新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1231)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board (the "Board") of directors (the "Directors") of Newton Resources Ltd (the "Company") is pleased to announce the audited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2010 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six-month period ended 30 June 2011

		Six-month period ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
Revenue	*2*	**35,405**	—
Cost of sales		**(10,669)**	—
Gross profit		**24,736**	—
Other income and gains		**40**	—
Selling and distribution costs		**(196)**	—
Administrative expenses		**(14,386)**	(3,062)
Finance income	*4*	**8,818**	456
Profit/(loss) before tax	*3*	**19,012**	(2,606)
Income tax	*5*	**(5,240)**	—
Profit/(loss) for the period		**13,772**	(2,606)
Total comprehensive income/(loss) for the period		**13,772**	(2,606)
Attributable to:			
Owners of the parent		**13,626**	(2,596)
Non-controlling interests		**146**	(10)
		13,772	(2,606)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*6*		
Basic and diluted (RMB cent)		**0.43**	(0.09)
DIVIDEND	*7*	—	—

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	8	**546,383**	351,700
Intangible assets		**2,301**	2,301
Prepaid land lease payments		**3,759**	3,810
		552,443	357,811
Current assets			
Inventories		**5,545**	1,617
Prepayments, deposits and other receivables	9	**117,869**	59,380
Cash and cash equivalents		**35,758**	55,934
		159,172	116,931
Current liabilities			
Trade payables	10	**3,885**	358
Other payables and accruals		**106,330**	102,158
Income tax payable		**4,975**	—
Interest-bearing bank borrowings	11	**403,326**	—
Due to the immediate holding company		**142,410**	335,974
		660,926	438,490
Net current liabilities		**(501,754)**	(321,559)
Total assets less current liabilities		**50,689**	36,252
Non-current liabilities			
Long-term payables		**1,180**	1,180
Net assets		**49,509**	35,072
Equity			
Equity attributable to owners of the parent			
Issued capital		—	—
Capital reserves		**40,366**	40,366
Retained earnings/(accumulated losses)		**7,007**	(6,619)
		47,373	33,747
Non-controlling interests		**2,136**	1,325
Total equity		**49,509**	35,072

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2011

	Attributable to owners of the parent					
	Issued capital *RMB'000*	**Capital reserves** *RMB'000*	**Retained earnings/ (accumulated losses)** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
1 January 2011	—	**40,366**	**(6,619)**	**33,747**	**1,325**	**35,072**
Profit for the period	—	—	**13,626**	**13,626**	**146**	**13,772**
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive income for the period	—	—	**13,626**	**13,626**	**146**	**13,772**
Capital injection	—	—	—	—	**665**	**665**
At 30 June 2011	—	**40,366**	**7,007**	**47,373**	**2,136**	**49,509**

(Unaudited)	Attributable to owners of the parent					
	Issued capital *RMB'000*	Capital reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
1 January 2010	—	40,366	(3,698)	36,668	127	36,795
Loss for the period	—	—	(2,596)	(2,596)	(10)	(2,606)
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	(2,596)	(2,596)	(10)	(2,606)
Capital injection	—	—	—	—	683	683
At 30 June 2010	—	40,366	(6,294)	34,072	800	34,872

CONSOLIDATED STATEMENT OF CASH FLOWS
Six-month period ended 30 June 2011

	Six-month period ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Cash flows from operating activities		
Profit/(Loss) before tax:	**19,012**	(2,606)
Adjustments for:		
Depreciation of property, plant and equipment	**2,682**	99
Amortisation of prepaid land lease payments	**51**	185
Net foreign exchange gains	**(8,784)**	(450)
Cash flows before working capital changes	**12,961**	(2,772)
Increase in prepaid land lease payments	**—**	(8,677)
(Increase)/decrease in inventories	**(3,928)**	151
Increase in prepayments, deposits and other receivables	**(2,654)**	(10,567)
Increase in trade payables	**3,527**	2,685
Decrease in other payables and accruals	**(20,414)**	(1,099)
Cash used in operations	**(10,508)**	(20,279)
Corporate income tax paid	**(1,741)**	—
Net cash flows used in operating activities	**(12,249)**	(20,279)
Cash flows from investing activities		
Purchase of items of property, plant and equipment	**(215,730)**	(33,340)
Net cash flows used in investing activities	**(215,730)**	(33,340)
Cash flows from financing activities		
Proceeds from interest bearing bank borrowings	**406,171**	—
Interest paid	**(1,687)**	—
Capital injection from non-controlling shareholders	**665**	683
Payment of initial public offering expenses	**(9,721)**	—
Advances from the immediate holding company	**219,403**	144,993
Repayment to the immediate holding company	**(406,171)**	(64,417)
Net cash flows from financing activities	**208,660**	81,259
Net (decrease)/increase in cash and cash equivalents	**(19,319)**	27,640
Effect of foreign exchange rate changes, net	**(857)**	—
Cash and cash equivalents at beginning of period	**55,934**	4,043
Cash and cash equivalents at end of period	**35,758**	31,683

	Six-month period ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**35,758**	31,683
Cash and cash equivalents as stated in the statement of financial position	**35,758**	31,683
Cash and cash equivalents as stated in the statement of cash flows	**35,758**	31,683

NOTES:

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board and disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 30 June 2011, the current liabilities of the Group exceeded its current assets by approximately RMB501,754,000. Notwithstanding the net current liabilities position, the financial statements have been prepared on a going concern basis as the listing of the Company's shares on the main board of the Hong Kong Stock Exchange (the "Listing") was completed on 4 July 2011 with net proceeds of approximately RMB1,054 million (equivalent to HK$1,270 million) received, and thus the Group has sufficient financial resources to continue as a going concern.

During the six-month period ended 30 June 2011, the Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IAS 24 (Revised)	Related Party Disclosures
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation — Classification of Rights Issues
IFRIC 14 Amendments	Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (May 2010)	Amendments to a number of IFRSs

The adoption of the above new and revised IFRSs has had no significant effect on these financial statements.

The Group has not applied those new and revised IFRSs that have been issued but are not yet effective in these consolidated financial statements.

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. The Group commenced the commercial production of iron concentrate during the six-month period ended 30 June 2011.

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Revenue		
Sale of goods	**35,405**	—

Operating Segment

For management purposes, the Group is organised into business units based on their products and services. During the six-month period ended 30 June 2011, the Group commenced the commercial production of one type of product, iron concentrate, and all the operating revenue and profits were derived from the sale of iron concentrate. Therefore, there is no presentation of operating segment information.

Further, as the principal assets employed by the Group are located in Hebei Province, the People's Republic of China ("Mainland China" or the "PRC"). Accordingly, no segment analysis by geographical location is provided.

Information about a major customer

Revenue of approximately RMB34,352,000 (six-month period ended 30 June 2010: Nil) was derived from sales of iron concentrate to a major customer.

3. PROFIT/(LOSS) BEFORE TAX

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

		Six-month period ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
Depreciation		**2,682**	99
Amortisation of prepaid land lease payments		**51**	185
Finance income	*4*		
— Interest income, net		**(34)**	(6)
— Foreign exchange differences, net		**(8,784)**	(450)

4. FINANCE INCOME

An analysis of finance income is as follows:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Interest on bank borrowings	**1,892**	—
Less: Interest capitalised	**(1,892)**	—
	—	—
Interest income	**46**	11
Bank charges	**(12)**	(5)
Net foreign exchange gains	**8,784**	450
Finance income, net	**8,818**	456

5. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six-month period ended 30 June 2011.

The provision for PRC corporate income tax ("CIT") is based on the CIT rate applicable to the subsidiary located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six-month period ended 30 June 2011.

The major components of income tax expense for the six-month period ended 30 June 2011 are as follows:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Current — Mainland China		
Charge for the period	**5,240**	—
Total tax charge for the period	**5,240**	—

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the six-month period attributable to owners of the parent, and the weighted average number of ordinary shares of 3,200,000,000 (six-month period ended 30 June 2010: 2,933,600,000) in issue during the period, as adjusted to reflect the capitalisation issue of 3,199,998,999 shares upon the completion of the Listing.

The calculations of basic and diluted earnings per share are based on:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
		(Unaudited)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**13,626**	(2,596)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the six-month period used in the basic and diluted earnings per share calculation	**3,200,000**	2,933,600

No adjustment has been made to the basic earnings per share amounts presented for the period as the pre-IPO share options granted during the period were contingent on the completion of the Listing, subsequent to 30 June 2011, which have no dilutive effect as at 30 June 2011.

7. DIVIDEND

The Directors did not propose the payment of an interim dividend for the six-month period ended 30 June 2011.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Motor vehicles, fixtures and others *RMB'000*	Machinery *RMB'000*	Mining infrastructure *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
1 January 2010	—	347	3,260	14,178	48,409	66,194
Additions	—	2,210	1,597	84	282,781	286,672
At 31 December 2010 and 1 January 2011	—	2,557	4,857	14,262	331,190	352,866
Additions	—	1,429	6,086	6,196	183,654	197,365
Transfer in/(out)	698	—	31,001	49,693	(81,392)	—
At 30 June 2011	698	3,986	41,944	70,151	433,452	550,231
Accumulated depreciation:						
1 January 2010	—	(17)	(712)	—	—	(729)
Provided for the year	—	(106)	(273)	(58)	—	(437)
At 31 December 2010 and 1 January 2011	—	(123)	(985)	(58)	—	(1,166)
Provided for the period	(13)	(223)	(1,268)	(1,178)	—	(2,682)
At 30 June 2011	(13)	(346)	(2,253)	(1,236)	—	(3,848)
Net book value:						
At 31 December 2009	—	330	2,548	14,178	48,409	65,465
At 31 December 2010	—	2,434	3,872	14,204	331,190	351,700
At 30 June 2011	685	3,640	39,691	68,915	433,452	546,383

During the six-month ended 30 June 2011, depreciation charge of RMB Nil (six-month ended 30 June 2010: RMB176,000) were included in the construction in progress for the period.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group trades only with recognised and creditworthy third parties, and generally requires deposits received in advance.

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Deferred initial public offering expenses	**82,712**	48,042
Deposits	**2,926**	1,643
Advances to employees	**448**	382
Advances to suppliers	**24,428**	3,263
VAT receivables	**6,855**	5,388
Prepaid land lease payments	**103**	103
Others	**397**	559
	117,869	59,380

Deferred initial public offering expenses represent legal and other professional fees relating to the Listing of the Company's shares on the main board of the Hong Kong Stock Exchange, which were deducted from equity when the Listing was completed on 4 July 2011.

10. TRADE PAYABLES

The ageing analysis of the Group's trade payables is as follows:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Within 6 months	**3,885**	358

11. INTEREST-BEARING BANK BORROWINGS

	30 June 2011		31 December 2010	
	Effective interest rates *(%)*	***RMB'000***	Effective interest rates *(%)*	*RMB'000*
Current				
Bank loans unsecured and repayable within one year or on demand	**1.50-2.28**	**403,326**	N/A	—

Maturity of bank loans are subject to the banks' overriding right of repayment on demand.

12. CONTINGENT LIABILITIES

On 9 March 2010, Venca Investments Limited ("Venca") entered into an agreement with Jet Bright Limited ("Jet Bright"), its wholly owned subsidiary, to transfer its entire 99% equity interest in Lincheng Xingye Mineral Resources Co., Ltd ("Xingye Mining"), to Jet Bright. This equity transfer was approved by the Lincheng Commerce Bureau on 9 March 2010 and was registered with the Xingtai Administration for Industry and Commerce on 15 July 2010. Both Venca and Jet Bright are wholly owned subsidiaries of the Company.

According to the PRC tax rules, such equity transfer is liable to the CIT upon completion unless certain criteria as laid down in Article 5 of the Ministry of Finance/State Administration of Taxation Circular of Caishui [2009] No.59 titled "Circular on Certain Questions Regarding Corporate Income Tax Treatments for Business Reorganisation of Enterprises" (關於企業重組業務企業所得稅處理若干問題的通知) (the "Circular No.59") are fulfilled and the transaction qualifies for special tax treatment as stipulated in the Circular No.59. Pursuant to the State Administration of Taxation Circular of Guoshuihan [2009] No.698 titled "Circular on Strengthening the Corporate Income Tax Administration on Non-Resident Enterprise's Gain on Equity Transfer" (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), the qualification of special tax restructuring treatment of a non-resident enterprise needs to be assessed and recognised by provincial tax authority.

In December 2010, the Group submitted an application to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the Directors believe that the above-mentioned transfer meet the criteria laid down in Article 5 of the Circular No.59 and that the transfer qualifies for special tax treatment, there shall have no CIT arising from the transfer and hence, no tax provision has been made in this regard.

13. EVENTS AFTER REPORTING PERIOD

(a) The Listing of the Company's shares on the main board of the Hong Kong Stock Exchange was completed on 4 July 2011 and net proceeds of approximately RMB1,054 million (equivalent to HK$1,270 million) were raised by the Company.

(b) Following the completion of the Listing, the related pre-IPO share option expenses will commence to be recognised in the consolidated statement of comprehensive income in the second half of 2011. The Company, together with the independent professional valuers, will perform assessment in respect of the fair value of share options.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Reporting Period, major steel producing countries and regions have enjoyed high growth as the global steel industry shifted to become a seller's market under prevailing market conditions.

The shift was partly caused by India's government policy on restricting iron ore export, which caused iron ore price in the international market to rebound to the price level of pre-financial crisis in year 2008. As well, Mainland China continues to maintain a GDP growth rate of approximately 9.6% in the first half of the year. Her fast pace of industrialisation, urbanisation, modernisation and implementation of government housing schemes have created strong demand for steel and that for iron ore and iron concentrate. For the six months ended 30 June 2011, iron ore import reached approximately 330.0 million tonnes, which represents an increase of approximately 8.1% as compared to the previous year.

As the largest steel producing province in Mainland China, Hebei Province contributed approximately 91.1 million tonnes of steel in the first half of 2011 whilst the level of iron ore import increased by 11.5% to approximately 65.0 million tonnes in the same period.

The Group's Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (the "Yanjiazhuang Mine") is the largest privately-owned iron ore mine in Hebei Province, and the Hanxing region where the Yanjiazhuang Mine is located has many steel mills. There are nine steel producers with combined production capacity of approximately 31.2 million tonnes within 90 km of the Yanjiazhuang Mine. The total iron concentrate production in Hebei Province is not able to meet its demand. Given the above, the Group considers that iron ore prices are likely to be sustained in the foreseeable future due to such imbalance between supply and demand.

Besides, as gabbro-diabase slabs are high-end decorative materials, the Chinese government's restrictive policies on property market should have a limited effect on their demands. During the first half of 2011, the prices of quarry stones, slabs and other products of gabbro-diabase in neighboring regions of Lincheng County had remained stable, and the Group expects this trend will continue in the second half of the year.

BUSINESS AND OPERATION REVIEW

The Group's Yanjiazhuang Mine commenced commercial production on 1 January 2011. During the six months ended 30 June 2011, the Group produced and sold 36,700 tonnes of iron concentrate and generated RMB35.4 million in sales revenue. A comparative figure for the same period in the previous year is not available as commercial production had not yet commenced at that time.

During the Reporting Period, the average grade of iron concentrate produced by the No. 1 and No. 2 Processing Facilities reached 65% only. At the beginning of the year, Northern China was seriously affected by severe droughts, which were the worst for the past sixty years, resulting in a significant drop in our production since March 2011. The Group is confident that the average grade of iron concentrate will reach the targeted level of 66% by mining deeper deposits, making adjustments and improvements to the crushing and processing equipment, securing water and electricity supplies, and increasing the scale of production.

In addition, during the Reporting Period, the Group has entered into an agreement with Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong") for Shougang Hong Kong to purchase 30% of the Group's annual production of iron concentrate at a 3% discount to the prevailing market price at the time of supply.

There were no gabbro-diabase sales during the Reporting Period as commercial production has not yet commenced. However, the Group has actively marketed and promoted gabbro-diabase products. In February 2011, the Group entered into four memoranda of understanding with leading PRC property developers or their subsidiaries. These companies included Hengda Real Estate Group Limited (a subsidiary of Evergrande Real Estate Group Limited), Sinolink Properties Limited (a subsidiary of Sinolink Worldwide Holdings Limited), Glorious Qiwei (Shanghai) Industries, Co., Ltd (a subsidiary of Glorious Property Holdings Limited) and Champ Max Enterprise Ltd (a subsidiary of C C Land Holdings Limited). The Group will further negotiate with these companies to formalise the execution of gabbro-diabase sales agreements. In addition, during the Reporting Period, the Group participated in a recognised stone industry exhibition to introduce our gabbro-diabase products to the market, aiming to create corporate branding and establish customer network.

Iron Concentrate Capacity Expansion Plan

Phase One

The Group completed its Phase One expansion plan in June 2011, including the development of one open-pit mining pit and upgrading two existing ones, constructing two dry magnetic cobbing systems; and building and upgrading of two processing facilities. As a result, the Group expanded its annual mining and ore processing capacity to 3,000,000 tonnes and annual iron concentrate production capacity to approximately 760,000 tonnes.

During the Reporting Period, apart from increasing the capacity of our No. 2 Processing Facility, some of the ore crushing equipment were replaced to enable the magnetic cobbing systems to produce crushed ore of smaller and more uniform dimension. The improvement work has achieved the expected outcome both in terms of production capacity and quality improvement of crushed ore.

Phase Two

Phase Two expansion plan, which commenced in September 2010, included the development of three open-pit mining pits, construction of one dry magnetic cobbing system and the third processing facility (namely No. 3 Processing Facility). These improvements would increase the Group's annual mining and ore processing capacity to 7,000,000 tonnes and annual iron concentrate production capacity to approximately 1,770,000 tonnes.

The site formation work for the dry magnetic cobbing system has been completed. The construction of No. 3 Processing Facility is progressing well with initial testing and commissioning works scheduled to commence at the end of August 2011 once the construction work has been completed.

In addition, the construction of water supply system and an electricity converting station in support of Phase Two expansion plan are underway. In order to mitigate the production impact of future droughts, the Group is currently expediting the construction of a 20-km long water pipeline from the Lincheng Reservoir located in Lincheng County, Hebei Province (the "Lincheng Reservoir") so that the Yanjiazhuang Mine will have direct water supply from the Lincheng Reservoir. In relation to the construction of the electricity converting station, the main structure has been substantially completed, and the installation and cabling works are currently in progress, which are expected to be completed by the end of September 2011. The successful completion of Phase Two expansion plan will strengthen and enhance the development of the Group's iron concentrate business.

Gabbro-Diabase Processing Facility

A parcel of land of 50mu (33,333 m^2) in the Lincheng County Industrial Park is currently being developed into a gabbro-diabase processing plant. Site formation works, plant design and procurement of processing equipment are in progress to ensure that a solid foundation has been laid towards future production of gabbro-diabase slabs, carving stones and other products on a commercial scale.

Resources Exploration and Identification of New Resources

The Group has engaged the No.11 Geological Brigade of Hebei Bureau of Geological Exploration of the PRC to carry out exploration works on two mines, namely Gangxi Mine and Shangzhengxi Mine, with permitted exploration areas covering 5.28 km^2 and 2.06 km^2, respectively. The Group possesses options to purchase the exploration rights of these two mines, and may exercise its rights to purchase the exploration rights and conduct commercial mining operations in these two mines pending for the exploration reports, which will be available by the end of 2012 and 2011 respectively.

Meanwhile, the Group is preparing exploration plans for potential exploration within the Yanjiazhuang Mine and also working closely with the relevant government body in obtaining the exploration right to an area north of the Yanjiazhuang Mine which covers an area of 0.75 km^2. The Group believes that these actions will further strengthen the minable reserves and resources of the Group.

In addition, the Group will continue to identify and evaluate opportunities in acquiring further exploration rights in Mainland China, particularly in Hebei Province.

During the Reporting Period, the Group did not incur any expense or capital expenditure in exploration.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period.

FINANCIAL REVIEW

For the six months ended 30 June 2011, the Group's revenue was approximately RMB35.4 million, as compared to nil for the same period last year. The increase in revenue was mainly attributable to the commencement of commercial operation from 1 January 2011. During this period, the Group produced and sold 36,700 tonnes of iron concentrate at an average selling price of approximately RMB965 per tonne (net of value-added tax and other surtaxes).

The net profit for the above period was approximately RMB13.8 million, as compared to a loss of approximately RMB2.6 million for the same period in 2010. The profit attributable to owners of the parents of the Company amounted to approximately RMB13.6 million (loss of approximately RMB2.6 million for the same period last year). The basic earnings per share for the Reporting Period was approximately RMB0.43 cent (basic loss per share of approximately RMB0.09 cent for the same period last year).

Revenue

The Group recorded revenue of approximately RMB35.4 million during the Reporting Period following the commencement of commercial iron concentrate production from 1 January 2011 in accordance with Phase One expansion plan.

For the six months ended 30 June 2010, the Yanjiazhuang Mine did not generate any revenue as it was still under development stage with no commercial production.

Cost of Sales

Cost of sales mainly comprises of contractors' fees incurred from mining and hauling, and expenses in relation to staff, materials, power and other utilities, repairs and maintenance, depreciation and amortisation. The Group's cost of sales for the Reporting Period amounted to approximately RMB10.7 million as compared to nil for the same period last year. The increase in cost of sales was mainly attributable to the commencement of commercial production from 1 January 2011.

The cost of sales during the Reporting Period represented approximately 30.1% of revenue.

Gross Profit and Gross Margin

As a result of the above, the Group recorded gross profit of approximately RMB24.7 million and gross margin of approximately 69.9% respectively during the Reporting Period. Comparative figures are not available as the Yanjiazhuang Mine did not commence commercial production until 1 January 2011.

Selling and Distribution Costs

Selling and distribution costs, which mainly comprise of salaries of sales staff and entertainment expenses, amounted to approximately RMB0.2 million during the Reporting Period. No selling and distribution costs were incurred in the same period last year as the commercial production did not commence until 1 January 2011.

Administrative Expenses

Administrative expenses increased approximately 369.8% to approximately RMB14.4 million during the Reporting Period, as compared to approximately RMB3.1 million for the same period last year. The increase was mainly due to the recruitment of administrative personnel in line with the Group's expansion plans.

Finance Income

Finance income increased approximately 1,834% to approximately RMB8.8 million during the Reporting Period, as compared to approximately RMB0.5 million for the same period last year. The increase was mainly due to foreign exchange gains arising from the appreciation of Renminbi against the United States dollar.

Profit/(Loss) for the Reporting Period and Total Comprehensive Income/(Loss) for the Reporting Period

As a result of the above, the Group's profit and total comprehensive income amounted to approximately RMB13.8 million during the Reporting Period, as compared to a loss of approximately RMB2.6 million in the same period last year.

Property, Plant and Equipment

As at 30 June 2011, the Group's property, plant and equipment had a net book value of approximately RMB546.4 million (approximately RMB351.7 million as at 31 December 2010), which represents an increase of approximately 55.4% during this six-month period. The increase was mainly attributable to construction works in progress and additional machinery and equipment.

The above net book value represents approximately 76.8% of the Group's total assets (approximately 74.1% as at 31 December 2010).

Prepayments, Deposits and Other Receivables

As at 30 June 2011, the Group's prepayments, deposits and other receivables were approximately RMB117.9 million (approximately RMB59.4 million as at 31 December 2010), which represents an increase of approximately 98.5% during this six-month period. The increase was mainly attributable to professional services rendered in respect of the Company's initial public offering and prepayments on new machinery and equipment.

The above represents approximately 16.6% of total assets (approximately 12.5% as at 31 December 2010).

Other Payables and Accruals

As at 30 June 2011, the Group's balances of other payables and accruals were approximately RMB106.3 million (approximately RMB102.2 million as at 31 December 2010). The increase of approximately 4.1% was mainly attributable to the increase in payables for expenses associated with initial public offering since the professional services for the Listing were substantially rendered as of 30 June 2011.

Due to the Immediate Holding Company

As at 30 June 2011, the amount due to the immediate holding company was approximately RMB142.4 million (approximately RMB336.0 million as at 31 December 2010). The decrease of approximately 57.6% represented the Group's repayment of approximately RMB186.8 million and foreign exchange gain of approximately RMB6.8 million resulted from the appreciation of Renminbi against the United States dollar during the Reporting Period.

EMPLOYEES OF THE GROUP

Number of employees	651

Type	**Number**	**Approximate percentage to the total number of employees**
Production		
Iron ore mining	247	37.9
Iron ore processing	92	14.1
Ancillary mining activities	218	33.5
Management, finance and administrative	85	13.1
Others	9	1.4
Total	651	100.0

As at 30 June 2011, the Group had a total 651 full-time employees in Hong Kong and Mainland China (excluding independent third-party contractors engaged in mining and hauling works). The Group formulates its human resources strategy and executes recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature including geographic locations and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in accordance with their individual performances and industry practice. Appropriate training programs are also offered to ensure continuous staff training and development.

The Company approved the pre-IPO share option scheme (the "Share Option Scheme") on 25 January 2011. Pursuant to the Share Option Scheme, a total of 133,300,000 share options have been granted to eligible participants during the Reporting Period.

LIQUIDITY

The Group's net liabilities (calculated as cash and cash equivalents less total borrowings) increased from approximately RMB280.0 million as at 31 December 2010 to approximately RMB510.0 million as at 30 June 2011 due to new construction works in progress and additional machinery.

During the Reporting Period, net cash of approximately RMB215.7 million was used for purchase of items of property, plant and equipment.

CAPITAL STRUCTURE AND GEARING RATIO

The Group treats total equity, bank loans and other borrowings as capital. As at 30 June 2011, the amount of capital was approximately RMB595.2 million (RMB371.0 million as at 31 December 2010).

As at 30 June 2011, the Group's debt ratio, based on total borrowings divided by capital, was approximately 91.7% (approximately 90.6% as at 31 December 2010). The total borrowings as at 30 June 2011 was approximately RMB545.7 million (approximately RMB336.0 million as at 31 December 2010).

On 4 July 2011, the Group issued 800 million new shares at HK$1.75 per offer share in a global offering and raised net proceeds of approximately HK$1,270 million (equivalent to approximately RMB1,054 million) after deducting the relevant commissions, discretionary incentive fees and other estimated offering expenses.

LOANS, INDEBTEDNESS AND MATURITY DATE

As at 30 June 2011, the Group's Hong Kong dollar denominated loans amounted to approximately HK$485.0 million (equivalent to approximately RMB403.3 million) (nil balance as at 31 December 2010). The bank loans were all unsecured and denominated in Hong Kong dollar, and carried interest at floating rates. As at 30 June 2011, no property, plant and equipment or leasehold land and land use rights were pledged by the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 30 June 2011, other than assets and liabilities denominated in the United States dollar and Hong Kong dollar, the Group had no material exposure to foreign exchange fluctuations.

OPERATING SEGMENT INFORMATION

For management purposes, the Group divides its businesses into segments based on the products and services rendered. During the Reporting Period, the Group's result was derived from one segment only, namely "Sales of Iron Concentrate". All major Group assets are located in Hebei Province, Mainland China.

Accordingly, no segment analysis by business or geographic locations is presented.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group had no significant acquisitions and disposals.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

During the six months ended 30 June 2011, the Group incurred capital expenditures of approximately RMB197.4 million mainly in respect of the Group's three-phase expansion plan as disclosed in the prospectus of the Company dated 21 June 2011.

PRODUCTION SAFETY AND ENVIRONMENTAL PROTECTION

The Group has focused its attention highly on production safety and environmental protection since the commencement of commercial production. As such, the Group has been consistently promoting safety standards and strengthening environmental protection policies so that we will develop into a caring and socially responsible enterprise. During the Reporting Period, the Yanjiazhuang Mine operated smoothly and with no record of significant safety incident.

CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease Commitments

As of 30 June 2011, the Group had contractual obligations consisting of non-cancellable operating leases for the Group's properties, including leases for the Group's offices in Hong Kong, as detailed below:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Within one year	**1,886**	1,681
In the second to fifth years, inclusive	**3,838**	1,401
	5,724	3,082

Capital Commitments

As at 30 June 2011, the capital commitments of the Group were approximately RMB960.6 million, as compared to approximately RMB253.8 million as at 31 December 2010, as detailed below:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Contracted, but not provided for:		
— Plant and machinery	**161,646**	202,667
Authorised, but not contracted for:		
— Plant and machinery	**488,935**	51,111
— Resource fees	**310,000**	—
	798,935	51,111

Contingent Liabilities

The Group is exposed to contingent liabilities as a result of the transfer of Venca's 99% equity interest in Xingye Mining to Jet Bright in July 2010. According to PRC tax rules, unless the equity transfer qualifies for special tax treatment, the Group may be required to pay tax on the capital gain. In December 2010, the Group submitted an application to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the Directors believe that the transfer qualifies for special tax treatment and there should be no CIT arising from the transfer, the Group has not made a tax provision for these contingent liabilities in the financial statements.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group entered into the following continuing connected transactions:

	Six-month period ended 30 June	
	2011	2010
Name of connected person	***RMB'000***	*RMB'000*
		(Unaudited)
Leasing of office premises from:		
New World Tower Company Limited	**953**	996

OUTLOOK AND FUTURE PLANS

It is anticipated that iron ore as a commodity will remain strongly demanded in the coming months, and its price level would be sustained even if it does not increase. We expect that such demand and price trend is possibly due to Mainland China's rapid urbanisation and new rural construction plan; the Government's drive for subsidised housing; and the general demand for iron ore supplies in other countries worldwide. The Group is gearing up by rapidly expanding its iron concentrate production capacity through its three-phase expansion plan in order to grasp the current business opportunity of high iron ore price.

The Group will continue to devote every effort to proceed with the development of its three-phase expansion plan of the Yanjiazhuang Mine, including the construction of water supply and electricity systems which will help to secure water and electricity supplies for the Group's commercial production. At the same time, the Group will further proceed with its Phase Two expansion construction, striving to complete construction and testing of the No. 3 Processing Plant and its ancillary systems as scheduled.

During the construction of Phase One expansion plan in the past, the Group has successfully completed land expropriation work, and has addressed related issues inherent in construction works. This is achieved through cooperation with the local government and winning support and understanding from local residents. These enabled the Group to meet its planned targets of the Phase One expansion plan. Lately, there have been incidents of disputes arising from land expropriation works in surrounding areas of the Yanjiazhuang Village. These incidents created tension between local villagers and mining and manufacturing companies in the area, including us. As a result of these unforeseen incidents, it is expected that the progress of our land expropriation and construction works (including the construction of the water supply project and tailing storage facilities, etc.) will experience delay, and the time for resumption of normal commercial production may be affected. The Group will endeavour to resolve these incidents with the support of the local government, adopting the principle of performing social responsibilities and by focusing on active communication with local villagers in order to resolve differences in the shortest possible time and minimise any negative impact on commercial production of the Yanjiazhuang Mine.

The Group experienced some delay in obtaining the required permit for the commercial production of gabbro-diabase. Application for such licence is in its final stage, and the relevant government authorities are in the process of ascertaining the resource fees in respect of the reserves and resources of the gabbro-diabase mine of the Group. The Group expects that the relevant licence will be issued, upon payment of the required resource fees, in September this year. With the necessary preparatory work underway, the Group is in a position to commence commercial production of gabbro-diabase as soon as possible after obtaining the relevant licence.

To this end, the Group will continue to formulate detailed measures and strengthen the implementation of such measures.

Looking forward, the Group expects the successful completion of its three-phase expansion plan will help to improve its competitive edge, achieving satisfactory results.

USE OF NET PROCEEDS FROM THE LISTING

The Group was listed on the Hong Kong Stock Exchange on 4 July 2011 and raised net proceeds of approximately HK$1,270 million (equivalent to approximately RMB1,054 million) by issuing 800 million new shares at an issue price of HK$1.75 per share.

Reference is made to the prospectus of the Company dated 21 June 2011. The net proceeds raised from the initial public offering of shares will be applied to fund the three-phase expansion plan of the Yanjiazhuang Mine, payment of resource fees, development of the gabbro-diabase business, exploration and acquisition activities, repayment of the shareholders' loans and general working capital. As of the date of this announcement, there is no change to the intended use of proceeds and an amount of approximately HK$127 million (equivalent to approximately RMB105 million or 10% of the net proceeds) has been used to repay a portion of the shareholders' loan.

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in the management of the Group. As a private company during the Reporting Period, the Company was not required to comply with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the Reporting Period. The Board will review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate government practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

REVIEW OF INTERIM RESULTS

The interim consolidated financial statements of the Group for the six months ended 30 June 2011 has been audited by Ernst & Young (the auditors of the Company) and reviewed by the audit committee of the Company, which consists of three independent non-executive Directors, namely Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny. The audit committee expressed their satisfaction with the accounting policies and principles adopted by the Group.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement of the Company is published on the websites of the Company (www.newton-resources.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The interim report of the Company for the six months ended 30 June 2011 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By Order of the Board of
Newton Resources Ltd
Yao Zanxun
Chief Executive Officer

Hong Kong, 29 August 2011

As at the date of this announcement, the executive Directors are Mr. Yao Zanxun, Ms. Yu Shuxian, Mr. Li Yuelin, Mr. Jing Zhiqing, Mr. Lin Zeshun and Mr. Liu Yongxin; the non-executive Directors are Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny.