FEISHANG

Feishang Anthracite Resources Limited

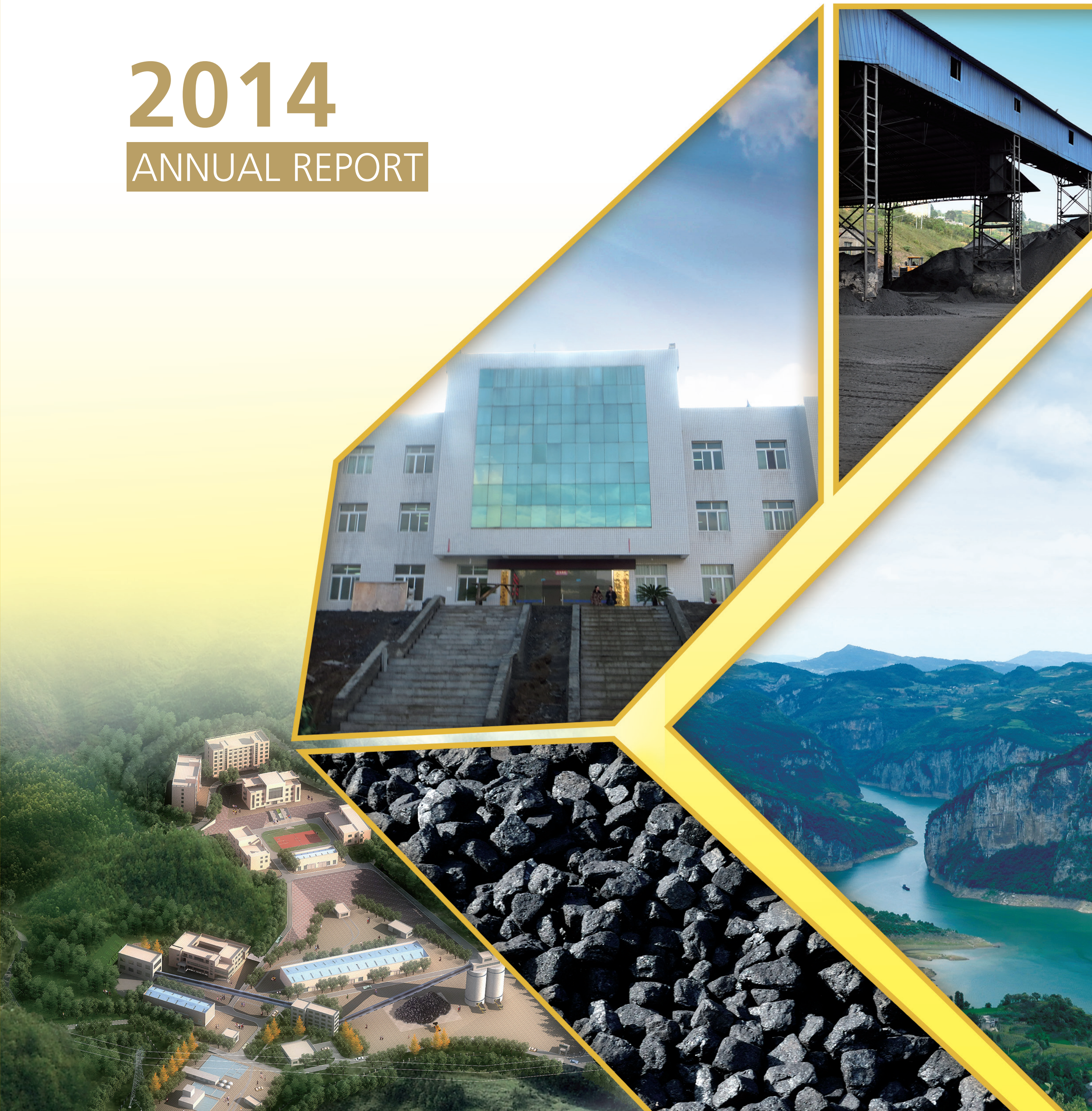
飛尚無煙煤資源有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1738

2014

ANNUAL REPORT



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Feishang Anthracite Resources Limited
2014 Annual Report

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Feilie *(Chairman and Chief Executive Officer)*
Mr. HAN Weibing *(Chief Operating Officer)*
Mr. WAN Huojin *(Chief Technical Officer)*
Mr. TAM Cheuk Ho
Mr. WONG Wah On Edward

Independent Non-executive Directors

Mr. LO Kin Cheung
Mr. HUANG Zuye
Mr. HUANG Songzhong

AUTHORISED REPRESENTATIVES

Mr. WONG Wah On Edward
Mr. YUE Ming Wai Bonaventure

COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure

AUDIT COMMITTEE

Mr. LO Kin Cheung *(Chairman)*
Mr. HUANG Zuye
Mr. HUANG Songzhong

NOMINATION COMMITTEE

Mr. HUANG Zuye *(Chairman)*
Mr. LO Kin Cheung
Mr. HUANG Songzhong
Mr. LI Feilie
Mr. TAM Cheuk Ho

REMUNERATION COMMITTEE

Mr. HUANG Songzhong *(Chairman)*
Mr. HUANG Zuye
Mr. LO Kin Cheung
Mr. LI Feilie
Mr. HAN Weibing

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. HUANG Songzhong *(Chairman)*
Mr. WAN Huojin
Mr. HAN Weibing

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

REGISTERED OFFICE

Maples Corporate Services (BVI) Limited
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British Virgin Islands

HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

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COMPANY'S WEBSITE

http://www.fsanthracite.com

COMPANY'S STOCK CODE

1738.HK

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman KYI-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

(As to Hong Kong Law)
Minter Ellison

(As to PRC Law)
Commerce & Finance Law Offices

(As to British Virgin Islands Law)
Maples and Calder

COMPLIANCE ADVISER

Celestial Capital Limited
21/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited


劳动创造财富

We are committed to becoming one of the most competitive anthracite resource enterprises in Southwest China

CHAIRMAN'S STATEMENT

Chairman of the Board of Directors
LI Feilie

On behalf of the board (the "Board") of directors (the "Directors") of Feishang Anthracite Resources Limited ("Feishang Anthracite" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

REVIEW

China's economy continued to be affected by the global economic climate and its internal factors. According to the National Bureau of Statistics of China, China's gross domestic product grew at a rate of 7.4% in 2014, which was lower than the previous estimate of 7.6%. Downward pressure on domestic economy, the structural transformation of the national macro economy, more stringent requirements on environmental protection and adjustment to the national energy composition have led to sluggish growth of major coal-consuming industries, including coal fire, steel and cement. At the same time, coal imports continued to exert a considerable impact. The plunge in the oil price in 2014, which was unprecedented in the past six years, also had a significant adverse impact on the coal market. Due to these factors, the growth in coal demand declined significantly, and the coal industry experienced a prominent imbalance of supply and demand and intensified market competition. As a result, the China Coal Price Index dropped continuously from the start of 2014, and the coal industry in China saw a substantial fall in profit levels and an expanding scale of loss.

Since the third quarter of 2014, the Chinese government successively implemented a series of measures and policies to boost the domestic coal industry, including a coal resource tax reform, reimposition of tariffs on imported coal, and an import quota on coal, etc. Meanwhile, with the major coal producers reducing their output levels, coal imports decreasing, and the coming of the peak season in coal consumption for heating purposes in winter, coal price stabilized and began to recover slowly in October 2014. Nonetheless, the overall 2014 performance was weak, continuing to put the Group into a difficult business environment.

CHAIRMAN'S STATEMENT

The price of anthracite and chemical coal basically followed the trend of the China Coal Price Index, with price continuously falling from the start of year and the lowest point occurring in mid-October 2014. After that, the price started to pick up slowly and is expected to remain weak and stable in the near future.

The Guizhou coal market, in which the Group located, was no different from the national trend. According to the Energy Bureau of Guizhou province, affected by economic slowdown, falling demand, overcapacity, and descending coal prices, the growth of raw coal output, overall power generation, electricity consumption, and investment in fixed assets in the coal industry in Guizhou province all decelerated. In response, the Guizhou government has introduced various supportive policies such as coal resource tax reform to help coal enterprises gradually step out of the mire and achieve sustainable development. The Guizhou government places great emphasis on the sound development of the coal industry, and it aims to strengthen supervision and control over energy operations to ensure overall balance of supply and demand. At the same time, the Guizhou government will continue to push forward the consolidation of the coal mining industry to achieve healthy and sustainable development of the coal industry.

The commercial operation of Yongsheng Coal Mine, our second largest coal mine, started in February 2014, which was one month ahead of our original schedule. As production expands, we are expecting to benefit from economies of scale to partially offset the impact of the short run adverse market conditions.

LISTING ON THE HONG KONG STOCK EXCHANGE AND NEW FINANCING PLATFORM

22 January 2014 marked an important milestone in the history as the shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") by way of introduction. Feishang Anthracite is not only the first listed anthracite coal miner in Hong Kong, it is also the first spun-off Hong Kong listed company through the distribution in specie of its entire issued share capital (the "Spin-off") by its then US NASDAQ listed holding company, China Natural Resources, Inc. ("CHNR").

In December 2014, the Company completed the placement of 13,500,000 new shares to not less than six placees at the placing price of HK$12.00 per share. The net proceeds of the placement was approximately HK$160.9 million. The proceeds from the share placing has strengthened the capital base of the Group for the development of its major mining properties.

COAL MINE CONSOLIDATION OPPORTUNITY IN GUIZHOU

On 6 June 2014, Guizhou Feishang Energy Co., Ltd. ("Feishang Energy"), a related party of the Group, has been designated as a coal mine consolidator in Guizhou province. According to the confirmations of the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation, Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin"), an indirect wholly owned subsidiary of the Company and an affiliated entity of Feishang Energy, was also deemed as a coal mine consolidator after Feishang Energy has been officially designated as a coal mine consolidator. As a result, Guizhou Puxin (including its subsidiaries and their anthracite coal mines) would not be subject to consolidation or be required to close down under Guizhou province's coal mine consolidation policies.

CHAIRMAN'S STATEMENT

Feishang Energy executed a deed of non-competition dated 24 December 2013 (the "Deed of Non-Competition") in favour of the Company pursuant to which Feishang Energy will give the Group the first opportunity to utilize any consolidation opportunity and to use its best endeavours to procure that such opportunity is first offered to the Group (the "Rights of First Refusal and First Offer"). Under this arrangement, the Group can always enjoy the flexibility in selecting and acquiring from Feishang Energy desirable and suitable targets that are appropriate for the business and operations of producing high quality anthracite coal products for the future development of the Group and yet the Group would not be under any obligation to acquire or consolidate targets that are considered to be unsuitable or undesirable.

On 26 January 2015, the first batch of coal mine restructuring proposal (the "Restructuring Proposal") of Feishang Energy together with Guizhou Puxin has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the Restructuring Proposal, the Group will:

(a) undergo the integration of its two coal mines, namely Zhulinzhai Coal Mine and Liujiaba Coal Mine, both located in Xinhua, Liuzhi Special District, Zhina Coal District, Guizhou province, into a single coal mine under the name of Liujiaba Coal Mine; and

(b) retain Dayun Coal Mine and Baiping Coal Mine, both located in Jinsha county, Guizhou province.

The Group is currently working on the Restructuring Proposal of its other three coal mines.

The acceleration of Guizhou's coal mine consolidation requires the elimination of a number of coal mines that do not meet the requirements of the safety standards. As the upgrade of Guizhou's coal industry speeds up, the safety condition of Guizhou's coal mines is expected to be greatly improved. As the coal industry in Guizhou province becomes increasingly concentrated, and the price of coal increasingly tends to be determined by market mechanism, the sustainability and the healthy development of the coal industry can be envisaged.

OUTLOOK

Sluggish coal demand from downstream industries, high inventory levels nationwide and oil price lingering at low levels mean that coal price is not expected to enjoy a fundamental recovery in the short run. As a result, except for a few large-scale coal enterprises, the coal industry is expected to suffer from continued overall loss in 2015. The Group will, in response, concentrate on operational efficiency and cost control to tide over this round of deep adjustment. In the long run, however, through comprehensive and in-depth reform and stimulating national policies, China's economy will continue to grow at a steady and healthy rate, providing vast potential for the coal and coal-related industries to develop. After this current round of significant adjustment, consolidation and transformation, the coal industry will become more prepared for the next round of vigorous growth.

China has rich coal resources but lacks oil and gas resources, so the vast majority of domestic industrial furnaces and civil heating stoves still consume coal as the major energy. Since China is still in the process of rapid industrialization, urbanization, and regional coordinated development, the status of coal as the main energy in China is likely to remain unchanged for a considerable length of time in the future. Total coal consumption is expected to witness moderate increase in the medium and long run in order to support steady and sustainable national economic growth.

CHAIRMAN'S STATEMENT

Dayun Coal Mine, our largest coal mine, commenced its pilot run in March 2015. However, due to delayed construction works, the commercial run of our coal washing plant has to be postponed to the first half of 2015. Regarding our shipping port project, the Group reassessed the feasibility of constructing and operating it through a joint venture with another party and concluded that it was more efficient to operate it on our own. Consequently, the progress of the construction has been delayed, and the shipping port project, which would now be wholly owned by the Group, is expected to be completed in the first half of 2015. With the completion of these projects, we believe that the quality of our anthracite products can be enhanced and our targeted markets can be reached out at a lower cost. Looking to the future, we target to become one of the most competitive anthracite resource enterprises in Southwest China by making the most of the golden opportunity in the coal mine consolidation in Guizhou province. At the same time, we will assume our social responsibility while providing to our shareholders with promising returns.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their endeavours and to the Guizhou Government for its guidance and assistance during the year. I also give my sincere gratitude to all our shareholders for their continuing support.

LI Feilie
Chairman and Chief Executive Officer

Hong Kong, 31 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Year 2014 remained a difficult year to the coal industry in China as a whole and to the Group. However, the Group made certain progress despite the adverse environment. Firstly, the Group accelerated the project construction, managed to put Yongsheng Coal Mine into commercial production and substantially completed the construction of Dayun Coal Mine during the year ended 2014. Secondly, the Group succeeded in raising the production capacity, expanding the sales channels, and strengthening the cost management, resulting in the rise in sales volume of self-produced coal (excluding pilot run production) from 563,355 tonnes in 2013 to 1,413,900 tonnes in 2014 and the increment of revenue by 103.6%.

BUSINESS REVIEW

Snapshot of Major Developments of the Group throughout the year

- In January 2014, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange by way of introduction.

- In January 2014, Yongsheng Coal Mine obtained the Safe Production Permit issued by Guizhou Administration of Coal Mine Safety and launched commercial production in February 2014.

- In June 2014, Guizhou Puxin was deemed as a coal mine consolidator in Guizhou province.

- As of 31 December 2014, Dayun Coal Mine completed the construction of mine shaft, water supply and drainage system, power supply system, ventilation system, safety system, haulage system, and main environmental protection systems.

- In December 2014, the Company completed the placement of 13,500,000 new shares to not less than six placees at the placing price of HK$12.00 per share. The net proceeds of the placement was approximately HK$160.9 million.

	Baiping Coal Mine	Yongsheng Coal Mine	Dayun Coal Mine	Liujiaba Coal Mine	Zhulinzhai Coal Mine	Gouchang Coal Mine	Dayuan Coal Mine	Total
Production Output - Trial Run (in tonnes)	n/a	30,188	15,892	n/a	n/a	n/a	n/a	46,080
Production Output - Commercial Run (in tonnes)	304,615	920,812	n/a	143,156	40,890	n/a	31,947	1,441,420
Sales Volume (in tonnes)	303,434	920,281	–	114,693	40,560	–	34,932	1,413,900
Turnover (in CNY million)	71.5	237.5	–	34.6	10.8	–	9.0	363.4
Average Selling Price (in CNY)	235.7	258.1	–	302.1	267.3	–	253.5	257.0

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Items of the Consolidated Statement of Profit or Loss

Items	**For the year ended 31 December 2014 CNY'000**	For the year ended 31 December 2013 CNY'000	Change (%)
Revenue	**363,365**	178,501	103.6%
Cost of sales	**276,147**	108,242	155.1%
Gross profit	**87,218**	70,259	24.1%
Selling and distribution expenses	**8,774**	6,110	43.6%
Administrative expenses	**115,003**	142,064	(19.0)%
Impairment loss on property, plant and equipment	**66,397**	184,417	(64.0)%
Finance costs	**144,185**	115,253	25.1%
Income tax benefit	**27,104**	47,817	(43.3)%
Loss attributable to the owners of the Company	**(223,600)**	(334,119)	33.1%

Revenue

The Group's revenue increased by 103.6% from CNY178.5 million in 2013 to CNY363.4 million in 2014. The rise in revenue was due to an increase in sales volume, notwithstanding a drop in average selling price in 2014. The commercial run of Yongsheng Coal Mine in 2014 contributed an increase in the sales volume from 563,355 tonnes in 2013 to 1,413,900 tonnes in 2014, representing a surge of 151.0%. However, the average selling price of anthracite coal dropped from CNY316.9 per tonne in 2013 to CNY257.0 per tonne in 2014 due to the downward pressure on the domestic economy and the coal market in China.

The Group sold a significant portion of its anthracite coal as thermal coal to power producers in Guizhou province. Also, the Group was dependent on a limited number of customers for a substantial portion of the revenue. In 2013 and 2014, the Group derived 81.4% and 62.8%, respectively, of its revenue from anthracite coal sales to its five largest customers. The management of the Group believes that by diversifying the product mix to include increased sales of chemical coal and sales of pulverized coal injection coal, the dependency on a limited number of large customers will decrease and the Group's profit margin will increase.

Cost of Sales

The Group's cost of sales increased by 155.1% from CNY108.2 million in 2013 to CNY276.1 million in 2014. This was primarily due to the increase in sales volume.

Labour costs in 2014 was CNY98.9 million, representing an increase of CNY52.5 million, or approximately 113.1%, as compared with CNY46.4 million in 2013. The increase in labour costs was lower than the rise in the sales volume of the Group's anthracite products in 2014 because as production expanded, the Group's mine operation was able to achieve economies of scale.

MANAGEMENT DISCUSSION AND ANALYSIS

Material, fuel and energy costs in 2014 were CNY43.0 million, an increase of CNY14.1 million or approximately 48.8% as compared with CNY28.9 million in 2013. The increase in material, fuel and energy costs was lower than the rise in the sales volume of the Group's anthracite products in 2014 as the Group's mine operation was beginning to realize economies of scale.

Depreciation and amortization in 2014 were CNY102.4 million, representing an increase of CNY83.2 million, or approximately 433.3%, as compared with CNY19.2 million in 2013. The higher increase in depreciation and amortization in 2014 was caused by the larger depreciable basis arising from the transfer of construction in progress to property, plant and equipment following the commercial run of Yongsheng Coal Mine, as well as the increase in production volume which led to higher depreciation of mining related assets by using units-of-production method.

Sales tax and levies in 2014 were approximately CNY27.0 million, an increase of CNY16.0 million or approximately 145.5% as compared with CNY11.0 million in 2013. The increase in sales tax and levies was lower than the rise in the sales volume of the Group's anthracite products in 2014 as the Coal Price Adjustment Fund Management Committee of Guizhou Province reduced the price adjustment fund in Guizhou by CNY10 per tonne since August 2013, followed by the circular promulgated by the Ministry of Finance and the National Development and Reform Commission of the People's Republic of China ("PRC") to cease the price adjustment fund since 1 December 2014.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Mining Activity	**2014** **CNY/tonne**	2013 CNY/tonne
Labour costs	**70.0**	82.4
Raw materials, fuel and energy	**30.4**	51.4
Depreciation and amortization	**72.4**	34.0
Taxes & levies payable to governments	**19.1**	19.4
Other production-related costs	**3.4**	4.9
Total cost for coal production	**195.3**	192.1

The major suppliers for the Group's mining operations include third party contractors and suppliers of ancillary materials used in the mining operations. In 2013 and 2014, the total purchases (including those from coal mine construction contractors) from the five largest suppliers were CNY207.3 million and CNY164.9 million, respectively, representing approximately 40.0% and 36.2%, respectively, of the total purchases. In 2013 and 2014, the largest supplier accounted for approximately 11.5% and 11.0%, respectively, of the total purchases. Each of the five largest suppliers is a third party contractor.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Margin

As a result of the foregoing, the gross profit, which is equal to revenue less cost of sales, increased by 24.1% from CNY70.3 million in 2013 to CNY87.2 million in 2014. The gross margin, which is equal to gross profit divided by revenue, decreased from 39.4% in 2013 to 24.0% in 2014, primarily due to a drop in the average selling price of anthracite coal.

Selling and Distribution Expenses

The selling and distribution expenses increased by 43.6% from CNY6.1 million in 2013 to CNY8.8 million in 2014, primarily due to an increase in payroll expense for the Group's sales staff and an increase in the sales and marketing activities following the rise in the production output.

Administrative Expenses

The administrative expenses decreased by 19.0% from CNY142.1 million in 2013 to CNY115.0 million in 2014. The drop was primarily resulted from the decrease in expense related to the preparation for the listing of the Company on the Hong Kong Stock Exchange.

Impairment Loss on Property, Plant and Equipment

The Group incurred an impairment loss on property, plant and equipment of CNY184.4 million in 2013 and CNY66.4 million in 2014 in connection with the temporary suspension of Gouchang Coal Mine and Dayuan Coal Mine, respectively.

Operating Loss

As a result of the foregoing, the operating loss decreased significantly from CNY268.3 million in 2013 to CNY109.4 million in 2014.

Finance Costs

The finance costs increased by 25.1% from CNY115.3 million in 2013 to CNY144.2 million in 2014, principally due to a 14.7% increase in interest expenses on interest-bearing bank and other borrowings from CNY132.2 million in 2013 to CNY151.7 million in 2014. Interest expenses on interest-bearing bank and other borrowings increased primarily due to a rise in interest rate of the renewed interest-bearing bank and other borrowings. A lower level of capitalized interest in 2014 as compared to 2013 also attributed to the rise in interest expenses. The lower level of capitalized interest in 2014 was mainly due to the cessation of interest capitalization along with the pilot run of Dayuan Coal Mine in July 2013 as well as the pilot run of Yongsheng Coal Mine in June 2013.

The Group also incurred entrusted loan commission fees of CNY7.9 million in 2013 and CNY0.4 million in 2014 as the Group replaced the inter-company loans with entrusted loans.

Interest Income

The interest income increased by 146.5% from CNY1.1 million in 2013 to CNY2.7 million in 2014, mainly as a result of the rise in the average balance of the Group's bank deposits in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Non-operating Expense/Income

The net non-operating income was CNY0.1 million in 2013 compared to the net non-operating expense of CNY3.0 million in 2014. The net non-operating income in 2013 primarily reflected the reversal of certain payables on the outstanding social security fund or housing provident fund contributions. The net non-operating expense in 2014 mainly represented the community donation in Jinsha county.

Loss Before Income Tax

As a result of the foregoing, the loss before income tax decreased from CNY382.4 million in 2013 to CNY253.9 million in 2014.

Income Tax Benefit

The Group had an income tax benefit of CNY27.1 million in 2014, compared to an income tax benefit of CNY47.8 million in 2013. The drop in income tax benefit in 2014 was mainly due to the less reversal of deferred tax liabilities in 2014 resulting from the decrease of impairment loss on property, plant and equipment.

Loss Attributable to the Owners of the Company

The loss attributable to the owners of the Group for the year was CNY223.6 million in 2014, a drop of CNY110.5 million from the loss of CNY334.1 million in 2013. This was mainly attributable to (i) the CNY118.0 million reduction in impairment loss of coal mine from CNY184.4 million for Gouchang Coal Mine in 2013 to CNY66.4 million in connection with the temporary suspension of Dayuan Coal Mine in 2014; (ii) the decrease of CNY27.1 million in administrative expenses resulting from the decrease in expenses related to the preparation for the listing of the Company on the Hong Kong Stock Exchange; and (iii) the increase of CNY17.0 million in gross profit resulting from the increase in sales volume; notwithstanding a decrease of CNY20.7 million in income tax benefit and an increase of CNY28.9 million in finance costs as a result of the rise in interest rate of the renewed interest-bearing borrowings in 2014.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As of 31 December 2013 and 31 December 2014, the Group had net current liabilities of CNY1,168.2 million and CNY1,026.6 million, respectively. All the borrowings are denominated in CNY. The Group has not engaged any foreign currency contract to hedge the potential foreign currency exchange exposure.

The Group intends to fund the cash requirements with additional short-term and long-term bank and other borrowings.

In December 2014, the Company obtained approximately HK$160.9 million by the issuance of 13,500,000 new ordinary shares of HK$0.01 each to not less than six placees who are not connected persons of the Company at the placing price of HK$12.00 per share in order to strengthen its capital base. The aggregate nominal value of the placing shares under the placing was HK$135,000. The closing price per share as at 10 December 2014, the date of entering into the placing agreement, was HK$12.70. Approximately 92.5% of the fund has been utilized as of 31 March 2015. Approximately HK$124.1 million were used for bank loan repayment, approximately HK$24.8 million were used for general working capital of our coal mines' operation in Guizhou, and the remaining HK$12.0 million were deposited in a licensed bank in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2014, the Group had cash and cash equivalents of approximately CNY270.1 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 31 December 2014, the total outstanding amount of the Group's short-term bank and other borrowings and the current portion of the Group's outstanding long-term bank borrowings were CNY1,110.0 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY762.4 million. Certain of the outstanding bank and other borrowings are guaranteed by Mr. LI Feilie (the chairman and chief executive officer of the Company) and/or companies controlled by him and certain of the Group's bank borrowings are secured by pledges of the mining rights, and equity interests in Guizhou Puxin and Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"). As at 31 December 2014, loan amounting to CNY928.6 million carried interest at fixed rate ranging from 6.60% to 10.00% per annum. The remaining loans carried interest at floating rate ranging from 6.00% to 9.00% per annum.

Pledge of Assets of the Group

As at 31 December 2013 and 31 December 2014, certain mining rights with carrying amounts of CNY798.7 million and CNY984.5 million, respectively were pledged to secure bank loans with carrying amounts of CNY485.9 million and CNY718.8 million, respectively.

As at 31 December 2013 and 31 December 2014, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were CNY658.5 million and CNY989.0 million, respectively and the amount of outstanding bank borrowings that were guaranteed by fellow companies controlled by Mr. LI Feilie were CNY1,073.5 million and CNY1,274.0 million, respectively.

Capital Commitments and Expected Source of Funding

As at 31 December 2014, the Group had contractual capital commitments in respect of coal mine under construction and development and coal washing plant amounting to CNY35.1 million. The Group plans to finance the capital commitments by internal resources, additional short-term and long-term bank and other borrowings, and/or possible equity financing.

Gearing Ratio

As at 31 December 2013 and 31 December 2014, the gearing ratio (which is calculated by dividing total interest-bearing debt by total capital at the end of the year and multiplying by 100%) was 88.7% and 92.5%, respectively. The gearing ratio increased in 2014 as the Group incurred losses for the year.

Contingent Liabilities

As at 31 December 2014, except for bank borrowings disclosed above, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Litigation Progress

According to the announcement made by the Group on 31 October 2014, the Group filed an application for the transfer of mining rights of Yongsheng Coal Mine from Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu") (a 70% owned subsidiary of the Company) to Guizhou Puxin. On 27 October 2014, the Group received a return notice dated 23 October 2014 from Department of Land and Resources of Guizhou Province in relation to the application. As set out in the return notice, the application was returned because, among other things, the mining rights permit of Yongsheng Coal Mine (which is wholly-owned by Guizhou Yongfu) was frozen pursuant to a notice issued by the relevant governmental authority. The Company has sought legal advice from the PRC legal advisers in relation to the notice. The PRC legal advisers advised that the claimant has no legal ground to claim against Guizhou Yongfu and Yongsheng Coal Mine. As at the date of this annual report, the Company is in the process of transferring mining rights from Guizhou Yongfu to Guizhou Puxin.

According to the announcement made by the Group on 31 October 2014, Guizhou Yongfu and Yongsheng Coal Mine, named as co-defendants, received summons in October 2014 from Guiyang City Intermediate People's Court in relation to an action brought by an individual against Hubei Yongfu Investment Co., Ltd., with which the Group has no relationship, to claim for an outstanding principal amount of CNY6.0 million together with interest in the sum of CNY0.9 million accrued from 1 March 2014 to 28 August 2014. The Company has sought legal advice from the PRC legal advisers in relation to the summons. The PRC legal advisers advised that the claimant has no legal ground to claim against Guizhou Yongfu and Yongsheng Coal Mine. As at the date of this annual report, the litigation has come to trial and no judgement is pronounced by the court yet.

Subsequent Events

On 4 January 2015, Guizhou Dayun fully drew down the remaining loan facility amounting to CNY20.0 million out of the total CNY150.0 million long-term bank loan from Industrial and Commercial Bank of China Limited in 2012. The loan bears a floating annual interest rate equal to 10% above the over-five-year base lending rate stipulated by the People's Bank of China from time to time (6.15% per annum, resulting in an annual interest rate of 6.77% per annum).

On 8 January 2015, Guizhou Puxin received and fully drew down a CNY25.0 million short-term bank loan from Industrial and Commercial Bank of China Limited to be repaid on 7 January 2016. The purpose of the loan is to finance the purchase of coal. The loan bears a floating annual interest rate equal to 25% above the one-year base lending rate stipulated by the People's Bank of China (5.60% per annum, resulting in an annual interest rate of 7.00% per annum).

On 10 February 2015, Guizhou Puxin received and fully drew down a CNY10.0 million half-year bank loan from China Merchants Bank Co., Ltd., to be repaid on 9 August 2015. The purpose of the loan is to finance the working capital of Guizhou Puxin. The loan bears a fixed annual interest rate equal to 30% above the half-year base lending rate stipulated by the People's Bank of China.

MANAGEMENT DISCUSSION AND ANALYSIS

Currency Exposure and Management

Since the majority of the Group's business activities are mainly transacted in CNY, the Directors consider that the Group's risk in foreign exchange is insignificant.

PROSPECTS

After three years of mine construction, Dayun Coal Mine obtained the approval of pilot run from the Energy Bureau of Guizhou Province on 2 March 2015. It is anticipated that, following the commercial run of coal washing plant and the completion of shipping port in the first half of 2015, and the launch of Dayun Coal Mine's commercial production in the second half of 2015, the Group will gradually enjoy the economies of scale arising from the increase in production output and enhancement in product quality. The Group will continue to streamline its operations, safety, stringent cost control and marketing effort to improve the cash flow and performance of the Group.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LI Feilie (李非列), aged 48, is the chairman of the Board and chief executive officer of the Company. He is also a member of the remuneration committee ("Remuneration Committee") and nomination committee ("Nomination Committee") of the Company. Mr. Li is primarily responsible for the overall corporate strategy, planning and business development of the Group and also plays an integral role in supervising the Company's operational management. He has more than 20 years of experience in corporate management and acquisitions. Mr. Li has also served as a director and the chairman of CHNR since February 2006. He has also been a director of Hong Kong Smartact Limited ("Smartact"), a subsidiary of the Company, since April 2010. In addition, Mr. Li has been a director and the chairman of Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise") (including certain of its group companies), the flagship holding company of nonferrous metal production, high-end tertiary health care, transportation and logistics as well as forestry business since June 2000. He is also the director of Laitan Investments Limited and Feishang Group Limited, both of which are the substantial corporate shareholders of the Company. Mr. Li graduated from Peking University (北京大學) with a bachelor's degree and a master's degree in economics in July 1988 and January 1991, respectively. Save as disclosed above, he has not held any directorship in other listed public companies in the past three years.

Mr. HAN Weibing (韓衛兵), aged 43, has been the executive Director and chief operating officer of the Company since December 2013. He is also a member of the corporate social responsibility committee ("Corporate Social Responsibility Committee") and Remuneration Committee of the Company. Mr. Han is primarily responsible for overseeing the day-to-day management and operations of the Group. Mr. Han has served as the vice president of the coal division of CHNR, a director and the chairman of the board of directors of Guizhou Puxin and Guizhou Yongfu, subsidiaries of the Company, since January 2012, taking charge of the development and management of their coal mining related business. He has also served as a director of Jinsha Juli Energy Co., Ltd. ("Jinsha Juli"), a subsidiary of the Company, since November 2012. He was the general manager and the vice president of the human resources department of Feishang Enterprise from March 2009 to March 2012, and he also served as the assistant president of Feishang Enterprise from February 2010 to February 2011. From August 1995 to March 2007, Mr. Han served as the deputy manager of the human resources department of a multinational logistics equipment manufacturing company listed on the Shenzhen Stock Exchange. He graduated from Sun Yat-Sen University (中山大學) with an executive master of business administration degree in June 2007 and from Wright State University in the United States with a master of business administration degree in November 2008. Mr. Han did not hold any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WAN Huojin (萬火金), aged 69, was appointed as the executive Director and chief technical officer of the Company in December 2013. He is also a member of the Corporate Social Responsibility Committee of the Company. Mr. Wan is primarily responsible for overseeing the coal mine construction and coal production of the Group. He has served as a director of Jinsha Juli, a subsidiary of the Company, since November 2012. Mr. Wan has over 46 years of experience in the mining industry, particularly on coal production. He was the deputy general manager of Guizhou Puxin from March 2010 to June 2010, and has been its general manager since June 2010. His responsibilities include determining and overseeing the overall business strategies and plans, including the plans for coal mine operation and development. During the period between August 1968 and December 2007, Mr. Wan served different positions in Fengcheng Mining Bureau of Jiangxi Province (江西省豐城礦務局) and was finally promoted to its head in January 2001. Mr. Wan graduated from Jiangxi Polytechnic College (江西工業工程職業技術學院) with a secondary vocational school's diploma in coal mining in August 1968. He was accredited as a senior engineer by the Jiangxi Branch of China Universal Allocation Coal Mining Company (中國統配煤礦總公司江西公司) in September 1992. He has received a number of awards in recognition of his contribution to the coal mining industry over the years. Mr. Wan did not hold any directorship in other listed public companies in the past three years.

Mr. TAM Cheuk Ho (譚卓豪), aged 52, was appointed as the executive Director of the Company in February 2013. He is also a member of the Nomination Committee of the Company. Mr. Tam had been with the CHNR group for more than 20 years and resigned from position of executive vice president and executive director of CHNR in January 2014. He has been appointed as a director of CHNR since April 2015. During the period from May 2002 to April 2003, Mr. Tam was an executive director and the deputy chairman of a Hong Kong listed company engaged in property development and securities investment operations. He has been a partner of a certified public accountant firm in Hong Kong since July 1995, and was the finance director of a private investment company from October 1992 to December 1994. He was the company secretary of a Hong Kong listed company operating Chinese restaurants chain and engaging in property investments from February 1993 to December 2012, and was its financial controller from February to September 1992. From July 1984 to December 1991, Mr. Tam worked at an international certified public accountant firm and his last position at such firm was as an audit manager. Mr. Tam graduated from the Chinese University of Hong Kong with a bachelor of business administration degree in 1984. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in July 1992, and was admitted as a fellow member in November 1999. He was also admitted as a fellow of the Association of Chartered Certified Accountants in October 1992. Save as disclosed above, Mr. Tam has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Wah On Edward (黃華安), aged 51, was appointed as the executive Director of the Company in February 2013. Mr. Wong had been with the CHNR group for more than 20 years and resigned from the positions of chief financial officer, executive director and company secretary in January 2014. He has been appointed as a director of CHNR since April 2015. He has served as a director of Smartact, a subsidiary of the Company, since January 2010. From December 2000 to December 2006, Mr. Wong was an independent non-executive director of a Hong Kong listed company engaged in the trading of construction materials. He has also served as a partner of a certified public accountant firm in Hong Kong since July 1995. From October 1992 to December 1994, Mr. Wong was the deputy finance director of a private investment company. From July 1988 to October 1992, Mr. Wong worked at the audit department of an international certified public accountant firm, providing professional auditing services to clients in a variety of business sectors, and he left the firm as a senior auditor. Mr. Wong graduated from the Hong Kong Polytechnic University with a professional diploma in company secretaryship and administration in 1988. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in September 1993, and was admitted as a fellow member in November 1999. He was also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Save as disclosed above, Mr. Wong has not held any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Kin Cheung (盧建章), aged 50, was appointed as the independent non-executive Director of the Company in December 2013. He is also the chairman of audit committee ("Audit Committee") and a member of the Remuneration Committee and Nomination Committee of the Company. He acted as an independent non-executive director of CHNR from December 2004 to June 2006 and an independent non-executive director of China Resources Development, Inc., a member of the predecessor group of CHNR, from May 2000 to December 2004. He also served as an independent non-executive director of a Hong Kong listed company operating Chinese restaurant chains and engaged in property investments during the period from August 2004 to August 2011. Mr. Lo has been the chief financial officer of a private company engaging in the printing business since September 2001. From March 1998 to July 2001, Mr. Lo was an executive director of a Hong Kong listed company then involved in the baby care product industry and the multimedia industry. From July 1986, Mr. Lo spent nearly 12 years with an international certified public accountant firm and his last position at such firm was as a principal. Over these years, Mr. Lo has gained extensive experience in finance and accounting. He graduated from the University of Hong Kong with a bachelor's degree in science in 1986 and completed the advanced management program at Harvard Business School in May 2004. Mr. Lo was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in 2000 and 1994, respectively. He is also an associate member of the Institute of Chartered Accountants in England and Wales and a member and certified general accountant of the Certified General Accountants Association of Canada. Save as disclosed above, Mr. Lo has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUANG Zuye (黃祖業), aged 70, was appointed as the independent non-executive Director of the Company in December 2013. He is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. Huang has over 35 years of experience in the coal mining industry. He retired from the Coal Mining Engineering Institute of Guizhou Province (貴州省煤礦設計研究院) in April 2005. Prior to that, he had worked at the institute for 30 years since May 1975, serving as its Communist Party of China secretary from December 1997 to March 2005, its head of institute from June 1994 to March 2003, its deputy head of institute from February 1988 to May 1994 and taking positions of assistant engineer and engineer from May 1975 to February 1988. During such period, Mr. Huang's responsibilities ranged from project construction design, coal mine design, research and development to the overall management of the institute. He worked as a technician at Laoying mine of Shuicheng Mining Bureau (水城礦務局老鷹山礦) from August 1967 to April 1975 and was primarily responsible for handling the general technological issues relating to coal mine extraction. Mr. Huang graduated from Guizhou Institute of Technology (貴州工學院) with a diploma in underground coal mining extraction in August 1967. He obtained his master's degree in project management from University of Quebec at Chicoutimi in Canada in March 2006. Mr. Huang was accredited a number of professional qualifications, such as a senior engineer by the Department of Personnel of Guizhou Province (貴州省人事廳) in August 1992, a consultant engineer and a cost engineer jointly by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the Ministry of Construction of the PRC (中華人民共和國建設部) in March 1997 and October 2001, respectively, and a registered consulting engineer jointly by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the State Development Planning Commission of the PRC (中華人民共和國國家發展計劃委員會) in March 2003. Mr. Huang did not hold any directorship in other listed public companies in the past three years.

Mr. HUANG Songzhong (黃淞中), aged 72, was appointed as the independent non-executive Director of the Company in July 2014. He is also the chairman of the Corporate Social Responsibility Committee and Remuneration Committee, and a member of the Audit Committee and Nomination Committee of the Company. He has over 50 years' experience in the mining industry. During June 2011 to July 2014, Mr. Huang was an independent director of Guizhou Guochuang Energy Holding (Group) Co., Ltd. (貴州國創能源控股 (集團) 股份有限公司), a coal mining company in mainland China listed on the Shanghai Stock Exchange. He has been as an executive director and general manager of Guizhou Songyuan Mining Development Technical Advisory Co., Ltd. (貴州淞源礦山開發技術諮詢有限公司) since 2009. He has engaged in engineering design in Coal Mining Engineering Institute of Guizhou Province (貴州省煤礦設計院) since 1965, and took a number of positions including large-scale coal engineering project manager, engineer-in-charge, technical director, deputy chief engineer, vice president and chief engineer from 1971 to 2003. Mr. Huang was a technician in Huainan Mining Bureau Xiesan Mining Zone of Anhui Province (安徽省淮南礦務局謝三礦工區) from 1963 to 1964. He obtained a college degree in metal mining from Mining College of Guangxi Zhuang Autonomous Region (廣西僮族自治區礦業專科學校) in August 1963. Mr. Huang was accredited a number of professional qualifications, such as a senior mining engineer by the Science and Technology Cadres Bureau of Guizhou Province (貴州省科學技術幹部局) in 1988, a supervising engineer by the Ministry of Construction of the PRC (中華人民共和國建設部) in 1997, a registered coal construction project evaluation expert by the Ministry of Coal Industry of the PRC (中華人民共和國煤炭工業部) in 1998, a registered consulting engineer by the Department of Personnel of Guizhou Province (貴州省人事廳) in 2003 and a registered national mining inspector by the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) in 2006. He also obtained outstanding contribution (Engineering Technology) special government allowances of the People's Government of Guizhou Province in 1994. Save as disclosed above, Mr. Huang has not held any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure (余銘維), aged 47, was appointed as the chief financial officer and the company secretary of the Company since January 2014. He was the financial controller of CHNR from 2008 to 2014 and has been appointed as the chief financial officer and the corporate secretary of CHNR since April 2015. Mr. Yue has been an executive director and the legal representative of Shenzhen Chixin Information Consulting Co., Ltd., a subsidiary of the Company, since July 2012. Mr. Yue has over 23 years of experience in accounting, finance and compliance for various industries gained in an international certified public accountant firm, an investment advisory firm, and listed companies in both Hong Kong and the United States. Mr. Yue graduated from Hong Kong Baptist University with a bachelor of business administration degree in 1990 and was awarded a master of science degree in accounting and finance from the University of Manchester in 1994. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England & Wales. Mr. Yue is also a member of Chartered Accountants Australia & New Zealand and a member accredited in business valuation of the American Institute of Certified Public Accountants. He did not hold any directorship in other listed public companies in the past three years.

REPORT OF THE DIRECTORS

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2014.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the British Virgin Islands ("BVI") as a company with limited liability on 6 January 2010. Pursuant to the group reorganisation as set out in the listing document of the Company dated 31 December 2013 (the "Listing Document"), the Company became the holding company of the Group.

The Company's shares were listed on the Main Board of the Hong Kong Stock Exchange on 22 January 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in notes 1 and 32 respectively to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 50 of the annual report.

No interim dividend was paid to the shareholders during the year ended 31 December 2014 (2013: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 53 of this annual report.

The Company's reserves available for distribution to shareholders at 31 December 2014, amounted to CNY156,106,000 (2013: CNY 30,546,000).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last five financial years is set out on page 116 of this annual report.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements of this annual report.

The Directors during the year and up to the date of this report were:

Executive Directors:

LI Feilie	*(Chairman and Chief Executive Officer)*
HAN Weibing	*(Chief Operating Officer)*
WAN Huojin	*(Chief Technical Officer)*
TAM Cheuk Ho	
WONG Wah On Edward	

Independent Non-executive Directors:

LO Kin Cheung	
HUANG Zuye	
GU Jianshe	(Resigned on 15 July 2014)
HUANG Songzhong	(Appointed on 15 July 2014)

In accordance with Article 14.19 of the articles of association of the Company (the "Articles of Association"), Mr. LI Feilie, Mr. TAM Cheuk Ho and Mr. WONG Wah On Edward shall retire from office at the forthcoming annual general meeting ("AGM"). In addition, Mr. HUANG Songzhong who was appointed by the Board on 15 July 2014 shall hold office until the AGM pursuant to Article 14.2 of the Articles of Association. All of the above retiring Directors, being eligible, will offer themselves for re-election as Directors at the AGM.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The Company considers that each of the independent non-executive Directors is independent to the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, so far as the Directors were aware, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Laitan Investments Limited	Long position	Interest held by its controlled corporation	72,402,965	1	52.44
Feishang Group Limited	Long position	Beneficial Owner	72,402,965	1	52.44
Mr. KWAN Pak Hoo Bankee	Long position	Interest held by his controlled corporation	12,500,000	2	9.05
Poly Shine Investment Limited	Long position	Beneficial Owner	12,500,000	2	9.05

Notes:

1. The 72,402,965 ordinary shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie. According to the SFO, both Mr. LI Feilie and Laitan Investments Limited are deemed to have interests in the 72,402,965 ordinary shares held by Feishang Group Limited. Mr. LI Feilie's interests in shares are disclosed in this report in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. Mr. KWAN Pak Hoo Bankee is the sole director and sole shareholder of Poly Shine Investment Limited. According to the SFO, Mr. KWAN Pak Hoo Bankee is deemed to have interests in the 12,500,000 ordinary shares held by Poly Shine Investment Limited.

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

(I) The Company

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial Owner	1,500,000		
	Long position	Interest held by his controlled corporations	72,402,965	1	
			73,902,965		53.53
Mr. WONG Wah On Edward	Long position	Beneficial Owner	2,000,000		1.45
Mr. TAM Cheuk Ho	Long position	Beneficial Owner	1,409,630		1.02

Note:

1. The 72,402,965 ordinary shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie.

(II) Associated Corporations (within the meaning of the SFO)

(i) China Natural Resources, Inc.

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial Owner	300,000		
	Long position	Interest held by his controlled corporations	14,480,593	1	
			14,780,593		59.33
Mr. WONG Wah On Edward	Long position	Beneficial Owner	400,000		1.60
Mr. TAM Cheuk Ho	Long position	Beneficial Owner	281,926		1.13

Note:

1. The 14,480,593 common shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which was in turn wholly owned by Mr. LI Feilie.

(ii) Laitan Investments Limited

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial Owner	3	100

(iii) Feishang Group Limited

Name of Director	Long/short position	Capacity	Number of share	Note	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Interest held by his controlled corporation	1	1	100

Note:

1. The 1 ordinary share was held by Laitan Investments Limited, which is wholly owned by Mr. LI Feilie.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updates in Directors' information are as follows:–

Mr. TAM Cheuk Ho and Mr. WONG Wah On Edward have been appointed as directors of CHNR since April 2015.

Save as disclosed above, the Directors are not aware of any other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2014 interim report of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND OTHER CORPORATION

Other than the share option as disclosed under the section headed of "Share Option Scheme of the Company" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME OF THE COMPANY

A share option scheme was adopted by shareholders of the Company on 23 December 2013 (the "Date of Adoption") (the "Share Option Scheme"), under which the Board may, at its discretion, offer any Eligible Persons (as hereinafter defined) options to subscribe for shares in the Company (the "Shares") subject to the terms and conditions stipulated therein. The Share Option Scheme is valid and for an effective period of 10 years from the Date of Adoption. The Share Option Scheme is an incentive scheme and is established to enable the Group to recognize the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company's business and that of its subsidiaries. The Eligible Persons include any (a) employee, director or consultant of the Company or any subsidiary; or (b) any other person who has contributed to the success of the listing of the Company on the Hong Kong Stock Exchange, in each case, as determined by the Board. The eligibility of an Eligible Person will be determined by the Board with reference to his or her past and expected commitment and contribution to the Company and/or the subsidiaries.

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the offer date. The minimum period for which a share option must be held before it can be exercised would be determined by the Board.

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue on the Date of Adoption ("Scheme Mandate Limit"), unless approved by the Company's shareholders. The Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of the approval to renew the Scheme Mandate Limit. The number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, unless approved by the Company's shareholders. In addition, the number of Shares in respect of which options may be granted to any Eligible Person (who is a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and HK$5,000,000 in an aggregate value, based on the closing price of the Shares at the date of each grant, unless approved by the Company's shareholders.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Persons (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) and shall be the higher of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date, (ii) the average closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of a Share.

Consideration of HK$1 is payable by each Eligible Person for the grant of option.

As at 31 December 2014, no options were granted since the Date of Adoption. A total of 12,455,458 Shares, (representing approximately 9% of the existing issued shares of the Company) as at the date of this report, may be issued upon exercise of all options which may be granted under the Share Option Scheme.

Additional information in relation to the Share Option Scheme is set out in note 28 to the consolidated financial statements of this annual report.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year without payment of compensation, other than statutory compensation, of any Director proposed for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions/continuing connected transactions of the Company during the year are as follows:

(a) Connected transactions

During the year, the Group did not enter into any transactions which need to be disclosed as connected transactions pursuant to Chapter 14A of the Listing Rules.

(b) Continuing connected transactions

During the year, the Group did not enter into any transactions which need to be disclosed as continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

CONSOLIDATION OF COAL MINES IN GUIZHOU AND RESTRUCTURING PROPOSAL

With the view to facilitating the consolidation of the coal mining industry, the Guizhou Government has implemented a number of measures to encourage the consolidation of the coal mine industry and to eliminate small-scaled coal mines in Guizhou province with an annual production capacity of below 300,000 tonnes for each single mine, reduce the total number of coal mining enterprise groups in Guizhou province to below 100, and reduce the total number of coal mines in Guizhou to approximately 1,000 by 2015.

Under the Guizhou Government's coal mine consolidation policy, Feishang Energy (an associate of Mr. LI Feilie, the chairman and the controlling shareholder of the Company) and the Company were designated as a coal mine consolidator in Guizhou province on 6 June 2014.

Feishang Energy (as agreed by the Company) has adopted and implemented the following Restructuring Proposal:

- Feishang Energy closed down Sanjiazhai Coal Mine (三家寨煤礦);
- Feishang Energy acquired three coal mines, namely Pingqiao Coal Mine (平橋煤礦), Xingwang Coal Mine (興旺煤礦), and Aohe Coal Mine (凹河煤礦) and retained by Feishang Energy for future operation; and
- Feishang Energy acquired eight coal mines, namely Laohushi Coal Mine (老虎石煤礦), Shapo Coal Mine (沙坡煤礦), Guojiawuji Coal Mine (國家屋基煤礦), Qiwen Coal Mine (啟文煤礦), Dazhulin Coal Mine (大竹林煤礦), Hengfeng Coal Mine (恒豐煤礦), Xinhe Coal Mine (新禾煤礦), and Shangmaying Coal Mine (上馬營煤礦) and submits the mining right permits of these coal mines in stage to the relevant authority for cancellation.

On 26 January 2015, the first batch of the Restructuring Proposal of Feishang Energy together with Guizhou Puxin has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the first batch of the Restructuring Proposal, the Group will integrate Zhulinzhai Coal Mine and Liujiaba Coal Mine, both located in Xinhua, Liuzhi Special District, Zhina Coal District, Guizhou province, into a single coal mine under the name of Liujiaba Coal Mine; and retain Dayun Coal Mine and Baiping Coal Mine, both located in Jinsha county, Guizhou province. The Group is currently working on the Restructuring Proposal of its other three coal mines.

Upon the full completion of the implementation of the Restructuring Proposal, the Group will own and operate six coal mines in Guizhou province, namely Baiping Coal Mine, Yongsheng Coal Mine, Dayun Coal Mine, Dayuan Coal Mine, Liujiaba Coal Mine and Gouchang Coal Mine.

DEED OF NON-COMPETITION

Feishang Group Limited, Laitan Investments Limited and Mr. LI Feilie (collectively, the "Controlling Shareholders"), Feishang Energy and Feishang Enterprise executed the Deed of Non-Competition in favour of the Company, details of which are set out in the Listing Document, principally to the effect that so long as the Deed of Non-Competition remains in force, each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has undertaken to, among other things:

(a) not, and procure that their respective subsidiaries or parties controlled by them either solely or jointly with another Controlling Shareholders or any other party will not be interested or engaged in any business which directly or indirectly competes or may so compete with the Core Businesses;

(b) notify the Company of any business opportunity which directly or indirectly competes or may so compete with the Core Businesses ("New Business Opportunity"), if any of them becomes aware of such business opportunity; and

(c) use its best endeavours to procure that the New Business Opportunity is first offered to the Company on terms and conditions that are fair and reasonable.

For the purpose of the Deed of Non-Competition, "Core Businesses" shall include the acquisition and exploitation of coal mining rights (including the exploration, construction, development and operation of coal mines) located in Guizhou province in the PRC.

The Company has been granted, under the Deed of Non-Competition, the Rights of First Refusal and First Offer if such New Business Opportunity arises.

On 4 March 2014, Feishang Energy, pursuant to the Deed of Non-Competition notified the Company in respect of the proposed acquisitions of four coal mines as designated by the relevant government authorities in the Guizhou province and offered to the Company the opportunity to acquire such coal mines. Having considered various factors, the Company decided not to exercise its Rights of First Refusal and First Offer to acquire the four coal mines. For details, please refer to the announcement of the Company dated 14 March 2014.

On 19 March 2014, Feishang Energy, pursuant to the Deed of Non-Competition notified the Company in respect of the proposed acquisitions of seven coal mines as designated by the relevant government authorities in the Guizhou province and offered to the Company the opportunity to acquire such coal mines. Having considered various factors, the Company decided not to exercise its Rights of First Refusal and First Offer to acquire the seven coal mines. For details, please refer to the announcement of the Company dated 24 March 2014.

REPORT OF THE DIRECTORS

On 13 May 2014, Feishang Energy, pursuant to the Deed of Non-Competition notified the Company in respect of the proposed formation of the joint venture company with Liu Zhi Gong Kuang (Group) Company Limited and offered to the Company such opportunity to participate in the proposed formation of the joint venture company. Since the due diligence on the state-owned assets has not been completed, the Company was not able to form a view on its quality and quantity, the stage of the development and mining conditions of such assets and the potential synergies with the Group's existing business and was therefore unable to decide whether to exercise or not the Rights of First Refusal and First Offer to take up the proposed business opportunity at that stage. As of 12 August 2014, the expiration date of the period of exclusivity, the parties did not execute the supplemental framework agreement. For details, please refer to the announcements of the Company dated 13 May 2014, 28 May 2014, 27 June 2014 and 12 August 2014.

Each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has reviewed its business and businesses of their respective subsidiaries and advised that there is generally insignificant competition between the operations of the Sanjiazhai Coal Mine and the Core Businesses. Save as disclosed above, during the year, each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise confirmed that there was no New Business Opportunity made available to each of them. Each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has given a written confirmation to the Company that it had fully complied with the terms of the Deed of Non-Competition. The independent non-executive Directors have reviewed the confirmations and relevant information provided by the Controlling Shareholders, Feishang Energy and Feishang Enterprise and concluded that each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise complied with the relevant terms of the Deed of Non-Competition for the financial year ended 31 December 2014.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Saved as disclosed above, no Directors or their close associates has any interest in a business that competes or may compete with the business of the Group.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 31 to the consolidated financial statements of this annual report. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempt from all disclosure and independent shareholders' approval requirements under the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately CNY1.8 million.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 11.0% of the Group's total purchases and the Group's five largest suppliers accounted for approximately 36.2% of the Group's total purchases.

During the year, the Group's largest customer accounted for approximately 19.3% of the Group's total sales and the Group's five largest customers accounted for 62.8% of the Group's total sales.

None of the Directors, their close associates or any shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had an interest in any of the Group's five largest suppliers and customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association although there are no restrictions against such rights under the laws of BVI.

PURCHASE, SALE OR REDEMPTION OF THE SHARES OF THE COMPANY

On 23 December 2014, the Company completed the placement of 13,500,000 shares to not less than six placees at the placing price of HK$12.00 per share. For details of the share placement, please refer to the announcement of the Company dated 10 December 2014.

Save as disclosed above, there was no purchase, sale or redemption of the Company's share by the Company or any of its subsidiaries for the year ended 31 December 2014.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2014, the Group employed approximately 316 full time employees (not including 965 workers provided by third party labour agencies) for its principal activities (2013: 366). Employees' costs (including Directors' emoluments) amounted to CNY118.0 million (including payment to workers provided by third party labour agencies) for the year ended 31 December 2014 (2013: CNY91.1 million). The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved Share Option Scheme.

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence. The emoluments of the Directors are determined having regard to the Group's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in dealing his own remuneration.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees of the Group, details of the Share Option Scheme are set out in note 28 to the consolidated financial statements and under the section headed "Share Option Scheme of the Company" of this report.

REPORT OF THE DIRECTORS

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. LO Kin Cheung (chairman), Mr. HUANG Zuye and Mr. HUANG Songzhong. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. The audited consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Feishang Anthracite Resources Limited
LI Feilie
Chairman and Chief Executive Officer

Hong Kong, 31 March 2015

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2014, the Company has complied with the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and E.1.2, as set out below.

Chairman and Chief Executive

Mr. LI Feilie is the chairman and chief executive officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development. Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision of the CG Code with Mr. LI Feilie being the chairman and chief executive officer of the Company concurrently. The Board considers this arrangement is appropriate as it allows for efficient discharge of the executive functions of the chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including three independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and appropriate Board committees, as well as senior management. The Board is therefore of the view that there are adequate balance and safeguards in place.

Attendance of Chairmen of Board Committees at General Meeting

Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the AGM. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Mr. HUANG Zuye, chairman of the Nomination Committee, as well as Mr. GU Jianshe, former chairman of the Remuneration Committee and Corporate Social Responsibility Committee of the Company, did not attend the AGM of the Company held on 30 May 2014 due to travel document issue.

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises eight members, consisting of five executive Directors namely Mr. LI Feilie (chairman of the Board and chief executive officer), Mr. HAN Weibing, Mr. WAN Huojin, Mr. TAM Cheuk Ho, and Mr. WONG Wah On Edward, and three independent non-executive Directors namely, Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. HUANG Songzhong.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 18 to 21 of this report.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The Board has not less than one-third of its membership comprising independent non-executive Directors, in compliance with Rule 3.10A of the Listing Rules. One of the three independent non-executive Directors possesses appropriate professional experience and related financial management expertise.

The Company has received from each of the independent non-executive Director a confirmation of his independence, in accordance with Rule 3.13 of the Listing Rules and the Company also considers that they are independent. There is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

Directors' Re-election

Pursuant to the Articles of Association, the Directors shall hold office subject to retirement by rotation at the AGM of the Company at least once every three years. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election in that meeting. The term of office of Mr. LO Kin Cheung and Mr. HUANG Zuye is for a period of three years from 23 December 2013 to 22 December 2016 whereas that of Mr. HUANG Songzhong is for a period of three years from 15 July 2014 to 14 July 2017 subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles of Association.

Responsibilities of the Board and Management

The Board, headed by the chairman, is responsible for providing high-level guidance and effective oversight of the management of the Company, formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management in accordance with the regulations governing the meetings of the Board, and the Articles of Association.

The chief executive officer and the other executive Directors are responsible for day-to-day management of the Company's operations. The executive Directors conduct regular meetings with the management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential and that the Board plays an important role in implementing and monitoring internal financial control and risk management.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration and operation of the Company, etc., are reviewed by the Board on a periodic basis. The management shall report back to the Board.

The procedures to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses were established.

The Articles of Association state the responsibilities and operational procedures of the Board. The Board will meet at least four times a year at regular intervals to consider operational reports and financial results of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

During the year ended 31 December 2014, nine Board meetings were held and the attendance record of each Director is set out below:

	Attendance/ No. of meeting(s) Board Meeting
Executive Directors	
LI Feilie *(Chairman and Chief Executive Officer)*	8/9
HAN Weibing *(Chief Operating Officer)*	6/9
WAN Huojin *(Chief Technical Officer)*	5/9
TAM Cheuk Ho	9/9
WONG Wah On Edward	9/9
Independent Non-executive Directors	
LO Kin Cheung	8/9
HUANG Zuye	5/9
GU Jianshe *(Resigned on 15 July 2014)*	2/6
HUANG Songzhong *(Appointed on 15 July 2014)*	3/3

During the year ended 31 December 2014, one general meeting was held and the attendance record of each Director is set out below:

	Attendance/ No. of meeting(s) General Meeting
Executive Directors	
LI Feilie *(Chairman and Chief Executive Officer)*	1/1
HAN Weibing *(Chief Operating Officer)*	1/1
WAN Huojin *(Chief Technical Officer)*	0/1
TAM Cheuk Ho	1/1
WONG Wah On Edward	1/1
Independent Non-executive Directors	
LO Kin Cheung	1/1
HUANG Zuye	0/1
GU Jianshe *(Resigned on 15 July 2014)*	0/1
HUANG Songzhong *(Appointed on 15 July 2014)*	0/0

CORPORATE GOVERNANCE REPORT

Directors' Continuous Professional Development

In July 2014, the Company organized one training session, conducted by lawyers, for all Directors. Topics of the training included the following:

- Training on the Listing Rules
- Training on the compliance issue of companies listed in Hong Kong
- Training on the continuing obligations and statutory obligations for directors of listed companies
- Other statutory and regulatory updates

In addition, the Company provided two internally-facilitated briefings for all Directors and relevant employees on market misconduct, inside information disclosure, and notifiable and connected transactions in May 2014. This is to ensure that all the Directors are sufficiently aware of their responsibilities under the Listing Rules and other relevant regulatory requirements.

The Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for the Directors will be arranged and reading material on relevant topics will be issued to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include the following:

- attending regular Board meetings and focusing on business strategy, operational issues and financial performance;
- active participation in the respective board of directors of the subsidiaries of the Company;
- approval of annual budgets covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, the Board and shareholders of the Company;
- consideration of misuse of corporate assets and abuse of related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

CORPORATE GOVERNANCE REPORT

To enable the Directors to fulfil their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2014, the Board had performed the following corporate governance duties:

- approval of Ernst & Young as the auditors of the Group and the corresponding audit plan;
- review the compliance with the CG Code; and
- review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee.

Board Committees

A number of committees of the Board, including the Audit Committee, Nomination Committee, Remuneration Committee and Corporate Social Responsibility Committee, were established by the Company on 23 December 2013, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

CORPORATE GOVERNANCE REPORT

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. HUANG Songzhong and is chaired by Mr. LO Kin Cheung.

The Audit Committee reports directly to the Board and reviews financial statements and internal controls in order to protect the interests of the Company's shareholders.

The Audit Committee will meet regularly with the Company's independent auditors, at least twice a year, to discuss accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. The terms of reference of the Audit Committee have complied with the CG Code and are posted on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

During the year ended 31 December 2014, the Audit Committee held three meetings, in February 2014, March 2014 and August 2014 respectively, at which it:

- approved Ernst & Young as the auditors of the Group and the corresponding audit plan;
- reviewed the financial statements for the year ended 31 December 2013;
- reviewed the financial statements for the six months ended 30 June 2014;
- reviewed the effectiveness of the internal control system and risk management;
- reviewed the external auditors' findings; and
- reviewed and approved remuneration of auditors and recommended the re-appointment of external auditors.

The attendance record of the meetings is set out below:

Members of Audit Committee	**Attendance/ No. of meeting(s)**
LO Kin Cheung *(Chairman of the Audit Committee)*	3/3
HUANG Zuye	3/3
GU Jianshe *(Resigned on 15 July 2014)*	2/2
HUANG Songzhong *(Appointed on 15 July 2014)*	1/1

Nomination Committee

As at the date of this report, the Nomination Committee comprises two executive Directors, namely Mr. LI Feilie and Mr. TAM Cheuk Ho and three independent non-executive Directors, namely Mr. HUANG Zuye, Mr. LO Kin Cheung and Mr. HUANG Songzhong and is chaired by Mr. HUANG Zuye.

The terms of reference of the Nomination Committee have complied with the CG Code which is posted on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

The Nomination Committee's responsibilities include reviewing and recommending the structure, size, composition and diversity of the Board and recommending any change thereon; assessing the independence of independent non-executive Directors and recommending the re-election of Directors, etc.

During the year ended 31 December 2014, the Nomination Committee held two meetings, at which it:

– reviewed the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board;

– assessed the independence of the independent non-executive Directors;

– considered the causal vacancies of retiring/resigning Director and the appointment of succeeding Director; and

– reviewed and made recommendations to the Board on re-election of retiring Directors at the AGM.

The attendance record of the meetings is set out below:

Members of Nomination Committee	**Attendance/ No. of meeting(s)**
HUANG Zuye *(Chairman of the Nomination Committee)*	2/2
LO Kin Cheung	2/2
GU Jianshe *(resigned on 15 July 2014)*	2/2
HUANG Songzhong *(appointed on 15 July 2014)*	0/0
LI Feilie	2/2
TAM Cheuk Ho	2/2

CORPORATE GOVERNANCE REPORT

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach towards achieving diversity on the Board.

In assessing the Board composition, the Nomination Committee would consider a number of perspectives as set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service, when making recommendations to the Board on the appointment and re-appointment of Directors and Directors' succession planning.

The Company considers that the current composition of the Board is well balanced and of a diverse mix appropriate for the business of the Company.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises two executive Directors, namely Mr. LI Feilie and Mr. HAN Weibing, and three independent non-executive Directors, namely Mr. HUANG Songzhong, Mr. LO Kin Cheung and Mr. HUANG Zuye and is chaired by Mr. HUANG Songzhong.

The Remuneration Committee's responsibilities include reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of independent non-executive Directors, etc.

The terms of reference of the Remuneration Committee have complied with the CG Code and are posted on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

During the year ended 31 December 2014, the Remuneration Committee held two meetings, at which it made recommendation to the Board on the forthcoming remuneration policy and the remuneration of the executive Directors and the independent non-executive Directors.

The attendance record of the meetings is set out below:

Members of Remuneration Committee	**Attendance/ No. of meeting(s)**
GU Jianshe *(Chairman of the Remuneration Committee) (resigned on 15 July 2014)*	2/2
HUANG Songzhong *(Chairman of the Remuneration Committee) (appointed on 15 July 2014)*	0/0
LI Feilie	2/2
HAN Weibing	2/2
LO Kin Cheung	2/2
HUANG Zuye	2/2

The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group (including Directors) in accordance with the terms of the Share Option Scheme.

CORPORATE GOVERNANCE REPORT

Pursuant to the CG Code B.1.5, the remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands (CNY)	Number of person(s)
0 to 1,000,000	9

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11 to the audited financial statements of this annual report.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

As at the date of this report, the Corporate Social Responsibility Committee comprises two executive Directors, being Mr. WAN Huojin and Mr. HAN Weibing, and one independent non-executive Director, being Mr. HUANG Songzhong, and is chaired by Mr. HUANG Songzhong.

The primary purpose of Corporate Social Responsibility Committee is to assist the Board in reviewing the policies and overseeing the issues with respect to corporate social responsibility, including workplace quality, occupational health and safety, environmental protection, operating practices and community involvement.

During the year ended 31 December 2014, the Corporate Social Responsibility Committee held one meeting, at which it discussed the policies and issues with respect to corporate social responsibility, including workplace quality, occupational health and safety, environmental protection, operating practices and community involvement.

The attendance record of the meeting is set out below:

Members of Corporate Social Responsibility Committee	Attendance/ No. of meeting(s)
GU Jianshe *(Chairman of the Corporate Social Responsibility Committee) (resigned on 15 July 2014)*	0/0
HUANG Songzhong *(Chairman of the Corporate Social Responsibility Committee) (appointed on 15 July 2014)*	1/1
HAN Weibing	1/1
WAN Huojin	1/1

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014 and up to the date of this annual report.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for senior management and any individuals who may have access to inside information in relation to the securities of the Company.

AUDITORS' REMUNERATION

The service provided by Ernst & Young and the associated fees thereof for the year ended 31 December 2014 were as follows:

Description of services performed	Fee (CNY)
Audit	
– statutory and regulatory filings	3,000,000
– Others	–

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The internal control system is implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board conducts at least annually a review of the effectiveness of the Group's internal control systems. For the year ended 31 December 2014, the Board considered that the Group's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the CG Code.

The Company has put in place an arrangement for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters.

GOING CONCERN

As of 31 December 2014, the Group had a working capital deficiency of CNY1,026.6 million and had undrawn loan facilities totalling CNY240.0 million available to finance its future operations. Subsequent to the end of the reporting period, the Group has secured additional loan facilities up to 31 March 2015 totalling CNY35.0 million. The Group will also enter into loan renewal discussions with the banks in due course and has, at this stage, not sought any written commitment that the loan facilities will be renewed. However, the Group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

In the opinion of the Directors, the Group's forecasts and projections, after taking into account of reasonably possible changes in trading performance, operation as well as capital expenditure, the available bank facilities and the continuous financial support from Feishang Group Limited, support the Group's ability to continue to operate within the level of its current capacity and that the Group is expected to have sufficient liquidity to finance its operations for the next twelve months. Therefore, the financial statements have been prepared on a going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

COMPANY SECRETARY

The company secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association of the Company were amended in 2013 to comply with the listing requirements of Hong Kong.

A copy of the Memorandum and Articles of Association of the Company is posted on the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning an extraordinary general meeting

Shareholders may put forward proposals at general meetings by requisitioning an extraordinary general meeting. Pursuant to Article 10.3 of the Articles of Association, extraordinary general meetings may be convened by the Board on the written requisition of any two or more shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company or any one shareholder which is a recognized clearing house (or its nominee(s)) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The requisition shall be deposited at the principal office of the Company in Hong Kong (Room 2205, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong) or, in the event the Company ceases to have such a principal office, the registered office (Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands) specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

CORPORATE GOVERNANCE REPORT

(b) Communication with shareholders and investors

Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the AGM, the annual report, interim report, various notices, announcements and circulars, to ensure its shareholders are kept well informed of key business imperatives.

General meetings of the Company provide a direct forum of communication between its shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the chairman of the Board, or in his absence, an executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will be commonly be present and available to answer questions and shareholders may also contact the company secretary of the Company to direct their written enquires.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.fsanthracite.com, where updates on the Company's business developments and operations, financial information and news can be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows: -

Room 2205, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong
Fax: (852) 2810 6963
Email: bonyue@fsanthracite.com

In addition, procedure for shareholders to propose a person for election as a Director is available on the Company's website at www.fsanthracite.com.

The above procedures are subject to the Articles of Association and applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the loss and cash flows position of the Group for the year and which are in compliance with International Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 December 2014, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or ability to continue as a going concern. The Board endeavors to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. The statement of the Auditors regarding their reporting responsibility for the financial statements is set out in the Independent Auditors' Report on pages 48 to 49 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
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To the shareholders of Feishang Anthracite Resources Limited
(Incorporated in the British Virgin Islands with limited liability)

We have audited the consolidated financial statements of Feishang Anthracite Resources Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 113, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 CNY'000	2013 CNY'000
Revenue	4	363,365	178,501
Cost of sales	5	(276,147)	(108,242)
Gross profit		87,218	70,259
Selling and distribution expenses		(8,774)	(6,110)
Administrative expense		(115,003)	(142,064)
Impairment loss on property, plant and equipment	16	(66,397)	(184,417)
Other operating expenses		(6,471)	(6,003)
OPERATING LOSS		(109,427)	(268,335)
Finance costs	6	(144,185)	(115,253)
Interest income	8	2,716	1,102
Non-operating (expenses)/income, net	7	(3,035)	132
LOSS BEFORE INCOME TAX	8	(253,931)	(382,354)
Income tax benefit	12	27,104	47,817
LOSS FOR THE YEAR		(226,827)	(334,537)
Attributable to:			
Owners of the Company	13	(223,600)	(334,119)
Non-controlling interests		(3,227)	(418)
		(226,827)	(334,537)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CNY PER SHARE)			
Basic	14	(1.79)	(2.78)
Diluted	14	(1.79)	(2.78)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	CNY'000	CNY'000
LOSS FOR THE YEAR	**(226,827)**	(334,537)
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	**511**	907
Total other comprehensive income for the year, net of tax	**511**	907
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(226,316)**	(333,630)
Attributable to:		
Owners of the Company	**(223,089)**	(333,212)
Non-controlling interests	**(3,227)**	(418)
	(226,316)	(333,630)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	31 December 2014 CNY'000	2013 CNY'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**2,603,568**	2,461,963
Rehabilitation fund	17	**31,162**	37,350
Prepayments, deposits and other receivables	20	**104,058**	100,658
Deferred tax assets	12	**28,576**	9,830
TOTAL NON-CURRENT ASSETS		**2,767,364**	2,609,801
CURRENT ASSETS			
Inventories	18	**17,503**	14,363
Trade and bills receivables	19	**99,366**	68,059
Corporate income tax refundable		**28,533**	12,007
Prepayments, deposits and other receivables	20	**28,399**	30,584
Pledged and restricted time deposits	21	**9,674**	24,864
Cash and cash equivalents	21	**270,140**	146,883
TOTAL CURRENT ASSETS		**453,615**	296,760
TOTAL ASSETS		**3,220,979**	2,906,561
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	22	**203,101**	143,246
Other payables and accrued liabilities	23	**117,810**	117,315
Interest-bearing bank and other borrowings	24	**1,110,007**	1,018,550
Due to a related company	31	**–**	131,000
Interest payable		**16,176**	15,102
Income tax payable		**–**	879
Mining rights payables	25	**33,074**	38,876
TOTAL CURRENT LIABILITIES		**1,480,168**	1,464,968
NON-CURRENT LIABILITIES			
Due to a related company	31	**579,836**	–
Interest-bearing bank and other borrowings	24	**762,371**	889,504
Interest payable		**11,844**	16,729
Deferred tax liabilities	12	**187,834**	216,320
Mining rights payables	25	**33,074**	55,442
Asset retirement obligations	26	**9,019**	8,222
TOTAL NON-CURRENT LIABILITIES		**1,583,978**	1,186,217
TOTAL LIABILITIES		**3,064,146**	2,651,185
EQUITY			
Share capital	27	**1,081**	973
Reserves	29	**66,178**	160,880
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**67,259**	161,853
NON-CONTROLLING INTERESTS		**89,574**	93,523
TOTAL EQUITY		**156,833**	255,376
TOTAL LIABILITIES AND EQUITY		**3,220,979**	2,906,561

Li Feilie
Chairman and Executive Director

Wong Wah On Edward
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital CNY'000 Note 27	Share premium account* CNY'000 Note 29 (a)	Safety fund and production maintenance fund* CNY'000 Note 29 (b)	Special reserve* CNY'000 Note 29 (c)	Retained earnings/ (Accumulated losses)* CNY'000	Exchange fluctuation reserve* CNY'000	Total CNY'000	Non-controlling interests CNY'000	Total equity CNY'000
At 1 January 2013	–	–	8,448	27,973	376,366	867	413,654	93,941	507,595
Loss for the year	–	–	–	–	(334,119)	–	(334,119)	(418)	(334,537)
Foreign currency translation adjustments	–	–	–	–	–	907	907	–	907
Total comprehensive (loss)/income for the year	–	–	–	–	(334,119)	907	(333,212)	(418)	(333,630)
Issuance of shares (note 27)	973	75,859	–	–	–	–	76,832	–	76,832
Deemed contribution from the owners of the Company (note 31(c))	–	–	–	4,579	–	–	4,579	–	4,579
Appropriation and utilization of safety fund and production maintenance fund, net	–	–	(1,386)	–	1,386	–	–	–	–
At 31 December 2013 and at 1 January 2014	973	75,859	7,062	32,552	43,633	1,774	161,853	93,523	255,376
Loss for the year	–	–	–	–	(223,600)	–	(223,600)	(3,227)	(226,827)
Foreign currency translation adjustments	–	–	–	–	–	511	511	–	511
Total comprehensive (loss)/income for the year	–	–	–	–	(223,600)	511	(223,089)	(3,227)	(226,316)
Acquisition of non-controlling interest	–	–	–	(278)	–	–	(278)	(722)	(1,000)
Issuance of shares (note 27)	108	129,313	–	–	–	–	129,421	–	129,421
Share issue expenses	–	(648)	–	–	–	–	(648)	–	(648)
Appropriation and utilization of safety fund and production maintenance fund, net	–	–	14,380	–	(14,380)	–	–	–	–
At 31 December 2014	1,081	204,524	21,442	32,274	(194,347)	2,285	67,259	89,574	156,833

* These reserve accounts comprise the consolidated reserves of CNY66.2 million (2013: CNY160.9 million) as of 31 December 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 CNY'000	2013 CNY'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(253,931)**	(382,354)
Adjustments for:			
Interest income	8	**(2,716)**	(1,102)
Finance costs		**133,253**	105,518
Depreciation and amortization	8	**111,938**	25,141
Impairment loss on property, plant and equipment	8, 16	**66,397**	184,417
Impairment of inventories	8, 18	**–**	1,069
Sub-total		**54,941**	(67,311)
Decrease/(increase) in rehabilitation fund		**6,188**	(7,456)
Increase in trade and bills receivables		**(33,688)**	(22,474)
Increase in inventories		**(3,140)**	(4,166)
Decrease in prepayments, deposits and other receivables		**3,399**	1,752
Increase in trade and bills payables		**4,693**	9,969
Increase/(decrease) in other payables and accrued liabilities		**(26)**	56,637
Cash from/(used in) operations		**32,367**	(33,049)
Interest received		**2,716**	1,102
Interest paid		**(132,483)**	(101,030)
Income tax paid		**(37,533)**	(17,122)
Net cash flows used in operating activities		**(134,933)**	(150,099)
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment for purchase of land use rights		**(7,796)**	(12,244)
Purchase of items of property, plant and equipment		**(286,315)**	(285,145)
Decrease/(increase) in pledged deposits		**16,000**	(16,000)
Decrease in term deposits with an original maturity over three months		**–**	20,000
Net cash flows used in investing activities		**(278,111)**	(293,389)

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 CNY'000	2013 CNY'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	27	129,421	76,832
Share issue expenses		(648)	–
Proceeds from interest-bearing bank and other borrowings		1,220,000	1,379,600
Repayments of interest-bearing bank and other borrowings		(1,258,779)	(489,350)
Increase of restricted bank deposits		(810)	(1,782)
Prepayment for acquisition of non-controlling interest		(1,750)	–
Acquisition of non-controlling interest		(480)	–
Advances from related companies		1,255,323	1,800,926
Repayments to related companies		(806,487)	(2,337,230)
Net cash flows from financing activities		535,790	428,996
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		122,746	(14,492)
Effect of foreign exchange rate changes, net		511	391
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		146,883	160,984
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	270,140	146,883
Supplementary disclosures of cash flow information:			
Total cash paid for interest (including capitalized interest of CNY26.2 million for the year ended 31 December 2014 (2013: CNY32.6 million))		158,706	133,633

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 CNY'000	2013 CNY'000
NON-CURRENT ASSET			
Investment in a subsidiary	32	–	–
CURRENT ASSETS			
Due from a subsidiary	32	9,252	8,944
Cash and cash equivalents	21	151,948	55,704
TOTAL CURRENT ASSETS		161,200	64,648
TOTAL ASSETS		161,200	64,648
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Other payables and accrued liabilities		5,094	34,102
TOTAL CURRENT LIABILITIES		5,094	34,102
TOTAL LIABILITIES		5,094	34,102
EQUITY			
Share capital	27	1,081	973
Reserves	29	155,025	29,573
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		156,106	30,546
TOTAL EQUITY		156,106	30,546
TOTAL LIABILITIES AND EQUITY		161,200	64,648

Li Feilie
Chairman and Executive Director

Wong Wah On Edward
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the British Virgin Islands ("BVI") on 6 January 2010. The registered office address of the Company is Kingston Chambers, P.O. Box 173, Road Town, Tortola, BVI.

China Natural Resources, Inc. ("CHNR") is a BVI holding company incorporated in 1993 with its shares listed on the NASDAQ Capital Market in the United States of America. The Company was a wholly-owned subsidiary of CHNR until CHNR completed the spin off ("Spin-off") of its shareholding in the Company and the shares of the Company were listed by introduction on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 22 January 2014. After the Spin-off, CHNR's shareholders hold the shares of the Company directly.

CHNR's principal shareholder is Feishang Group Limited ("Feishang" or the "controlling shareholder"), a company incorporated in the BVI. Mr. Li Feilie, the director and beneficial owner of Feishang, is the chairman and chief executive officer of the Company. In the opinion of the directors of the Company ("Directors"), the ultimate holding company of the Company is Laitan Investments Limited, a company incorporated in the BVI.

The Company is an investment holding company. During the year, the Company's subsidiaries were engaged in the acquisition, construction and development of anthracite coal mines and extraction and sale of thermal and anthracite coal in the People's Republic of China ("PRC").

As at 31 December 2014, the Group had net current liabilities of CNY1,026.6 million (2013: CNY1,168.2 million) and total assets less current liabilities of CNY1,740.8 million (2013: CNY1,441.6 million).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Chinese Yuan ("CNY") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern

As of 31 December 2014, the Group had a working capital deficiency of CNY1,026.6 million and had undrawn loan facilities totaling CNY240.0 million available to finance its future operations. Subsequent to the end of the reporting period, the Group has secured additional loan facilities up to 31 March 2015 totaling CNY35.0 million. The Group will also enter into loan renewal discussions with the banks in due course and has, at this stage, not sought any written commitment that the loan facilities will be renewed. However, the Group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

In the opinion of the Directors, the Group's forecasts and projections, after taking into account of reasonably possible changes in trading performance, operation as well as capital expenditure, available bank facilities and the continuous financial support from Feishang, support the Group's ability to continue to operate within the level of its current capacity and that the Group is expected to have sufficient liquidity to finance its operations for the next twelve months. Therefore, the financial statements have been prepared on a going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

1 Effective from 1 July 2014

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

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

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

(g) The IFRS 1 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

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

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2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

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

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

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

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

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group.

Details of the amendment most applicable to the Group are as follows:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combinations

The acquisition of subsidiaries and businesses under common control, where applicable, has been accounted for using merger accounting. The financial statements of the combining entities or businesses under common control are prepared for the same reporting period as the Company, using consistent accounting policies.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combinations occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholder. The net assets of the combining entities or businesses are combined using the existing book values from the controlling shareholder's perspective. No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control or since their respective dates of incorporation/establishment, where this is a shorter period, regardless of the date of the common control combination. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owner of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combinations (continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in the statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that until is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Related parties

A party is considered to be related to the Group if:

(1) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(2) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (1); and

(vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(d) Property, plant and equipment

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

Mining rights are stated at cost less accumulated amortization and any impairment losses. The costs of mining rights are initially capitalized when purchased. If proved and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs are capitalized and are amortized upon production based on actual units of production over the estimated proved and probable reserves of the mines. For mining rights in which proved and probable reserves have not yet been established, the Group assesses the carrying value for impairment at the end of each reporting period. The Group's rights to extract minerals are contractually limited by time. However, the Group believes that it will be able to extend its 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	15 – 35 years
Non-mining related machinery and equipment	5 – 15 years
Motor vehicles	5 – 8 years

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

When properties are retired or otherwise disposed 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Exploration and evaluation costs

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

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

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

(g) Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets

As of 31 December 2014 and 2013, the Group's financial assets within the scope of IAS 39 are all classified as loans and receivables. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are included in "trade and bills receivables", "prepayments, deposits and other receivables", "term deposits with an original maturity over three months", "restricted time deposits", "cash and cash equivalents", "rehabilitation fund" and "due from related companies" in the consolidated statements of financial position. These assets are subsequently carried at amortized cost using the effective interest method ("EIR") less any provision for impairment. Gains and losses are recognized in interest income or finance costs in the consolidated statement of profit or loss when the loans and receivables are derecognized as well as through the amortization process. Loss from impairment is recognized in the statement of profit or loss in finance costs for loans and in operating expenses for receivables.

Fair value of loans and receivables

As of 31 December 2014 and 2013, the carrying amounts of rehabilitation fund are not materially different from their fair values. The carrying values of other financial assets approximated to their fair values due to the short-term maturities of these instruments.

Impairment of loans and receivables

The Group assesses at the end of each reporting date whether there is objective evidence that the loans and receivables are impaired. The Group first assesses whether impairment exists individually for loans and receivables that are individually significant, or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loans and receivables, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

Impairment of loans and receivables (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of profit or loss, to the extent that the carrying value of the asset does not exceed amortized cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice.

Derecognition of loans and receivables

For financial assets classified as loans and receivables, the financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets (continued)

Derecognition of loans and receivables (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(i) Financial liabilities at amortized cost

Financial liabilities including trade and bills payables, amounts due to related companies, other payables and certain accrued liabilities, interest-bearing loans, mining rights payable and interest payable are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest rate. The related interest expense is recognized within "finance costs" in the consolidated statement of profit or loss.

Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Fair value

As of 31 December 2014 and 2013, the carrying values of these financial liabilities other than long-term interest-bearing loans and mining rights payable approximated to their fair values due to the short-term maturities of these instruments. The carrying values of long-term interest bearing-loans and mining rights payable approximated to their fair values as the interest rates on almost all the balances are reset each year based on prevailing interest rates stipulated by the People's Bank of China.

The Group had no financial liabilities measured at fair value on a recurring or a non-recurring basis as of 31 December 2014 and 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial liabilities at amortized cost (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(j) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted-average method. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Major types of inventories include:

- Spare parts and consumables

- Coal

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(m) Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Further information is set out in note 9.

Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(n) Asset retirement obligations

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly relating to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

(p) Revenue recognition

The Group sells its products pursuant to sales contracts entered into with its customers. Revenue for all products is recognized when the significant risks and rewards of ownership have passed to the customer, provided that the Group does not maintain neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and when collectability is reasonably assured. The passing of the significant risks and rewards of ownership to the customer is based on the terms of the sales contract, generally upon delivery and acceptance of the product by the customer.

In accordance with the relevant tax laws in the PRC, value-added tax ("VAT") is levied on the invoiced value of sales and is payable by the purchaser. The Group is required to remit the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases. The difference between the amounts collected and paid is presented as VAT recoverable or payable in the consolidated statement of financial position. VAT on sales amounted to CNY67.99 million (2013: CNY38.1 million) for the year ended 31 December 2014. The Group recognizes revenues net of VAT.

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

(q) Income taxes

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

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 reporting date, taking into consideration interpretations and practices prevailing in the countries where the Group operates and generates taxable income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income taxes (continued)

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest for the Group.

(s) Foreign currencies

The functional currency of substantially all the operations of the Group is the CNY, the national currency of the PRC. Transactions denominated in currencies other than the CNY recorded by the entities of the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies have been translated into CNY at the functional currency rates of exchange prevailing at the end of the reporting period. The resulting exchange gains or losses are credited or charged to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

The financial statements of certain overseas subsidiary operations with a functional currency other than the CNY have been translated into CNY. The assets and liabilities of these entities have been translated using the exchange rates prevailing at the reporting date and the consolidated statements of profit or loss have been translated using the weighted average exchange rate for the year. Resulting translation adjustments are reported as a separate component of other comprehensive income.

On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(u) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the lower of its fair value of the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

(v) Dividend

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

(i) Commercial production start date

The Group assesses the stage of each coal mine under construction to determine when a coal mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each coal mine construction project. The Group considers various relevant criteria to assess when the coal mine is substantially complete, ready for its intended use and is reclassified from "Construction in progress" to "Mining structures". The criteria will include, but are not limited, to the following:

- The level of capital expenditure compared to the construction cost estimates
- Completion of a reasonable period of testing of the mine and equipment
- Ability to produce coal in saleable form (within specifications)
- Ability to sustain ongoing production of coal

When a mine construction project moves into the production stage, the capitalization of certain coal mine construction costs ceases, and further extraction costs incurred are either regarded as inventories or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development. The commercial production start date is also the date when depreciation and/or amortization of the mining structure assets commence.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

(i) Impairment of property, plant and equipment

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

Other than those disclosed in note 16, there were no impairments recognized for the year.

(ii) Units-of-production depreciation for mining related assets

The Group determines the depreciation and/or amortization of mining related assets by the actual units of production over the estimated reserves of the mines. Further details about the reserve estimates are included in note 2.5 (iv) below.

(iii) Useful lives of non-mining related property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its non-mining related property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of non-mining related property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation and competitor action in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Reserve estimates

Proved and probable coal reserve estimates are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. In determining the estimates, recent production and technical information of each mine will be considered.

Fluctuations in factors including the price of coal, production costs and transportation costs of coal, a variation on recovery rates or unforeseen geological or geotechnical perils may render it necessary to revise the estimates of coal reserves.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

(iv) Reserve estimates (continued)

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to change in estimated future cash flows.

- Depreciation, depletion and amortization charged to the statement of profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

- Asset retirement obligations may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(v) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at the end of each reporting period.

(vi) Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will be reflected in the income tax and deferred tax provisions in the period in which the determination is made. In addition, the realization of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilize income tax benefits and income tax loss carryforwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

(vii) Provision for asset retirement obligations

The provision for asset retirement obligations is determined by management based on the past experience and best estimation of future expenditures, taking into account existing relevant PRC regulations. However, insofar as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

NOTES TO THE FINANCIAL STATEMENTS

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3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has only one reportable segment which is the exploration and mining of coal. The Group conducts its principal operation in Mainland China. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

Geographic information

The Group's revenue from external customers is derived solely from its operation in Mainland China, and no non-current assets of the Group are located outside Mainland China.

Information about major customers

During the year ended 31 December 2014, sales derived from three customers accounted for 19.3%, 16.9% and 11.4% of the consolidated revenue, respectively. During the year ended 31 December 2013, sales derived from three customers accounted for 27.7%, 19.0% and 14.5% of the consolidated revenue, respectively.

4. REVENUE

Revenue represents the following:

	2014	2013
	CNY'000	CNY'000
Sale of coal	**363,365**	178,501

All of the Group's revenue is derived solely from its operations in Mainland China.

5. COST OF SALES

Cost of sales represents the following:

	2014	2013
	CNY'000	CNY'000
Sale of coal (note 8)	**276,147**	108,242

6. FINANCE COSTS

	2014	2013
	CNY'000	CNY'000
Interest on interest-bearing bank and other borrowings	**151,696**	132,215
Interest on payables for mining rights	**3,200**	6,263
Total interest expense	**154,896**	138,478
Less: capitalized interest (note 16)	**(22,440)**	(33,684)
Bank charges	**10,490**	1,832
Entrusted loan commission fee	**442**	7,903
Accretion expenses (note 26)	**797**	724
	144,185	115,253

7. NON-OPERATING (EXPENSES)/INCOME, NET

	2014 CNY'000	2013 CNY'000
Reversal of other payable	–	1,271
Late fee for VAT	(1,054)	–
Donation	(1,809)	(853)
Others	(172)	(286)
	(3,035)	132

8. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/crediting:

	2014 CNY'000	2013 CNY'000
Crediting:		
Interest income on bank deposits	2,716	1,102
Charging:		
Cost of inventories sold (a)	203,514	72,938
Price adjustment fund	11,566	5,536
Sales tax and surcharge	15,388	5,415
Utilization of safety fund and production maintenance fund	45,679	24,353
Cost of sales (note 5)	276,147	108,242
Employee benefit expenses (note 9)	113,334	72,751
Depreciation, depletion and amortization:		
Property, plant and equipment	111,938	25,141
Auditors' remuneration:		
Audit fee	3,000	1,265
Audit-related fee	–	7,025
Operating lease rental:		
Office properties	254	200
Impairment loss on property, plant and equipment (note 16)	66,397	184,417
Write-down of inventories to net realizable value (note 18)	–	1,069
Repairs and maintenance	749	1,245
Losses arising from temporary suspension of production (b)	10,725	9,565

(a) Included in the cost of inventories sold are CNY143.1 million for the year ended 31 December 2014 (2013: CNY55.0 million), relating to employee benefit expenses, and depreciation, depletion and amortization, and these amounts are also included in the respective amounts disclosed separately above for each type of expense.

(b) The amount represented the overhead costs incurred during the period of temporary suspension of production implemented by the local governments for inspections as well as the suspension of production in Gouchang Coal Mine according to Guizhou Province's coal mine consolidation policy issued in March 2013. Moreover, since June 2014, Liujiaba Coal Mine, Zhulinzhai Coal Mine and Dayuan Coal Mine also suspended production temporarily to facilitate inspection or carry out rectification or improvement of certain safety deficiencies so as to ensure their mining operations are in compliance with the requisite safety standards and other conditions required by Liuzhi Special District Administration Bureau of Work Safety and Nayong County Administration Bureau of Work Safety.

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9. EMPLOYEE BENEFITS

	Year ended December 31,	
	2014	2013
	CNY'000	CNY'000
Wages, salaries and allowances	**101,883**	75,461
Contribution to pension plans (a)	**3,388**	2,289
Housing funds (a)	**1,055**	755
Welfare and other expenses	**11,650**	12,591
Sub-total	**117,976**	91,096

(a) As stipulated by PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government and government-sponsored housing funds. These subsidiaries are required to contribute certain percentages of their payroll costs for those qualified urban employees to the central pension scheme as well as the housing funds.

Employee benefits charged to the consolidated statement of profit or loss are analyzed as follows:

	Year ended December 31,	
	2014	2013
	CNY'000	CNY'000
Total employee benefits accrued for the year	**117,976**	91,096
Less:		
Amount included in inventories	**(310)**	(1,054)
Amount included in property, plant and equipment	**(4,332)**	(17,291)
Amount charged to statement of profit or loss (note 8)	**113,334**	72,751

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Hong Kong Listing Rules ("Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended December 31,	
	2014	2013
	CNY'000	CNY'000
Fees	**294**	6
Other emoluments:		
Salaries, allowances and benefits in kind	**550**	591
Pension scheme contributions	**64**	51
	614	642
	908	648

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended December 31, 2014 CNY'000	2013 CNY'000
Mr. Lo Kin Cheung (i)	**95**	2
Mr. Huang Zuye (i)	**95**	2
Mr. Gu Jianshe (i)	**52**	2
Mr. Huang Songzhong (ii)	**52**	–
	294	6

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(i) Mr. Lo Kin Cheung, Mr. Huang Zuye and Mr. Gu Jianshe were appointed as the Company's independent non-executive directors, with effect from 23 December 2013.

(ii) Mr. Huang Songzhong, who substituted Mr. Gu Jianshe, was appointed as the Company's independent non-executive director, with effect from 15 July 2014.

(b) Executive directors and the chief executive

	Fees CNY'000	Salaries, allowances and benefits in kind CNY'000	Pension scheme contributions CNY'000	Total remuneration CNY'000
2014				
Executive directors:				
Mr. Li Feilie (i)	–	–	–	–
Mr. Tam Cheuk Ho (ii)	–	–	–	–
Mr. Wong Wah On Edward (ii)	–	–	–	–
Mr. Han Weibing (iii)	–	281	63	344
Mr. Wan Huojin (iii)	–	269	–	269
	–	550	63	613

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10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

	Fees CNY'000	Salaries, allowances and benefits in kind CNY'000	Pension scheme contributions CNY'000	Total remuneration CNY'000
2013				
Executive directors:				
Mr. Li Feilie (i)	–	–	–	–
Mr. Tam Cheuk Ho (ii)	–	–	–	–
Mr. Wong Wah On Edward (ii)	–	–	–	–
Mr. Han Weibing (iii)	–	300	51	351
Mr. Wan Huojin (iii)	–	291	–	291
	–	591	51	642

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

(i) Mr. Li Feilie was appointed as the Company's executive director and Chief Executive Officer, with effect from 15 January 2010.

(ii) Mr. Tam Cheuk Ho and Mr. Wong Wah On Edward were appointed as the Company's executive directors, with effect from 1 February 2013. The total remuneration of Mr. Tam Cheuk Ho and Mr. Wong Wah On Edward for the year ended 31 December 2014 was HK$1 director fee, respectively (2013: HK$1).

(iii) Mr. Han Weibing and Mr. Wan Huojin were appointed as the Company's executive directors, with effect from 23 December 2013. The total remuneration of Mr. Han Weibing and Mr. Wan Huojin as directors for the year ended 31 December 2014 was CNY344,482 and CNY269,101, respectively (2013: CNY8,650 and CNY7,175).

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included two directors (2013: two), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2013: three) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	Number of employees Year ended December 31, 2014	2013
Directors	**2**	2
Non-director individuals	**3**	3

11. FIVE HIGHEST PAID INDIVIDUALS (continued)

Details of the remuneration paid to the non-director and non-chief-executive officer are as follows:

	2014	2013
	CNY'000	CNY'000
Wages, salaries and allowances	**734**	746
Contribution to pension plans	**23**	33
Housing funds	**10**	19
Welfare and other expenses	**13**	21
	780	819

The number of non-director, non-chief-executive officer, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2014	2013
Nil to CNY1,000,000	**3**	3
	3	3

12. INCOME TAX AND DEFERRED TAX

The Company is a limited liability company incorporated in the BVI and conducts its primary business through its subsidiaries in Mainland China. It also has an intermediate holding company in Hong Kong. Under the current laws of the BVI, the Company incorporated in the BVI is not subject to tax on income or capital gains. The Hong Kong profits tax rate was 16.5% during the year ended 31 December 2014 (2013: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong-sourced and non-Hong Kong-sourced incomes. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. For the Hong Kong-sourced income, no provision for Hong Kong profits tax was made as this operation sustained tax losses during the years ended 31 December 2014 and 2013. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

Effective from 1 January 2008, the PRC's statutory corporate income tax ("CIT") rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% on their respective taxable incomes as calculated in accordance with the CIT Law and its relevant regulations.

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiary are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty.

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12. INCOME TAX AND DEFERRED TAX (continued)

In accordance with the New CIT Law, enterprises established under the laws of foreign countries or regions and whose "place of effective management" is located within the PRC territory are considered PRC resident enterprises and subject to the PRC income tax at the rate of 25% on worldwide income. The definition of "place of effective management" refers to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting and properties of an enterprise. As of 31 December 2014, no detailed interpretation or guidance has been issued to define "place of effective management". If the Company's non-PRC incorporated entities are deemed PRC tax residents, these entities would be subject to PRC tax under the New CIT Law. As of 31 December 2014, the Company has analyzed the applicability of this law and has not accrued for PRC tax on this basis. The Company will continue to monitor changes in the interpretation or guidance of this law.

The current and deferred components of income tax benefit appearing in the consolidated statement of profit or loss are as follows:

	2014	2013
	CNY'000	CNY'000
Current – Mainland China	**20,128**	8,945
Deferred – Mainland China	**(47,232)**	(56,762)
	(27,104)	(47,817)

A reconciliation of the income taxes computed at the PRC statutory tax rate of 25% to the actual income tax benefit is as follows:

	2014	2013
	CNY'000	CNY'000
Loss before income tax	**(253,931)**	(382,354)
Tax at the statutory tax rate of 25%	**(63,483)**	(95,589)
Effect of different tax rates for the Company and the Hong Kong subsidiary	**999**	12,734
Non-deductible expenses	**2,878**	3,364
Deferred tax assets not recognized	**1,120**	440
Tax losses not recognized	**31,807**	34,231
Tax losses utilized from previous years	**(102)**	(2,799)
Others	**(323)**	(198)
Income tax benefit	**(27,104)**	(47,817)

12. INCOME TAX AND DEFERRED TAX (continued)

The Group's major deferred tax assets and deferred tax liabilities, classified after netting on a jurisdictional basis, are as follows:

	2014	2013
	CNY'000	CNY'000
Deferred tax assets		
Accrued liabilities and other payables	**5,664**	3,662
Capitalized pilot run income	**18,923**	17,954
Tax losses	**35,816**	19,859
Depreciation and fair value adjustment of property, plant and equipment	**9,706**	–
Others	**776**	589
	70,885	42,064
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(230,143)**	(248,554)
Net deferred tax liabilities	**(159,258)**	(206,490)
Classification in the consolidated statements of financial position:		
Deferred tax assets	**28,576**	9,830
Deferred tax liabilities	**(187,834)**	(216,320)

* Included in the deferred tax liabilities, there were CNY215.0 million and CNY232.2 million deferred tax liabilities recognized relating to the fair value adjustment on property, plant and equipment as of 31 December 2014 and 2013, respectively.

During 2014, deferred tax assets of CNY67.6 million (2013: CNY41.5 million) were recognized for Guizhou Nayong Dayuan Coal Mining Co., Ltd. ("Dayuan Coal"), Liuzhi Xinsong Coal Mining Co., Ltd. ("Xinsong Coal"), Liuzhi Linjiaao Coal Mining Co., Ltd. ("Linjiaao Coal") and Guizhou Yongfu Mining Co., Ltd. ("Guizhou Yongfu"). In assessing the recoverability of the Group's deferred tax assets, management has performed a detailed assessment on the available taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the deductible temporary differences and unused tax losses can be utilized before they expire. In addition, management has also performed a detailed assessment on these coal mining subsidiaries' profitability based on their production plans, product mix, forecasted selling prices, and the related production and operational costs, of which strong profits are expected.

Accordingly, management considered it is probable that the Group, in future, will earn sufficient taxable profits to utilize these coal mining subsidiaries' deductible temporary differences and unused tax losses before they expire and as such, the related deferred tax assets are recognized.

The Group did not recognize any deferred tax liabilities in respect of the 5% or 10% PRC dividend withholding tax on the undistributed earnings of its PRC subsidiaries as there were no undistributed earnings available due to the aggregate losses of the subsidiaries as of 31 December 2014 and 2013.

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12. INCOME TAX AND DEFERRED TAX (continued)

The total amounts of unused tax losses for which no deferred tax assets were recognized amounted to CNY322.0 million and CNY206.0 million as of 31 December 2014 and 2013, respectively. As of 31 December 2014, unused tax losses of CNY18.6 million, CNY36.5 million, CNY42.7 million, CNY108.2 million and CNY116.0 million if unused, will expire by end of 2015, 2016, 2017, 2018 and 2019, respectively.

The gross movements on the deferred tax account are as follows:

	2014 **CNY'000**	2013 CNY'000
At beginning of the year	**(206,490)**	(263,252)
Credited to consolidated statement of profit or loss	**47,232**	56,762
At end of the year	**(159,258)**	(206,490)

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company for the year ended 31 December 2014 includes a loss of CNY3.9 million (2013: CNY46.4 million) which has been dealt with in the financial statements of the Company (note 29).

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic and diluted loss per share for the year were calculated as follows:

	2014 **CNY'000**	2013 CNY'000
Loss for the year attributable to owners of the Company:	**(223,600)**	(334,119)
Weighted average number of common shares ('000 shares):		
Basic	**124,887**	120,305
Diluted	**124,887**	120,305
Loss per share attributable to owners of the Company (CNY per share):		
Basic	**(1.79)**	(2.78)
Diluted	**(1.79)**	(2.78)

The Company did not have any potential diluted shares throughout the year. Accordingly, the diluted loss per share amount is the same as the basic loss per share amount.

15. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings CNY'000	Mining structures and mining rights CNY'000	Machinery and equipment CNY'000	Motor vehicles CNY'000	Construction in progress CNY'000	Total CNY'000
Cost						
At 1 January 2013	31,139	1,688,813	88,110	14,111	543,597	2,365,770
Additions	1,855	9,356	24,630	5,948	302,091	343,880
Transfers	41,432	139,635	23,881	–	(204,948)	–
At 31 December 2013 and 1 January 2014	74,426	1,837,804	136,621	20,059	640,740	2,709,650
Additions	–	4,477	23,979	7,391	284,093	319,940
Transfers	9,477	447,162	91,483	–	(548,122)	–
At 31 December 2014	**83,903**	**2,289,443**	**252,083**	**27,450**	**376,711**	**3,029,590**
Accumulated depreciation						
At 1 January 2013	(1,558)	(24,940)	(8,688)	(2,943)	–	(38,129)
Depreciation charge	(2,024)	(14,596)	(7,089)	(1,432)	–	(25,141)
At 31 December 2013 and 1 January 2014	(3,582)	(39,536)	(15,777)	(4,375)	–	(63,270)
Depreciation charge	(1,798)	(79,046)	(28,879)	(2,215)	–	(111,938)
At 31 December 2014	**(5,380)**	**(118,582)**	**(44,656)**	**(6,590)**	**–**	**(175,208)**
Impairment						
At 1 January 2013	–	–	–	–	–	–
impairment	–	(184,417)	–	–	–	(184,417)
At 31 December 2013 and 1 January 2014	–	(184,417)	–	–	–	(184,417)
Impairment	–	(66,397)	–	–	–	(66,397)
At 31 December 2014	**–**	**(250,814)**	**–**	**–**	**–**	**(250,814)**
Net carrying amount						
At 31 December 2013	70,844	1,613,851	120,844	15,684	640,740	2,461,963
At 31 December 2014	**78,523**	**1,920,047**	**207,427**	**20,860**	**376,711**	**2,603,568**

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2014, certain mining rights with a carrying amount of CNY984.5 million (2013: CNY798.7 million) were pledged to secure bank loans with a carrying amount of CNY718.8 million (2013: CNY485.9 million) (note 24).

As at 31 December 2014, certain buildings with a carrying amount totaling CNY69.0 million were without title certificates. The Group has obtained the relevant confirmation letters issued by the local authorities confirming that they will not impose any penalties in connection with the construction of these buildings, and that the Group may continue to use these buildings in accordance with the current uses. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as of the end of the year.

Interest expenses of CNY22.4 million and CNY33.7 million arising from borrowings attributable to the construction of property, plant and equipment were capitalized at an annual rate of 6.00% to 8.00% and were included in 'additions' to construction in progress and mining rights during the years ended 31 December 2014 and 2013, respectively.

Operations have been temporarily suspended at Dayuan Coal Mine since June 2014 to carry out rectification of certain safety deficiencies or related improvement so as to ensure its mining operations are in compliance with the requisite safety standards and other conditions required by relevant Administration Bureau of Work Safety in the PRC. Dayuan Coal Mine was designated as a single cash generating unit ("CGU"). The carrying value of the long-term assets was compared to the recoverable amount of the CGU, which was based predominantly on the fair-value-less-costs-of-disposal ("FVLCD") approach. The fair value measurement of the recoverable amount is categorized within level 3 of the fair value hierarchy. FVLCD calculations use pre-tax cash flow projections over the reserve life over Dayuan Coal Mine. Other key assumptions applied in the impairment tests include the production volume, expected coal price, coal product mix, product cost and related expenses. Management determined that these key assumptions were based on past performance and their expectations on market development. Management used growth rate of 0%. Further, the Group adopts a pre-tax rate of 11.93% (year ended 31 December 2013: 15.05%) that reflects specific risks related to CGU as discount rates. For the year ended 31 December 2014, impairment loss for property, plant and equipment of CNY66.4 million (year ended 31 December 2013: CNY184.4 million) was recognized in profit or loss.

17. REHABILITATION FUND

The rehabilitation fund represents restricted cash set aside by the Group in banks and cash placed with authorities for the purpose of future environmental rehabilitation as well as the settlement of asset retirement obligations.

18. INVENTORIES

	2014 CNY'000	2013 CNY'000
Spare parts and consumables	13,118	11,598
Coal	4,385	2,765
	17,503	14,363

The provision for impairment of inventories of the Group amounted to nil for the year ended 31 December 2014 (2013: CNY1.1 million).

19. TRADE AND BILLS RECEIVABLES

	2014 CNY'000	2013 CNY'000
Trade receivables	95,651	57,149
Less: provision for impairment	–	–
	95,651	57,149
Bills receivable	3,715	10,910
	99,366	68,059

A credit period of up to three months is granted to customers with an established trading history, otherwise sales on cash terms or payment in advance is required. Trade receivables are non-interest-bearing.

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19. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	2014	2013
	CNY'000	CNY'000
Within 3 months	**76,271**	48,933
3 to 6 months	**4,544**	5,206
6 to 12 months	**13,845**	2,966
Over 12 months	**991**	44
	95,651	57,149

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2014	2013
	CNY'000	CNY'000
Neither past due nor impaired	**76,271**	48,933
Within one year past due	**18,389**	8,172
More than one year past due	**991**	44
Trade receivables, net	**95,651**	57,149

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Bills receivable are bills of exchange with maturity dates of less than one year.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance consists of prepayments, deposits and other receivables at cost of:

	2014	2013
	CNY'000	CNY'000
Current:		
Prepaid spare parts and consumables purchases	**4,251**	2,206
Deposits	**7,546**	10,453
Staff advances	**4,546**	2,730
Withheld social security	**4,265**	2,762
Value-added tax recoverable	**4,162**	3,449
Prepaid transportation fee	**1,113**	1,884
Prepaid bank charges	**–**	3,200
Prepaid electricity fee	**1,440**	1,686
Others	**1,076**	2,214
	28,399	30,584
Non-current:		
Prepayments for land use rights	**57,041**	49,245
Prepayments for construction related work	**29,662**	38,630
Deposits for equipment purchases	**12,257**	8,554
Prepayments for mining plans design	**1,392**	2,211
Others	**3,706**	2,018
	104,058	100,658
	132,457	131,242

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	CNY'000	CNY'000	**CNY'000**	CNY'000
Cash and cash balances	**279,814**	155,747	**151,948**	55,704
Time deposits	**–**	16,000	**–**	–
	279,814	171,747	**151,948**	55,704
Less: Pledged time deposits:				
Pledged and restricted for bank bills (note 22) (a)	**(9,674)**	(8,864)	**–**	–
Pledged for short-term bank loans (note 24)	**–**	(16,000)	**–**	–
Cash and cash equivalents	**270,140**	146,883	**151,948**	55,704

(a) Restricted bank deposits mainly include deposits of CNY9.7 million (2013: CNY8.9 million) held as security for bank bills as at 31 December 2014. The total CNY9.7 million restricted bank deposits included CNY5.0 million bills payable not issued as at 31 December 2014.

(b) Deposits and cash and cash equivalents are denominated in the following currencies:

	2014	2013
	CNY'000	CNY'000
CNY	**127,808**	116,029
Hong Kong dollar	**152,006**	55,718
	279,814	171,747

Cash and cash equivalents are principally CNY-denominated deposits placed with banks in the PRC. The CNY is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange CNY into other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

	2014 CNY'000	2013 CNY'000
Trade payables (a)	**198,427**	134,382
Bills payable (b)	**4,674**	8,864
	203,101	143,246

(a) Included in trade payables were CNY149.3 million (2013: CNY91.7 million) due to construction related contractors as of 31 December 2014.

(b) Bills payable of CNY5.0 million was not issued as of 31 December 2014.

The aged analysis of trade payables is as follows:

	2014 CNY'000	2013 CNY'000
Within one year	**189,775**	129,069
More than one year	**8,652**	5,313
	198,427	134,382

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY9.7 million (2013: CNY8.9 million) were pledged to secure the bank bills as of 31 December 2014 (note 21).

The trade payables are non-interest-bearing and are normally settled on a term of three to six months other than those due to construction related contractors, which are repayable on terms ranging from three months to about one year.

23. OTHER PAYABLES AND ACCRUED LIABILITIES

	2014 CNY'000	2013 CNY'000
Natural resources fee (a)	**3,894**	1,647
Deposits from contractors	**13,028**	7,705
Social security payable (b)	**9,058**	7,204
Payroll payable	**25,169**	13,567
Advances from customers	**20,483**	34,351
Other taxes payables	**31,932**	12,591
Accrued expenses	**2,809**	32,852
Professional fee	**2,240**	1,250
Payables for emergency rescue of the coal mine	**4,000**	195
Others	**5,197**	5,953
	117,810	117,315

(a) The natural resources fee represents fees payable to the PRC Government and is calculated as a percentage of sales or sales volume.

(b) Social security consists of employee retirement insurance, medical insurance, maternity insurance, employment injury insurance and unemployment insurance and housing funds for the benefit of the Group's employees.

Other payables are non-interest-bearing and have been an average term of three months.

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24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014 CNY'000	2013 CNY'000
Current		
Bank and other borrowings – guaranteed	255,000	876,000
Current portion of long term bank and other borrowings – secured and guaranteed	239,007	100,000
Current portion of long term bank and other borrowings – guaranteed	386,000	42,550
Bank and other borrowings- unsecured	230,000	–
	1,110,007	1,018,550
Non-current		
Bank and other borrowings – guaranteed	94,000	360,000
Bank and other borrowings – secured and guaranteed	479,771	385,904
Bank and other borrowings – unsecured	188,600	143,600
	762,371	889,504
	1,872,378	1,908,054

Certain of the interest-bearing bank and other borrowings are secured by:

(1) Pledges over the Group's mining rights with a carrying amount of CNY984.5 million (2013: CNY798.7 million) as of 31 December 2014 (note 16);

(2) Pledges over the Company's equity interest in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") and Guizhou Dayun Coal Mining Co., Ltd. ("Guizhou Dayun") as of 31 December 2014; Pledges over the Company's equity interest in Guizhou Puxin, Jinsha Baiping Mining Co., Ltd.("Baiping Mining"), Dayuan Coal, Nayong Gouchang Coal Mining Co., Ltd. ("Gouchang Coal"), Linjiaao Coal, Xinsong Coal and Guizhou Dayun as of 31 December 2013; and

(3) Pledges over certain of the Group's time deposits with a carrying amount of CNY16.0 million as of 31 December 2013 (note 21).

In addition, Mr. Li Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY989.0 million (2013: CNY658.5 million) as of 31 December 2014. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY1,274.0 million (2013: CNY1,073.5 million) as of 31 December 2014.

All borrowings are denominated in CNY.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The ranges of the effective interest rates on the Group's bank and other borrowings are as follows:

	2014	2013
	%	%
Fixed-rate bank and other borrowings	**6.60~10.00**	6.30~8.40
Floating-rate bank and other borrowings	**6.00~9.00**	6.00~8.52

The maturity profile of the bank and other borrowings as of the end of the reporting period is as follows:

	2014	2013
	CNY'000	CNY'000
Bank and other borrowings repayable:		
Within one year or on demand	**1,110,007**	1,018,550
In the second year	**599,600**	515,904
In the third to fifth years, inclusive	**162,771**	373,600
	1,872,378	1,908,054

25. MINING RIGHTS PAYABLES

Mining rights payables represent the payables to the Guizhou Provincial Department of Land and Resources as a result of acquiring the mining rights for Guizhou Yongfu, Dayuan Coal, Gouchang Coal, Baiping Mining, Xinsong Coal, Linjiaao Coal and Guizhou Dayun. Mining rights payables are classified as current/non-current liabilities according to instalment plans agreed with the Guizhou Provincial Department of Land and Resources.

Maturities of mining rights payables are as follows:

	2014	2013
	CNY'000	CNY'000
Within one year or on demand	**33,074**	38,876
In the second year	**22,368**	22,368
In the third to fifth years, inclusive	**10,706**	33,074
	66,148	94,318

The mining rights payables bear interest at a rate stipulated by the People's Bank of China from year to year. The ranges of the interest rates for mining rights payables for the year ended 31 December 2014 were 6.00%~6.15% (2013: 6.00%~6.55%).

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26. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations primarily relate to the closure of mines, which includes dismantling mining-related structures and the reclamation of land upon exhaustion of coal reserves.

The following table describes the changes to the Group's asset retirement obligation liability:

	Amount
	CNY'000
At 1 January 2013	7,064
Change of estimation	434
Accretion expenses (note 6)	724
At 31 December 2013 and 1 January 2014	8,222
Change of estimation	–
Accretion expenses (note 6)	797
At 31 December 2014	**9,019**

The inflation rate, discount rate and market risk premium used for estimating the provision for asset retirement obligations for the years ended 31 December 2014 and 2013 are 2.53%, 9.91% and 6.09%, respectively. There were no material changes to those rates used in subsequent periods.

27. SHARE CAPITAL

	2014	2013
	CNY'000	CNY'000
Authorized:		
1,000,000,000 (2013: 1,000,000,000) ordinary shares of HK$0.01 each	**7,881**	7,881
Issued and fully paid:		
138,054,580 (2013: 124,554,580) ordinary shares of HK$0.01 each	**1,081**	973

	Number of shares in issue	**Share capital**	**Share premium**	**Total**
		CNY'000	CNY'000	CNY'000
At 1 January 2013	–	–	–	–
Issuance of shares (a)	124,554,580	973	75,859	76,832
At 31 December 2013 and 1 January 2014	124,554,580	973	75,859	76,832
Issuance of shares (b)	13,500,000	108	129,313	129,421
Share issue expenses	–	–	(648)	(648)
At 31 December 2014	**138,054,580**	**1,081**	**204,524**	**205,605**

27. SHARE CAPITAL (continued)

(a) On 6 December 2013, the Company increased its authorized share capital under which it may issue an aggregate of: (i) a maximum of 50,000 shares of one class with a par value of US$1.00 each; and (ii) a maximum of 1,000,000,000 ordinary shares of one class with a par value of HK$0.01 each (the "Listco Shares"), pursuant to which CHNR completed the subscription for 124,554,580 Listco Shares of the Company with a par value of HK$0.01 each at a total consideration of HK$98.4 million as of 12 December 2013. Subsequently on 12 December 2013, the Company repurchased the one share with a par value of US$1.00 in the Company held by CHNR at par and simultaneously, the Company reduced its authorized but unissued share capital by the cancellation of the entire class of 50,000 ordinary shares with a par value of US$1.00 each.

(b) On 23 December 2014, 13,500,000 shares were allotted and issued at HK$12 per share to not less than six placees in accordance with the placing agreement dated 10 December 2014.

28. SHARE OPTION SCHEME

A share option scheme was approved by shareholders of the Company on 23 December 2013 (the "Date of Adoption") (the "2013 Share Option Scheme"), under which the board of directors may, at its discretion, offer any Eligible Persons (as hereinafter defined) options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2013 Share Option Scheme has a life of 10 years from the Date of Adoption. The 2013 Share Option Scheme is a share incentive scheme and is established to enable the Group to, (i) recognize and acknowledge the contributions that Eligible Persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible employees and other Eligible Persons; (iii) motivate the Eligible Persons to optimize their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Persons. The Eligible Persons include (a) any full time or part time employees of the Group or any Directors or any of its subsidiaries; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust the principal beneficiary of which is, or any discretionary trust the discretionary objects of which include, any person referred to (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the board of directors may in its absolute discretion determine.

At 31 December 2014, the Company had no share options outstanding under the scheme (2013: Nil).

29. RESERVES

Group

The amounts of the Group's reserves and movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(a) Share premium

124,554,580 shares were issued during the year ended 31 December 2013, resulting in an increase of share capital of CNY972,734 (HK$1,245,546) and share premium of CNY75,859,095 (HK$97,134,454), as further detailed in note 27 to the financial statements. 13,500,000 shares were issued during the year ended 31 December 2014, resulting in an increase of share capital of CNY108,027 (HK$135,000) and share premium of CNY128,665,267 (HK$161,865,000), as further detailed in note 27 to the financial statements.

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29. RESERVES (continued)

Group (continued)

(b) Safety fund and production maintenance fund

The safety fund and production maintenance fund represent the safety production fund and the production maintenance fund, which are accrued based on production volume in accordance with the circular of the Ministry of Finance on enterprise safety production.

(c) Special reserves

The special reserves represent equity-settled share option expense related to the coal business in 2010, prepaid listing expenses undertaken and paid by CHNR on behalf of the Group (note 31(c)) and the loss from the acquisition of non-controlling interest.

Company

	Share capital CNY'000	Share premium account CNY'000	Accumulated losses CNY'000	Exchange fluctuation reserve CNY'000	Total CNY'000
At 1 January 2013	–	–	(579)	8	(571)
Issuance of shares (note 27)	973	75,859	–	–	76,832
Loss for the year	–	–	(46,357)	–	(46,357)
Foreign currency translation adjustments	–	–	–	642	642
Total comprehensive (loss)/income for the year	–	–	(46,357)	642	(45,715)
At 31 December 2013 and 1 January 2014	973	75,859	(46,936)	650	30,546
Issuance of shares (note 27)	108	129,313	–	–	129,421
Share issue expenses	–	(648)	–	–	(648)
Loss for the year	–	–	(3,946)	–	(3,946)
Foreign currency translation adjustments	–	–	–	733	733
Total comprehensive (loss)/income for the year	–	–	(3,946)	733	(3,213)
At 31 December 2014	**1,081**	**204,524**	**(50,882)**	**1,383**	**156,106**

30. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2014 CNY'000	2013 CNY'000
Construction and purchase of property, plant and equipment		
– Contracted, but not provided for	35,108	63,173
– Authorized, but not contracted for	9,926	263,679
	45,034	326,852

The Company had no capital commitments at the end of the year.

(b) Operating lease commitments

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	2014 CNY'000	2013 CNY'000
Within the first year	1,961	766
After one year but not more than five years	904	679
	2,865	1,445

31. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Commercial transactions with related companies

Commercial transactions with related companies are summarized as follows:

	2014 CNY'000	2013 CNY'000
Payment of its share of office rental, rates and others to Anka Consultants Limited ("Anka")*	658	217

* On 1 September 2013, the Company and CHNR entered into new office sharing agreements with Anka, a private Hong Kong company that is owned by certain Directors. The agreement was renewed on 1 July 2014. Pursuant to the agreements, the office premises of 238 square meters are shared by the Company, CHNR and Anka on equal basis. The agreements also provide that the Company, CHNR and Anka shall share certain costs and expenses in connection with their use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration provided by Anka.

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31. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	2014 CNY'000	2013 CNY'000
Wages, salaries and allowances	2,436	2,759
Contribution to pension plans	103	131
Housing funds	64	100
Welfare and other expenses	59	82
	2,662	3,072

Further details of the directors' and chief executive's emoluments are included in note 10 to the financial statements.

(c) Listing expenses

Pursuant to undertakings, CHNR, the original parent of the Company, agreed to bear the listing expenses amounting to CNY4.6 million for the year ended 31 December 2013 (note 29(c)) in relation to the listing by introduction of the shares of the Company on the Hong Kong Stock Exchange.

(d) Outstanding balances with related companies

The Group's payables with related companies, which are all unsecured and non-interest-bearing, are summarized as follows:

	2014 CNY'000	2013 CNY'000
Current		
Payables to related companies:		
Shenzhen Feishang Management and Consulting Co. Limited ("Feishang Management")*	–	131,000
Non-current		
Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise")**	579,836	–
	579,836	131,000

* These are subsidiaries under the control of CHNR and Feishang.

** These are subsidiaries under the control of Feishang.

The payables with related companies as of 31 December 2014 are over one year; The payables with related companies as of 31 December 2013 are due on demand.

The related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

32. INVESTMENT IN A SUBSIDIARY/DUE FROM A SUBSIDIARY

The investment in a subsidiary, namely Hong Kong Smartact Limited, was in unlisted shares, measured at a cost of HK$1.

Particulars of the principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital CNY'000	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Bijie Feishang Energy Co., Ltd. (畢節飛尚能源有限公司)	Mainland China 19 October 2010	10,000	–	100	Investment holding
Guizhou Dayun Mining Co., Ltd. (貴州大運礦業有限公司)	Mainland China 14 April 2004	150,000	–	100	Coal development and mining
Guizhou Fuyuantong Energy Co., Ltd. (貴州福源通能源有限公司)	Mainland China 10 March 2010	10,000	–	100	Investment holding
Guizhou Nayong Dayuan Coal Mining Co., Ltd. (貴州納雍縣大圓煤業有限公司)	Mainland China 22 January 2009	46,000	–	100	Coal development and mining
Guizhou Puxin Energy Co., Ltd. (貴州浦鑫能源有限公司)	Mainland China 15 January 2009	150,000	–	100	Investment holding and coal trading
Guizhou Yongfu Mining Co., Limited (貴州永福礦業有限公司)	Mainland China 27 June 2005	100,000	–	70	Coal development and mining
Hong Kong Smartact Limited (香港英策有限公司)	Hong Kong 25 January 2010	–	100	–	Investment holding
Hainan Yangpu Dashi Industrial Co., Limited (海南洋浦大石實業公司)	Mainland China 13 April 2004	1,000	–	100	Investment holding
Jinsha Baiping Mining Co., Ltd. (金沙縣白坪礦業有限公司)	Mainland China 15 January 2009	58,000	–	70	Coal development and mining

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32. INVESTMENT IN A SUBSIDIARY/DUE FROM A SUBSIDIARY (continued)

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital CNY'000	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jinsha Juli Energy Co., Ltd. (金沙縣聚力能源有限公司)	Mainland China 16 November 2012	30,000	–	100	Preparatory work for the construction of a coal beneficiation plant in Jinsha County
Liuzhi Linjiaao Coal Mining Co., Ltd. (六枝特區林家嶴煤業有限公司)	Mainland China 19 November 2008	30,600	–	99	Coal development and mining
Liuzhi Xinsong Coal Mining Co., Ltd. (六枝特區新松煤業有限公司)	Mainland China 13 November 2008	60,000	–	99	Coal development and mining
Nayong Gouchang Coal Mining Co., Ltd. (納雍縣狗場煤業有限公司)	Mainland China 10 September 2009	40,000	–	99	Coal development and mining
Shenzhen Chixin Information and Consulting Co., Ltd. (深圳市馳鑫信息諮詢有限公司)	Mainland China 18 July 2012	1,000	–	100	Provision of management and consulting services to other companies in the Group

On 29 December 2014, Guizhou Puxin acquired 1% interest in Dayuan Coal from a non-controlling shareholder, Mr. Li Shenggen. The purchase consideration for the acquisition was in the form of cash. CNY0.48 million was paid on the acquisition date and the remaining CNY0.52 million was paid on 12 January 2015.

The amount due from a subsidiary included in the Company's current assets of CNY9.3 million as of 31 December 2014 (2013: CNY8.9 million), is unsecured, interest-free and is due on demand.

As at 31 December 2014, the Company had net current assets of CNY156.1 million (2013: CNY30.5 million) and total assets less current liabilities of CNY156.1 million (2013: CNY30.5 million).

33. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of CNY27.8 million (2013: CNY26.3 million). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognized any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively. The Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement").The Endorsement has been made evenly throughout the year.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Group primarily include cash, trade and bills receivables, certain other current assets, trade and bills payables, certain other liabilities, amounts due to related companies, interest-bearing bank and other borrowings and mining rights payables.

The Group is exposed to credit risk, foreign currency risk, foreign currency risk, interest rate risk and liquidity risk. The Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Credit risk

The carrying amounts of the Group's cash and cash equivalents, time deposits, restricted bank deposits, trade and bills receivables, and certain other current assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash and cash deposits

The Group maintains its cash and cash deposits primarily with various PRC state-owned banks and Hong Kong-based financial institutions, which management believes are of high credit quality. The Group performs periodic evaluations of the relative credit standing of those financial institutions.

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31 December 2014

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Trade receivables

The Group sells anthracitic coal to companies in the PRC. Trade receivables are typically unsecured and are mainly derived from revenue earned from customers in the PRC. The risk with respect to trade receivables is mitigated by credit evaluations that the Group performs on its customers and its ongoing monitoring of outstanding balances. The Group provides impairment for trade receivables primarily based on the age of the balances and factors surrounding the customer's creditworthiness. No provision for impairment of trade receivables was provided during the years ended 31 December 2014 and 2013. As of 31 December 2014, receivables due from the largest five customers accounted for 70.2% (2013: 77.1%) of the trade receivables.

Sales to the largest five customers accounted for 62.8% (2013: 81.4%) of the consolidated revenue for the year ended 31 December 2014. The largest five customers are all recognized and creditworthy third parties and their trading terms are mainly on payment in advance or with a credit period of one month. The Group expects the concentration of coal customers to subside once the production volume increases in the future.

Bills receivable

Bills receivable represent letters of credit obtained by customers of the Group to finance purchases which have been presented to banks for payment after delivery of goods to customers. As of 31 December 2014, the bills receivable balance was guaranteed by financial institutions. The bills receivable have normal terms of maturity of six months.

(b) Foreign currency risk

These financial statements are presented in CNY, which is the Company's presentation currency. The currency is not freely convertible into foreign currencies. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of the currency into foreign currencies. The value of the currency is subject to changes in PRC government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The interest rate risk is closely monitored by the Group's senior management. As of 31 December 2014, the interest rates for 49.60% (2013: 33.44%) of the Group's interest-bearing debts were fixed. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of interest-bearing bank and other borrowings and mining rights payables with floating interest rates except for interest which is capitalized. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax CNY'000
Year ended 31 December 2013	100	(6,121)
	(100)	6,121
Year ended 31 December 2014	**100**	**(5,559)**
	(100)	**5,559**

(d) Liquidity risk

The Group manages its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, and adequate time deposits to meet its liquidity requirements in the short and long term. Bank facilities have been put in place for contingency purposes.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2014	On demand CNY'000	Less than 1 year CNY'000	1 to 5 years CNY'000	More than 5 years CNY'000	Total CNY'000
Trade and bills payables	–	203,101	–	–	203,101
Other payables and accrued liabilities	–	51,651	–	–	51,651
Interest-bearing bank and other borrowings	–	1,196,919	820,132	–	2,017,051
Due to related companies	–	–	–	579,836	579,836
Mining rights payables	–	46,410	49,085	–	95,495
	–	1,498,081	869,217	579,836	2,947,134

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

31 December 2013	On demand CNY'000	Less than 1 year CNY'000	1 to 5 years CNY'000	More than 5 years CNY'000	Total CNY'000
Trade and bills payables	–	143,246	–	–	143,246
Other payables and accrued liabilities	–	83,953	–	–	83,953
Interest-bearing bank and other borrowings	–	1,124,984	954,454	–	2,079,438
Due to related companies	131,000	–	–	–	131,000
Mining rights payables	–	50,492	81,095	–	131,587
	131,000	1,402,675	1,035,549	–	2,569,224

The Company's financial liabilities for the year ended at 31 December 2014 and 2013 only include other payables and accrued liabilities, and will be repayable within one year.

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value. The Group also relies on financial support from its controlling shareholder.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital on the basis of the debt to capital ratio (gearing ratio), which is calculated as interest-bearing debt divided by total capital. Interest-bearing debt includes interest-bearing bank and other borrowings and mining rights payables. Capital includes total equity and interest-bearing debt. The gearing ratios as at the end of the reporting periods are as follows:

	2014 CNY'000	2013 CNY'000
Interest-bearing debt	**1,938,526**	2,002,372
Total equity	**156,833**	255,376
Total capital	**2,095,359**	2,257,748
Gearing ratio	**92.5%**	88.7%

35. MATERIAL NON-CONTROLLING INTERESTS

The Group has two subsidiaries with material non-controlling interests ("NCI"). Information regarding these subsidiaries is as follows:

Year ended 31 December 2014

Name	Principal place of business	NCI in subsidiary	Profit/(loss) allocated to NCI CNY'000	Accumulated NCI CNY'000	Dividends paid to NCI in the year CNY'000
Baiping Mining	Mainland China	30%	(3,151)	68,986	–
Guizhou Yongfu	Mainland China	30%	776	441,218	–

Year ended 31 December 2013

Name	Principal place of business	NCI in subsidiary	Profit/(loss) allocated to NCI CNY'000	Accumulated NCI CNY'000	Dividends paid to NCI in the year CNY'000
Baiping Mining	Mainland China	30%	7,173	72,137	–
Guizhou Yongfu	Mainland China	30%	(5,878)	16,529	–

Summarized financial statements including consolidation adjustments but before inter-company eliminations are as follows:

Baiping Mining

	2014 CNY'000	2013 CNY'000
Cash and cash equivalents	101	3,356
Other current assets	45,985	22,111
Non-current assets	340,656	345,339
	386,742	370,806
Current liabilities	100,497	73,257
Non-current liabilities	56,293	57,093
	156,790	130,350

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

35. MATERIAL NON-CONTROLLING INTERESTS (continued)

Baiping Mining

	2014 CNY'000	2013 CNY'000
Revenue	69,193	98,698
Cost of sales	(55,921)	(48,122)
Total expenses	(23,775)	(26,667)
(Loss)/profit for the year	(10,503)	23,909
Total comprehensive (loss)/income for the year, net of tax	(10,503)	23,909
Net cash flows generated from/(used in) operating activities	(21,768)	26,388
Net cash flows generated used in investing activities	(8,316)	(34,062)
Net cash flows generated from financing activities	26,829	6,466
Decrease in cash and cash equivalents	(3,255)	(1,208)

Guizhou Yongfu

	2014 CNY'000	2013 CNY'000
Cash and cash equivalents	39,812	10,428
Other current assets	92,290	81,845
Non-current assets	2,070,115	671,703
	2,202,217	763,976
Current liabilities	497,072	293,621
Non-current liabilities	234,419	415,260
	731,491	708,881

Guizhou Yongfu

	2014 CNY'000	2013 CNY'000
Revenue	231,403	–
Cost of sales	(172,328)	–
Total expenses	(56,488)	(19,593)
Profit/(loss) for the year	2,587	(19,593)
Total comprehensive income/(loss) for the year, net of tax	2,587	(19,593)
Net cash flows generated from/(used in) operating activities	1,225	(21,703)
Net cash generated from/(used in) investing activities	13,385	(92,705)
Net cash flows generated from financing activities	14,774	121,011
Increase in cash and cash equivalents	29,384	6,603

36. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at 31 December 2014 and 2013, there is no financial instrument measured at fair value.

37. EVENTS AFTER THE REPORTING PERIOD

On 4 January 2015, Guizhou Dayun drew down the remaining loan facility amounting CNY20.0 million out of the total CNY150.0 million long-term bank loans from Industrial and Commercial Bank of China Limited in 2012. The loan bears a floating annual interest rate equal to 10% above the over-five-year base lending rate stipulated by the People's Bank of China from time to time (6.15% per annum, resulting in an annual interest rate of 6.77% per annum). The loan is guaranteed by Feishang Enterprise, a related company.

On 8 January 2015, Guizhou Puxin received and fully drew down a CNY25.0 million short-term bank loan from Industrial and Commercial Bank of China Limited to be repaid on 7 January 2016. The purpose of the loan is to finance the purchase of coal. The loan bears interest at a floating annual interest rate equal to 25% above the one-year base lending rate stipulated by the People's Bank of China (5.60% per annum, resulting in an annual interest rate of 7.00% per annum). The loan is guaranteed by Feishang Enterprise, a related company.

On 10 February 2015, Guizhou Puxin received and fully drew down a CHNY10.0 million half-year bank loan from China Merchants Bank Co., Ltd., to be repaid on 9 August 2015. The purpose of the loan is to finance the working capital of Guizhou Puxin. The loan bears a fixed annual interest rate equal to 30% above the half-year base lending rate stipulated by the People's Bank of China. The loan is guaranteed by Wuhu Feishang Industrial Development Company Limited, a related company.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 31 March 2015.

SUMMARY OF MINE PROPERTIES

The following table sets forth certain information relating to each of the Group's seven anthracite coal mines as of the date of this report:

	Commercial Production						Trial Production
Mine	Baiping Coal Mine	Yongsheng Coal Mine	Gouchang Coal Mine (Note 1)	Dayuan Coal Mine (Note 2)	Liujiaba Coal Mine (Note 3)	Zhulinzhai Coal Mine (Note 3)	Dayun Coal Mine (Note 7)
Location (within Guizhou province, the PRC)	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Nayong County, Zhina Coal District	Nayong County, Zhina Coal District	Liuzhi Special District, Zhina Coal District	Liuzhi Special District, Zhina Coal District	Jinsha County, Qianbei Coal District
Equity interest held by the Group	70%	70%	99%	100%	99%	99%	100%
Date of initial/expected commercial production	June 2009	February 2014	April 2011	November 2013	December 2012	April 2012	July 2015
Mining area (square kilometers)	3.0143	18.2340	1.7198	1.6490	3.7891	1.4104	16.9035
Number of mineable	5	5	5	4	3	5	4
Designed annual production capacity (Tonnes)	300,000	900,000	110,000	300,000	300,000	300,000	900,000
Permitted annual Production capacity (Tonnes) (Note 4)	150,000	600,000	90,000	300,000	300,000	300,000	600,000
Expiry date of the mining right	December 2015	November 2027	April 2017	March 2023	September 2019	July 2018	March 2031

SUMMARY OF MINE PROPERTIES

	Commercial Production						Trial Production
Mine	Baiping Coal Mine	Yongsheng Coal Mine	Gouchang Coal Mine	Dayuan Coal Mine	Liujiaba Coal Mine	Zhulinzhai Coal Mine	Dayun Coal Mine
Reserve data (as of 31 July 2013) (Note 5)							
Proved reserve (million tonnes)	3.44	3.77	1.87	2.99	2.08	2.15	12.50
Probable reserve (million tonnes)	19.04	48.19	3.85	5.27	11.52	7.41	84.79
Total proved and probable reserve (million tonnes)	**22.48**	**51.96**	**5.72**	**8.26**	**13.60**	**9.56**	**97.29**
Average Coal Quality of Raw Coal							
Moisture (%)	2.47	2.28	3.86	1.15	1.38	1.87	2.40
Ash (%)	19.04	17.95	20.46	24.60	25.03	21.84	18.27
Volatile Matter (%)	9.88	11.72	6.92	9.33	12.57	11.49	9.20
Sulfur (%)	2.35	1.27	1.10	1.16	2.30	1.81	2.12
Heating Value (MJ/kg)	28.33	28.62	27.80	25.79	23.95	28.14	28.03
Density (tonnes/m^3)	1.45	1.43	1.50	1.49	1.49	1.41	1.49
Reserve data (as of 31 December 2014) (Note 6)							
Proved reserve (million tonnes)	2.98	2.57	1.87	2.92	1.83	2.07	12.48
Probable reserve (million tonnes)	19.04	48.19	3.85	5.27	11.52	7.41	84.79
Total proved and probable reserve (million tonnes)	**22.02**	**50.76**	**5.72**	**8.19**	**13.35**	**9.48**	**97.27**
Capital Expenditure for the year ended 31 December 2014 (CNY in millions)	8.33	66.75	0.15	10.96	8.69	1.34	163.36
Output – Pilot run for the year ended 31 December 2014 (millions Tonnes)	n/a	0.03	n/a	n/a	n/a	n/a	0.02
Output – Commercial run for the year ended 31 December 2014 (millions Tonnes)	0.30	0.92	n/a	0.03	0.14	0.04	n/a

Notes:

(1) Operations have been suspended at Gouchang Coal Mine since March 2013 pending the contemplated acquisition by the Group of a nearby coal mine and Gouchang Coal Mine achieving certain production capacity targets in accordance with Guizhou province's coal mine consolidation policy.

(2) Operations have been suspended at Dayuan Coal Mine since June 2014 pending the passing of verification and acceptance procedures conducted by the Nayong County Administration Bureau of Work Safety.

(3) Operations have been suspended at Liujiaba Coal Mine and Zhulinzhai Coal Mine since June 2014 pending the passing of inspection and assessment procedures conducted by relevant coal mine regulatory authorities.

(4) This represents the annual production capacity as permitted under the relevant mining rights permits.

(5) The reserve data as of 31 July 2013 is extracted from competent person's report dated 7 December 2013 prepared by Behre Dolbear Asia, Inc. under the JORC Code.

(6) The reserve data as of 31 December 2014 has been substantiated by the Group's internal expert by adjusting those reserves extracted by the Group's mining activities from August 2013 to December 2014 from the proved reserve figure as of 31 July 2013. All assumptions and technical parameters set out in the competent person's report as shown in the listing document of the Company dated 31 December 2013 have not been materially changed and are continued to apply to the reserve data as of 31 December 2014.

(7) As of 31 December 2014, Dayun Coal Mine completed the construction of mine shaft, water supply & drainage system, power supply system, ventilation system, safety system, haulage system, and main environmental protection systems. On 2 March 2015, Dayun Coal Mine started its trial production.

(8) There was no exploration activity for the Group during 2014.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Revenue and Profit					
Revenue	**363,365**	178,501	141,939	105,211	38,668
Cost of sales	**(276,147)**	(108,242)	(95,889)	(74,289)	(25,453)
Gross profit	**87,218**	70,259	46,050	30,922	13,215
Administrative expenses	**(115,003)**	(142,064)	(77,334)	(49,432)	(55,822)
Other operating expenses	**(6,471)**	(6,003)	(1,624)	(1,545)	(9,020)
Operating loss	**(109,427)**	(268,335)	(36,602)	(22,985)	(54,545)
Finance costs	**(144,185)**	(115,253)	(44,533)	(31,841)	(6,007)
Total profit/(loss)	**(253,931)**	(382,354)	(82,266)	(55,150)	562,134
Income tax	**27,104**	47,817	15,210	(9,750)	(6,141)
Net profit/(loss)	**(226,827)**	(334,537)	(67,056)	(64,900)	555,993
Profit/(loss) attributable to the owners of the Company	**(223,600)**	(334,119)	(75,312)	(64,165)	562,432
Basic earning/(loss) per share (CNY per share)	**(1.79)**	(2.78)	(0.63)	(0.53)	4.69

	As at 31 December				
	2014	2013	2012	2011	2010
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Assets and Liabilities					
Current assets	**453,615**	296,760	285,754	179,085	107,222
Non-current assets	**2,767,364**	2,609,801	2,477,108	2,125,475	1,824,292
Current liabilities	**1,480,168**	1,464,968	1,315,865	811,181	544,306
Non-current liabilities	**1,583,978**	1,186,217	939,402	927,910	756,244
Total equity	**156,833**	255,376	507,595	565,469	630,964