied the general approach and recorded twelve-month expected credit losses that were estimated based on the probability of default by applying a loss rate approach to its other receivables within the next twelve months. The effect of adoption on the consolidated financial statements was minimal.

(b)

IFRS 15 Revenue from Contracts with Customers and its amendments

IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of IFRS 15, we have changed the accounting policy with respect to revenue recognition in Note 2.4(p) to the consolidated financial statements. We have adopted the standard from January 1, 2018. The effect of adoption of the standard on the consolidated financial statements was minimal.

We had no revenue generated during the years ended December 31, 2018 and 2017.

Issued but not yet effective International Financial Reporting Standards

We have not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3
Amendments to IFRS 9

*Definition of a Business*²
*Prepayment Features with Negative Compensation*¹

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance Contracts</i> ³
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ²
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 ¹

1

Effective for annual periods beginning on or after January 1, 2019

2

Effective for annual periods beginning on or after January 1, 2020

3

Effective for annual periods beginning on or after January 1, 2021

4

No mandatory effective date yet determined but available for adoption

Of those standards, IFRS 16 will be applicable for the financial year ending December 31, 2019 and is expected to have some impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standard and the transitional provisions and policy options finally adopted.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied and the lessee elects to apply that model to the right-of-use asset. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. We will adopt IFRS 16 from January 1, 2019. We plan to adopt the transitional provisions in IFRS 16 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2019 and will not restate the comparatives. In addition, we plan to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using our incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before the date of initial application. We plan to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, we have performed a detailed assessment on the impact of adoption of IFRS 16. We have estimated that right-of-use assets of CNY1.80 million and lease liabilities of CNY1.80 million will be recognized at January 1, 2019.

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 in prior years, non-interest bearing loans from the Related-Party Debtholders, and funds provided pursuant to the Cooperation Agreement. In view of the disposition of our metals mining and copper smelting operations, and since Moruogu Tong Mine is in the pre-revenue exploration stage, it can be expected that the availability of internally generated funds to sustain operations will decrease until the commencement of commercial production at Moruogu Tong Mine. We will continue to incur operating expenses prior to the commencement of revenue-producing activities and expect those expenses to continue to be funded through internally generated cash in prior years, non-interest bearing loans from related parties, and funds provided pursuant to the Cooperation Agreement. As of December 31,

2018, CHNR owed an aggregate of CNY11.01 million (US\$1.60 million) to the Related-Party Debtholders.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the directors of the Company have undertaken certain measures to improve the cash flows of the Group, which include but are not limited to obtaining confirmations for continuous financial support from Feishang Group and Feishang Enterprise, entities controlled by Mr. Li Feilie, the principal beneficial shareholder of the Company, which state that Feishang Group and Feishang Enterprise would provide continuous financial support to the Group in relation to the going concern of its operations, including payments on debts and will not recall any amounts due to them until the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.

See Item 5.F. OPERATING AND FINANCIAL REVIEW AND PROSPECTS Tabular Disclosure of Contractual Obligations for a summary of our contractual obligations for future cash payments as at December 31, 2018.

Revenue and expenses of our PRC subsidiaries are denominated in Renminbi. We pay our corporate expenses in either Hong Kong dollars or U.S. 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 investments and capital contributions. These transactions must be approved by the SAFE. See Item 3.D. KEY INFORMATION - Risk Factors, and Item 10.D. ADDITIONAL INFORMATION Exchange Controls for a further discussion of exchange controls in the PRC.

As of December 31, 2018, the breakdown of cash (in thousands) held in different currencies are as follows:

Currency and Amount	CNY Equivalent	US\$ Equivalent
CNY1,910	1,910	278
HK\$5,294	4,650	676
US\$34	233	34
Total	6,793	988

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 flows for each of the three years ended December 31, 2016, 2017 and 2018 including cash flows from discontinued operations:

	Years Ended December 31,		
	2016 CNY'000	2017 CNY'000	2018 CNY'000
Cash and cash equivalent at beginning of year	45,307	19,228	18,878
Net cash used in operating activities	(28,269)	(14,746)	(7,527)
Net cash (used in)/from investing activities	(4,936)	2,868	9,372
Net cash from/(used in) financing activities	5,581	12,630	(13,813)
Net (decrease)/increase in cash and cash equivalents	(27,624)	752	(11,968)
Effect of exchange rate changes on cash	1,545	(1,102)	(117)
Cash and cash equivalent at end of year	19,228	18,878	6,793

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

	Years Ended December 31,		
	2016	2017	2018
Current ratio	0.48x	0.65x	0.25x
Working capital (CNY'000)	(40,054)	(15,842)	(22,073)
Gearing ratio			

2018 vs 2017

Net cash used in operating activities was CNY7.53 million (US\$1.09 million) in 2018 and CNY14.75 million in 2017. The decrease of cash outflow was mainly attributable to the losses from discontinued operations in 2017.

Net cash received in investing activities was CNY9.37 million (US\$1.36 million) in 2018, as compared to net cash inflow of CNY2.87 million in 2017. The cash inflows in 2018 were primarily comprised of the consideration received for the disposal of Double Grow.

Net cash flows used in financing activities was CNY13.81 million (US\$2.01 million) in 2018, as compared to net cash inflow of CNY12.63 million in 2017. The net cash flows of financing activities were primarily comprised of the net advances and repayments with related parties.

2017 vs 2016

Net cash used in operating activities was CNY14.75 million in 2017 and CNY28.27 million in 2016. They were mainly caused by the operating losses for the corresponding years.

Net cash received in investing activities was CNY2.87 million in 2017, as compared to net cash outflow of CNY4.94 million in 2016. The cash inflows in 2017 were primarily comprised of the payment received for the disposal of Wuhu Feishang and Double Grow.

Net cash flows from financing activities were CNY12.63 million in 2017, as compared to CNY5.58 million in 2016. The net cash flows from financing activities were primarily comprised of the net advances from related parties.

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

.

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

.

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

.

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

.

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

See Item 5.F. OPERATING AND FINANCIAL REVIEW AND PROSPECTS Tabular Disclosure of Contractual Obligations 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, 2016, 2017 and 2018. The Company believes that bank borrowings, payments pursuant to the Cooperation Agreement and/or borrowings from its Related-Party Debtholders will be sufficient to satisfy 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.

In the event we determine to pursue a mining permit and thereafter engage in mining at Moruogu Tong Mine, we will be required, among other things, for mine construction and development, including to build roads and make provision for water and electricity at the mine site. There will be significant capital expense for these and other projects. We intend to fund those capital expenditures from the proceeds of loans from our Related-Party Debtholders, payments pursuant to the Cooperation Agreement and, to the extent deemed necessary, bank borrowings.

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

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.

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, 2018, 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**

Contractual Obligations as at December 31, 2018	Payments due by period				Later years CNY 000
	Total CNY 000	2019 CNY 000	2020-2021 CNY 000	2021-2022 CNY 000	
Operating lease obligations	1,891	1,245	646		
Total	1,891	1,245	646		

G.**Safe Harbor**

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

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

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

Name	Age	Position
Wong Wah On Edward	55	Chairman of the Board of Directors, President and Chief Executive Officer
Tam Cheuk Ho	56	Director
Yue Ming Wai Bonaventure	51	Director, Chief Financial Officer and Corporate Secretary
Lam Kwan Sing	49	Non-employee Director
Ng Kin Sing	56	Non-employee Director
Yip Wing Hang	52	Non-employee Director
Li Feilie	53	Director of Subsidiaries

Mr. Wong Wah On Edward was appointed as a director in April 2015, and as Chairman of the Board of Directors, President and Chief Executive Officer in August 2016. Mr. Wong has served as the director of Feishang Anthracite since February 2013. He served as a director of the Company from January 1999 to January 2014, as its financial controller from December 2004 to January 2008, as its secretary from February 1999 to January 2014, and as its chief financial officer from January 2008 to January 2014. He served as secretary, financial controller and a director of China Resources from December 1997 to December 2004. Mr. Wong is also an independent non-executive director of Quali-Smart Holdings Limited, a company listed in Hong Kong since September 2015. He received a professional diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic University. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries. He is also a certified public accountant (practising) in Hong Kong.

Mr. Tam Cheuk Ho was appointed as a director in April 2015. Mr. Tam has served as the director of Feishang Anthracite since February 2013. He served as a director of the Company from December 1993 to December 1994 and from December 1997 to January 2014. He was also the chief financial officer and executive vice president of the Company, from December 2004 to January 2008, and from January 2008 to January 2014, respectively. He served as the chief financial officer and a director of China Resources from December 1994 to December 2004. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a certified public accountant (practising) in Hong Kong. He holds a Bachelor of Business Administration degree from the Chinese University of Hong Kong.

Mr. Yue Ming Wai Bonaventure was appointed as a director in August 2016, and as Chief Financial Officer and Corporate Secretary in April 2015. Mr. Yue has been the chief financial officer and the company secretary of Feishang Anthracite since January 2014, and as an executive director of Feishang Anthracite since May 2015. He served as the financial controller of the Company from April 2008 to January 2014. He has also been appointed as an independent non-executive director of A.Plus Group Holdings Limited, a company listed in Hong Kong, since March 2016, and an independent non-executive director of Palace Banquet Holdings Limited, a company listed in Hong Kong, since January 2019. Mr. Yue graduated from Hong Kong Baptist University with a Bachelor of Business Administration degree and was awarded a Master of Science degree in accounting and finance from the University of Manchester. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England & Wales. Mr. Yue is also a member of Chartered Accountants Australia & New Zealand, and a member certified in Enterprise and Intangible Valuations of the American Institute of Certified Public Accountants.

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 November 2016 to present, Mr. Lam has been the chief executive officer and executive director of SFund International Holdings Ltd., a Hong Kong listed company. He is also an independent non-executive director of Hao Tian Development Group Limited, a Hong Kong listed company, since August 2012. From August 2010 to August 2017, Mr. Lam was the executive director of China Smarter Energy Group Holdings Limited, a Hong Kong listed company, where he is responsible for corporate development. Mr. Lam was the executive director and chief executive officer of Enterprise Development Holdings Limited, a Hong Kong listed company, from February 2012 to May 2015 and from May 2013 to May 2015, respectively. 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. 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 January 2018 to present, Mr. Yip has been the senior director of Winsome Asset Management Ltd., where he is responsible for managing high-net-worth clients' assets on discretionary basis. Mr. Yip has served as adjunct associate professor at the Institute of China Business, the University of Hong Kong SPACE since 2013. From October 2010 to December 2017, Mr. Yip was the marketing director of Athena Financial Services Limited where he was responsible for the sale and distribution of financial products. Mr. Yip holds a Master's degree in Sustainability from Cambridge University and a Master Degree in Accounting and Finance from the Lancaster University, United Kingdom. He is also a Chartered Banker in the United Kingdom.

Mr. Li Feilie served as a director, Chief Executive Officer and Chairman of the Board of CHNR from February 2006 to August 2016. He currently serves as director of Feishang Mining, Newhold, Pineboom, China Coal, Feishang Dayun, Feishang Yongfu and FMH Services, each of which is a subsidiary of CHNR. In addition to his directorships, Mr. Li provides strategic guidance relating to the various businesses in which he and his controlled companies invest.

Through his related companies, Mr. Li also provides funding to support the Company's operating expenses and holds a substantial amount of the Company's debt (see Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS - Related Party Transactions, below). He served as a director of Feishang Anthracite from January 2010 to July 2016, its Chairman from December 2013 to July 2016, and its Chief Executive Officer from December 2013 to March 2016. Mr. Li has been the chairman of Feishang Enterprise, WFID and Wuhu Port Co., Ltd., companies beneficially owned by him, since June 2000, from December 2001 to July 2011 and since October 2002, respectively. Mr. Li graduated from Peking University with a Bachelor's degree and a Master's degree in Economics.

Key Employees

The following table identifies the senior management of Bayannaer Mining, and their ages and positions:

Name	Age	Position
Yu Jun	51	General Manager of Bayannaer Mining
Yao Yangli	54	Deputy Chief Engineer of Bayannaer Mining

Mr. Yu Jun was appointed as general manager of Bayannaer Mining in January 2015. He has served as finance manager and chief finance officer of Bayannaer Mining since 2005. Mr. Yu has over 25 years of experience in corporate finance. Prior to joining Bayannaer Mining, he served the positions of finance manager and financial controller of several companies including subsidiary companies of Sichuan University. Mr. Yu graduated from the University of Electronic Science and Technology of China in 1989 and was awarded a bachelor's degree from Southwestern University of Finance and Economics in 2004.

Mr. Yao Yangli was appointed as deputy chief engineer of Bayannaer Mining in charge of exploration work in April 2012. Mr. Yao has almost 30 years of experience in mineral exploration. Prior to joining Bayannaer Mining, he served as chief geological prospecting engineer, exploration project leader and chief engineer in several companies. Mr. Yao has been appointed as distinguished geologist consultant for the Land and Resources Department of Bayannaer Municipal Government since 2012. Mr. Yao graduated from Guilin College of Geology (now known as Guilin University of Technology) with a bachelor's degree in 1988 and holds a senior engineer accreditation.

Family Relationships

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, 2018, to each of the individuals identified in Item 6.A. above.

Name	Compensation (US\$)	Number of options to purchase Common Shares	Exercise price (US\$/share)	Expiration date
<u>Directors and Executive Officers</u>				
Li Feilie ¹		1		
Wong Wah On Edward ²		1		
Tam Cheuk Ho ²		1		
Yue Ming Wai Bonaventure		1		
Lam Kwan Sing	15,385			
Ng Kin Sing	15,385			
Yip Wing Hang	15,385			
<u>Key Employees</u>				
Yu Jun	10,031			
Yao Yangli	28,299			

1

Mr. Li serves as director of certain subsidiaries of the Company.

2

Does not include payments to Anka under an office sharing agreement pursuant to which Anka provides certain accounting, administrative and secretarial services to the Company (see Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS - Related Party Transactions; Commercial Transactions with Related Companies, below). Anka is jointly owned by Wong Wah On Edward and Tam Cheuk Ho.

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

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

There are no current contracts, agreements or understandings to increase the annual cash compensation payable to any of our executive officers or directors. For each of the three years ended December 31, 2016, 2017 and 2018, 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.

Non-Employee Director Compensation

From July 1, 2006 to June 30, 2017, we paid our independent directors a monthly directors' fee equal to HK\$5,000. Commencing July 1, 2017, we pay our independent directors a monthly directors' fee equal to HK\$10,000. 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 reimburse out-of-pocket expenses incurred by directors in attending board and committee meetings. During the fiscal year ended December 31, 2018, no long-term incentive plans or pension plans were in effect with respect to any of the Company's executive officers or directors.

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, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
2014 Equity Compensation Plan		N/A N/A	4,982,183

Equity compensation plans not
approved by security holders
Total

N/A

4,982,183

Stock Option Plan

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

The purposes of the 2014 Plan are to:

.

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

.

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

.

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

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

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

A total of 4,982,183 common shares have been reserved for issuance under the 2014 Plan. No awards have yet been made under the 2014 Plan. The 2014 Plan terminates on June 19, 2024.

C.

Board Practices

As provided by our Amended and Restated Memorandum and Articles of Association 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 2018, Messrs. Lam Kwan Sing and Yip Wing Hang were elected to serve as Class II directors until immediately following the annual meeting to be held in 2021 and until their successors have been duly elected and qualified. Messrs. Yue Ming Wai Bonaventure and Ng Kin Sing serve as Class I directors until immediately following the annual meeting to be held in 2020 and until their successors have been duly elected and qualified. Messrs. Tam Cheuk Ho and Wong Wah On Edward serve as Class III directors until immediately following the annual meeting to be held in 2019 and until their successors have been duly elected and qualified.

Messrs. Lam Kwan Sing, Yip Wing Hang and Ng Kin Sing are each independent directors as such term is used in applicable rules and regulations of the Securities and Exchange Commission and in NASDAQ Marketplace Rule 5605(a)(2). We are not required to maintain a Board of Directors consisting of a majority of independent directors based upon an exemption from NASDAQ requirements applicable to foreign private issuers whose home jurisdiction does not require the board of directors to consist of a majority of independent directors.

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

Audit Committee

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

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appointing and supervising our independent registered public accounting firm;

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

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

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

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

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

Nominating and Corporate Governance Committee; Shareholder Nominees for Director

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

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

.

identifying individuals qualified to become members of the Board of Directors;

.

determining the slate of nominees to be recommended for election to the Board of Directors;

.

reviewing corporate governance principles applicable to us, including recommending corporate governance principles to the Board of Directors and administering our Code of Ethics;

.

assuring that at least one Audit Committee member is an audit committee financial expert within the meaning of regulatory requirements; and

.

carrying out such other duties and responsibilities as may be determined by the Board of Directors.

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

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

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

Compensation Committee

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

The Compensation Committee is responsible for:

.

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 the applicable specifically mandated provisions of Marketplace Rule 5600. In addition, we have elected to voluntarily comply with certain other provisions 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 BVI 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 is not prevented from being 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 the date of this Annual Report, we employed a total of 12 employees on a full-time basis consisting of (a) seven employees engaged in metal exploration segment, and (b) five executive and administrative employees in the corporate segment. The Company believes that its relations with employees are generally good.

The following table sets out the number of employees as of December 31, 2018, including their principal category of activity and geographic location.

		Years Ended December 31,	
		2017	2018
Hong Kong	Accounting, administration and management	3	3
		3	3
The PRC	Accounting, administration and management (Shenzhen)	2	2
	Accounting, administration and management (Bayannaer)	5	5
	Cashier	1	1
	Mining exploration	2	1
		10	9
Total		13	12

E.**Share Ownership**

The following table sets forth, as of April 25, 2019, the share ownership of the Company's common shares by each of individuals disclosed in response to Item 6.B. of this Annual Report.

As of April 25, 2019, 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%
Wong Wah On Edward	400,000	1.61%
Tam Cheuk Ho	281,926	1.13%
Yue Ming Wai Bonaventure		
Lam Kwan Sing		
Ng Kin Sing		
Yip Wing Hang		
Yu Jun		
Yao Yangli		
Officers and directors as a group (8 persons)	15,462,519	62.07%

(1)

Mr. Li is not an officer or director of CHNR but is an officer and/or director of certain of our subsidiaries. Consists of (a) 14,480,593 outstanding common shares held in the name of Feishang Group, a BVI corporation that is wholly-owned by Mr. Li, and (b) 300,000 outstanding common shares held by Mr. Li.

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

Major Shareholders**Major Shareholders**

The following table sets forth, as of April 25, 2019, 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 25, 2019, 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.

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

(1)

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

Significant Changes in Ownership

There have been no significant changes in the percentage ownership held by any major shareholder during the past three years.

Geographic Breakdown of Shareholders

Based upon a review of our shareholder records as of December 31, 2018, on that date our common shares were held of record by approximately 174 persons, 150 of whom, holding approximately 28.9% of our outstanding common shares on that date, were located in the United States (host country). Shares registered in the name(s) of intermediaries were assumed to be held by residents of the same country in which the intermediary was located.

Control

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

B.

Related Party Transactions

Commercial Transactions with Related Companies

Commercial transactions with related companies are summarized as follows:

	Years Ended December 31,		
	2016	2017	2018
	CNY 000	CNY 000	CNY 000
CHNR's share of office rental, rates and others to Anka (1)	953	1,316	1,442
Sales of equipment to Wuhu Industrial (2)		1,056	
Purchase of raw ore from Empressa Minera Jacha Uru S.A. (Jacha Uru) (3)	20	240	
Feishang Management's share of office rental to Feishang Enterprise (4)			166

(1)

On April 1, 2017, the Company signed an office sharing agreement with Anka which superseded all previously signed agreements between the parties, pursuant to which the Company shares 184 square meters of the total area of the office premises. The agreement also provides that the Company shares certain costs and expenses in connection with their use of the office, in addition to some of certain accounting and secretarial services and day-to-day office administration services provided by Anka. In 2018, Anka's lease with the unrelated landlord was extended for two years, from July 1, 2018 to June 30, 2020.

(2)

On February 22, 2017, Wuhu Feishang signed an agreement with Wuhu Industrial, controlled by Mr. Li Feilie, to dispose of certain equipment with the carrying amount of CNY1.06 million. The disposal gain was CNY0.05 million.

(3)

In 2016 and 2017, Antay Pacha purchased copper ore from Jacha Uru, a copper mine located in Bolivia and controlled by Feishang Hesheng.

(4)

On January 1, 2018, Feishang Management signed an office sharing agreement with Feishang Enterprise, a related company controlled by Mr. Li Feilie. Pursuant to the agreement, Feishang Management shares 40 square meters of the office premises. The agreement is for a term of 33 months, from January 1, 2018 to September 30, 2021.

Balances with Related Parties

	As of December 31,		
	2016	2017	2018
	CNY 000	CNY 000	CNY 000
<u>Payables to related parties</u> (5)			
Jacha Uru (1)	1,298		
Feishang Enterprise (2)	7,832	3,719	4,041
Feishang Hesheng (3)	11,877	10,028	
Feishang Group (4)	12,565	11,573	6,973

(1)

Payable to Jacha Uru for expenses paid on behalf of Antay Pacha and the purchase of copper ores from Jacha Uru. The balance is unsecured and interest-free.

(2)

Payable to Feishang Enterprise by Feishang Management for the net amount of loans from Feishang Enterprise. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.

(3)

Payable to Feishang Hesheng for the acquisition of Double Grow as well as the assumption of indebtedness due to Feishang Hesheng by Double Grow. The balance is unsecured and interest-free. The balance as at December 31, 2017 was repaid during 2018.

(4)

Payable to Feishang Group for the acquisition of Feishang Anthracite. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.

(5)

Feishang Enterprise, Feishang Group, Feishang Hesheng and Jacha Uru are entities controlled by Mr. Li Feilie, who is the principal beneficial owner of the Company.

C.

Interests of Experts and Counsel

No disclosure is required in response to this Item.

ITEM 8.

FINANCIAL INFORMATION

A.

Consolidated Statements and Other Financial Information

The Company's consolidated financial statements for the fiscal years ended December 31, 2016, 2017 and 2018 are included herewith as Appendix A and are incorporated herein by reference.

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

See Item 4.A. **INFORMATION ON THE COMPANY** History and Development of the Company 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 laws.

See Item 3.A. **KEY INFORMATION** Selected Financial Data for the details of reserve allocation of PRC's subsidiaries.

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

B.

Significant Changes

Except as otherwise described in this Annual Report, there have been no significant changes that have occurred since the date of the annual financial statements included in this Annual Report.

ITEM 9.

THE OFFER AND LISTING

A.

Offer and Listing Details

The principal United States market for our common shares, our only class of outstanding equity securities, is the NASDAQ Stock Market. Our common shares are traded on the NASDAQ Stock Market under the symbol CHNR. We are not aware of any principal market for any of our securities outside of the United States.

B.

Plan of Distribution

No disclosure is required in response to this Item.

C.

Markets

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

D.

Selling Shareholders

No disclosure is required in response to this Item.

E.

Dilution

No disclosure is required in response to this Item.

F.

Expenses of the Issue

No disclosure is required in response to this Item.

ITEM 10.

ADDITIONAL INFORMATION

A.

Share Capital

No disclosure is required in response to this Item.

B.

Amended and Restated Memorandum and Articles of Association

Charter

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

The Memorandum of Association loosely resembles the Articles or Certificate of Incorporation of a United States corporation, and the Articles of Association loosely resembles the bylaws of a United States corporation. A brief

description of our Memorandum of Association and Articles of Association follows, including a summary of material differences between the corporate laws of the United States and those of the British Virgin Islands. This description does not purport to be complete and does not address all differences between United States and British Virgin Islands corporate laws. Copies of our Memorandum of Association and Articles of Association have been incorporated by reference as exhibits to this Annual Report and readers are urged to review these exhibits in their entirety for a complete understanding of the provisions of our charter documents.

Memorandum of Association

Corporate Powers

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

Authorized Shares

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

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

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

Amendments to Memorandum and Articles of Association

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

Articles of Association

Issuance of Shares

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

Redemption of Shares

The Company may purchase, redeem or acquire its own shares for such consideration as may be determined by the directors, and such shares may, at the direction of the directors, be cancelled or held as treasury shares; provided, however, that the Company may not purchase, redeem or acquire its shares unless, immediately following the purchase, redemption or acquisition (a) the value of the Company's assets exceeds its liabilities and (b) the Company is able to pay its debts as they become due.

Meetings of Shareholders

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

Directors

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

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

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

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

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

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

Indemnification

The Company shall indemnify every officer and director of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses incurred as a result of any act or failure to act in carrying out their functions, except those incurred by reason of their own fraud or wilful default. No indemnified person shall be liable to the Company for any loss or damage except due to the fraud or wilful default of the indemnified person. Fraud or wilful default may only be found to exist by a court of competent jurisdiction. The Company must advance reasonable attorney's fees and other expenses to an indemnified person provided that the indemnified person executes an agreement to reimburse the Company if a court of competent jurisdiction determines that indemnification was not available under the circumstances.

Dividends and Distribution

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

Restrictions on Rights to Own Securities

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

Change in Control Provisions

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

Disclosure of Share Ownership

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

Changes in Capital

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

Arbitration

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

Discussion of Law

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

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

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

The Business Companies Act of the BVI permits the creation in our Memorandum and Articles of Association of staggered terms of directors, cumulative voting, shareholder approval of corporate matters by written consent, and the issuance of preferred shares. Currently, our Memorandum and Articles of Association provide for (a) shareholder approval of corporate matters by majority written consent, (b) staggered terms of directors and (c) the issuance of preferred shares.

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

Under BVI law, liability of a corporate director to the corporation is primarily limited to cases of willful malfeasance in the performance of his duties or to cases where the director has not acted honestly and in good faith and with a view to the best interests of the company. However, under our Memorandum of Association, we are authorized to indemnify any director or officer who is made or threatened to be made a party to a legal or administrative proceeding by virtue of being one of our directors or officers, provided such person acted honestly and in good faith and with a view to our best interests and, in the case of a criminal proceeding, such person had no reasonable cause to believe

that his conduct was unlawful. Our Memorandum of Association also enable us to indemnify any director or officer who was successful in such a proceeding against expenses and judgments, fines and amounts paid in settlement and reasonably incurred in connection with the proceeding.

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

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

C.

Material Contracts

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

.

Equity Transfer Agreement dated February 24, 2017 by and among Wuhu City Feishang Industrial Development Co., Ltd., Feishang Mining Holdings Limited, Mr. Shen Yandi and Wuhu Feishang Mining Development Co., Limited.

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Agreement dated November 30, 2017 by and between Yangpu Shuanghu Industrial Development Co., Limited and Feishang Enterprise Group Co., Ltd.

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Agreement dated November 30, 2017 by and between Yangpu Shuanghu Industrial Development Co., Limited and Shenzhen Chaopeng Investment Co., Ltd.

.

Purchase and Sale Agreement dated December 29, 2017 by and among the Company, Double Grow International Limited and Shanghai Kangzheng Investment Management Co., Ltd.

.

Deed of Assignment of Loan dated December 29, 2017 by and among the Company, Double Grow International Limited and Shanghai Kangzheng Investment Management Co., Ltd.

.

Mutual Cooperation Agreement dated August 20, 2017 by and between Bayannaoer City Feishang Mining Company and Bayannaoer Jijincheng Mining Co., Ltd.

D.

Exchange Controls

There are no material BVI laws, decrees, regulations or other legislation that impose foreign exchange controls on us or that affect our payment of dividends, interest or other payments to non-resident holders of our shares. BVI law and

our Memorandum of Association and Articles of Association impose no limitations on the right of non-resident or foreign owners to hold or vote our common shares. However, we operate through subsidiaries located in the PRC, and the payment of dividends by PRC companies is subject to certain restrictions imposed under PRC law.

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

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

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

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

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

.

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

.

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

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

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

E.

Taxation

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

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

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

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

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

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

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

United States Federal Income Taxation

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

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

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

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

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

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

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

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

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is a corporation or comes within other exempt categories; or

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

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

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

British Virgin Islands Taxation

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

A holder of our common shares who is not a resident of BVI is exempt from BVI income tax on dividends paid with respect to the common shares. In addition, the common shares are not subject to transfer taxes, stamp duties or similar

charges for so long as we do not hold an interest in real estate in the BVI.

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

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

F.

Dividends and Paying Agents

No disclosure is required in response to this Item.

G.

Statement by Experts

No disclosure is required in response to this Item.

H.

Documents on Display

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

I.

Subsidiary Information

See Exhibit 8 for further information about our subsidiaries.

ITEM 11.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency exchange rate risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate