

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



新礦資源有限公司

NEWTON RESOURCES LTD

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The board (the “Board”) of directors (the “Directors”) of Newton Resources Ltd (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2011 (“FY 2011” or the “Reporting Period”) together with the comparative figures for 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	4	45,944	—
Cost of sales		(16,867)	—
Gross profit		29,077	—
Other income and gains		97	—
Selling and distribution costs		(764)	—
Administrative expenses		(33,100)	(7,747)
Other expenses		—	(95)
Finance income	6	21,453	4,894
Profit/(loss) from operations		16,763	(2,948)
Equity-settled share option expense		(9,338)	—
Profit/(loss) before tax	5	7,425	(2,948)
Income tax expense	7	(5,053)	—
Profit/(loss) for the year		2,372	(2,948)
Total comprehensive income/(loss) for the year		2,372	(2,948)
Attributable to:			
Owners of the Company		2,249	(2,921)
Non-controlling interests		123	(27)
		2,372	(2,948)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	9	0.06	(0.09)

Details of the dividends payable and proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	10	670,483	351,700
Intangible assets		2,301	2,301
Prepaid land lease payments		3,709	3,810
		<u>676,493</u>	<u>357,811</u>
Current assets			
Inventories		4,747	1,617
Prepayments, deposits and other receivables	11	37,343	59,380
Cash and cash equivalents		919,399	55,934
		<u>961,489</u>	<u>116,931</u>
Current liabilities			
Trade payables	12	979	358
Other payables and accruals	13	102,009	102,158
Interest-bearing bank borrowings		393,190	—
Due to the then immediate holding company		—	335,974
Income tax payable		4,443	—
		<u>500,621</u>	<u>438,490</u>
Net current assets/(liabilities)		<u>460,868</u>	<u>(321,559)</u>
Total assets less current liabilities		<u>1,137,361</u>	<u>36,252</u>
Non-current liabilities			
Long-term payables		1,180	1,180
Net assets		<u>1,136,181</u>	<u>35,072</u>
Equity			
Equity attributable to owners of the Company			
Issued capital	14	331,960	—
Reserves		802,108	33,747
		<u>1,134,068</u>	<u>33,747</u>
Non-controlling interests		<u>2,113</u>	<u>1,325</u>
Total equity		<u>1,136,181</u>	<u>35,072</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to owners of the Company							
	Issued capital	Share premium account	Capital reserves	Share option reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	—	—	40,366	—	(3,698)	36,668	127	36,795
Loss for the year	—	—	—	—	(2,921)	(2,921)	(27)	(2,948)
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(2,921)	(2,921)	(27)	(2,948)
Capital injection	—	—	—	—	—	—	1,225	1,225
At 31 December 2010 and 1 January 2011	—	—	40,366	—	(6,619)	33,747	1,325	35,072
Profit for the year	—	—	—	—	2,249	2,249	123	2,372
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	2,249	2,249	123	2,372
Issue of shares	66,392	1,095,468	—	—	—	1,161,860	—	1,161,860
Capitalisation issue	265,568	(265,568)	—	—	—	—	—	—
Share issue expenses	—	(110,029)	—	—	—	(110,029)	—	(110,029)
Waiver of unpaid outstanding amount due to the then immediate holding company	—	—	36,903	—	—	36,903	—	36,903
Equity-settled share option arrangements	—	—	3,595	5,743	—	9,338	—	9,338
Capital injection	—	—	—	—	—	—	665	665
At 31 December 2011	331,960	719,871	80,864	5,743	(4,370)	1,134,068	2,113	1,136,181

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit/(loss) before tax		7,425	(2,948)
Adjustments for:			
Depreciation of items of property, plant and equipment	5	6,114	145
Amortisation of prepaid land lease payments	5	101	287
Finance income, net	6	(21,453)	(4,894)
Equity-settled share option expense		9,338	—
Cash flows before working capital changes		1,525	(7,410)
Increase in prepaid land lease payments		—	(4,200)
(Increase)/decrease in inventories		(3,130)	1,946
Increase in prepayments, deposits and other receivables		(7,458)	(6,640)
Increase/(decrease) in trade payables		621	(533)
Increase in other payables and accruals		6,122	6,863
Increase/(decrease) in advances from customers		(23,671)	23,664
Cash (used in)/generated from operations		(25,991)	13,690
Interest received/(paid)		2,698	(120)
Bank charges paid		(32)	—
Corporate income tax paid		(2,157)	—
Net cash flows (used in)/generated from operating activities		(25,482)	13,570
Cash flows from investing activities			
Purchase of items of property, plant and equipment		(317,200)	(233,334)
Net cash flows used in investing activities		(317,200)	(233,334)
Cash flows from financing activities			
Proceeds from issue of shares		1,161,860	—
Payment of initial public offering expenses		(63,013)	(27,290)
Proceeds from interest-bearing bank borrowings		406,171	—
Interest paid		(5,598)	—
Capital injection from non-controlling shareholders		665	1,225
Advances from the then immediate holding company		219,403	386,132
Repayments to the then immediate holding company		(511,354)	(86,947)
Net cash flows from financing activities		1,208,134	273,120
Net increase in cash and cash equivalents		865,452	53,356
Cash and cash equivalents at beginning of year		55,934	4,043
Effect of foreign exchange rate changes, net		(1,987)	(1,465)
Cash and cash equivalents at end of year		919,399	55,934
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		919,399	55,934

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 the disclosure requirements of Hong Kong Companies Ordinance. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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 derecognises (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 recognises (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 recognised in other comprehensive income is reclassified to profit or loss or accumulated loss, as appropriate.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 1 Amendments	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters¹</i>
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets¹</i>
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities⁴</i>
IFRS 9	<i>Financial Instruments⁶</i>
IFRS 10	<i>Consolidated Financial Statements⁴</i>
IFRS 11	<i>Joint Arrangements⁴</i>
IFRS 12	<i>Disclosure of Interests in Other Entities⁴</i>
IFRS 13	<i>Fair Value Measurement⁴</i>
IAS 1 Amendments	<i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income³</i>
IAS 12 Amendments	<i>Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets²</i>
IAS 19 (2011)	<i>Employee Benefits⁴</i>
IAS 27 (2011)	<i>Separate Financial Statements⁴</i>
IAS 28 (2011)	<i>Investments in Associates and Joint Ventures⁴</i>
IAS 32 Amendments	<i>Offsetting Financial Assets and Financial Liabilities⁵</i>
IFRIC-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine⁴</i>

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new or revised standards, amendments to standards and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on our products and services. During the year ended 31 December 2011, the Group commenced the commercial production of one type of product, iron concentrates, and the operating revenue and profit were derived from the sale of iron concentrates. Therefore, there is no presentation of operating segment information.

Furthermore, as the Group's revenue from external customers and the majority of the Group's non-current assets are both located in Hebei Province, the People's Republic of China ("Mainland China" or the "PRC"), no geographical information is presented.

Information about major customers

There were two customers (2010: Nil) with whom transactions have exceeded 10% of the Group's revenue, representing revenue of RMB34,352,000 and RMB10,270,000 respectively.

4. REVENUE

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 concentrates during the year ended 31 December 2011.

An analysis of the Group's revenue is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods	<u>45,944</u>	<u>—</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	2011 RMB'000	2010 RMB'000
Depreciation of items of property, plant and equipment	6,114	145
Amortisation of prepaid land lease payments	<u>101</u>	<u>287</u>

6. FINANCE INCOME

An analysis of the Group's finance income is as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank borrowings	6,174	—
Less: Interest capitalised	<u>(6,174)</u>	<u>—</u>
	—	—
Interest income/(expense)	2,698	(120)
Bank charges	(32)	—
Net foreign exchange gains	<u>18,787</u>	<u>5,014</u>
Finance income, net	<u>21,453</u>	<u>4,894</u>

7. INCOME TAX

The provision for PRC corporate income tax (“CIT”) is based on the CIT rate applicable to the entities located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2011 and 2010.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2010: Nil).

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Current tax — Mainland China		
Charge for the year	<u>5,053</u>	<u>—</u>

8. DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of FY 2011 (2010: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 3,596,712,000 (2010: approximately 3,077,383,000 as adjusted to reflect the capitalisation issue of 3,199,998,999 shares completed during the year) in issue during the year.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<i>Earnings/(loss)</i>		
Profit/(loss) attributable to owners of the Company,		
used in the basic and diluted earnings/(loss) per share calculation	<u>2,249</u>	<u>(2,921)</u>
	<i>'000</i>	<i>'000</i>
<i>Shares</i>		
Weighted average number of ordinary shares in issue during		
the year used in the basic and diluted earnings/(loss)		
per share calculation	<u>3,596,712</u>	<u>3,077,383</u>

The Pre-IPO share options granted during the year ended 31 December 2011 had an anti-dilutive effect on the basic earnings per share amount for the year and were ignored in the calculation of diluted earnings per share.

The Group had no potentially dilutive ordinary shares in issue during 2010.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Motor vehicles, fixtures and others <i>RMB'000</i>	Machinery <i>RMB'000</i>	Mining infra- structure <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 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	—	2,195	17,411	8,765	296,526	324,897
Transfer in/(out)	698	—	31,001	54,292	(85,991)	—
At 31 December 2011	<u>698</u>	<u>4,752</u>	<u>53,269</u>	<u>77,319</u>	<u>541,725</u>	<u>677,763</u>
Accumulated depreciation:						
At 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 year	(32)	(521)	(3,059)	(2,502)	—	(6,114)
At 31 December 2011	<u>(32)</u>	<u>(644)</u>	<u>(4,044)</u>	<u>(2,560)</u>	<u>—</u>	<u>(7,280)</u>
Net carrying amount:						
At 31 December 2011	<u>666</u>	<u>4,108</u>	<u>49,225</u>	<u>74,759</u>	<u>541,725</u>	<u>670,483</u>
At 31 December 2010	<u>—</u>	<u>2,434</u>	<u>3,872</u>	<u>14,204</u>	<u>331,190</u>	<u>351,700</u>

During the year ended 31 December 2010, a depreciation charge of RMB292,000 was included in the construction in progress for that year.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Deferred initial public offering expenses	—	48,042
Advances to suppliers	21,810	3,263
Value-added tax receivables	10,864	5,388
Deposits	3,052	1,643
Prepaid land lease payments	103	103
Advances to employees	581	382
Others	933	559
	<u>37,343</u>	<u>59,380</u>

The carrying amounts of prepayments, deposits and other receivables closely approximate to their respective fair values.

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

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Within 6 months	707	358
Over 6 months	272	—
	<u>979</u>	<u>358</u>

The trade payables are non-interest-bearing and normally settled on 60-day terms.

13. OTHER PAYABLES AND ACCRUALS

Included in the Group's other payables and accruals are payables to suppliers or contractors for the Group's addition of items of property, plant and equipment of RMB75,465,000 (2010: RMB38,660,000).

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

14. ISSUED CAPITAL

Shares

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>1,000,000</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:		
4,000,000,000 (2010: 1,001) ordinary shares of HK\$0.1 each, totally HK\$400,000,000 (2010: HK\$100)	<u>331,960</u>	<u>—</u>

Pursuant to the listing of the Company's shares on the main board of the Stock Exchange (the "Listing") completed on 4 July 2011, the ordinary share capital of the Company was enlarged from 1,001 ordinary shares to 4,000,000,000 ordinary shares by way of a new issue of 800,000,000 ordinary shares and capitalisation issue of 3,199,998,999 ordinary shares. The ordinary shares from the new issue and the capitalisation issue rank pari passu in all respects with the then existing issued shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Major iron ore producing countries and regions enjoyed high growth of steel production in 2011. Iron ore price reached the record high of almost US\$200 per tonne in early 2011, due to the People Republic of China's ("Mainland China" or the "PRC") strong demand. Nonetheless, the European countries' deteriorating debt crisis is expected to slow the global economic growth, which when combined with the PRC government's restrictive policies on property market and investments in infrastructure as well as its measures to consolidate steel mills lowered the profitability of steel mills since the second half of 2011. The iron ore price also showed a downward tendency. However, the average market price of iron ore for 2011 still stood at a relatively high level of approximately US\$170 per tonne.

Furthermore, Mainland China continued to maintain a relatively high gross domestic product growth rate of approximately 9.2% in 2011. Its fast industrialisation and urbanisation as well as the PRC government's implementation of subsidised housing programmes have created a strong demand for steel and iron ore. As the domestic iron ore output cannot meet such huge domestic demand in Mainland China, steel mills also rely heavily on the import of iron ore. During 2011, the iron ore import in Mainland China reached a record high of approximately 686 million tonnes, an increase of 10.9% compared to that of the previous year.

As the largest steel producing province in Mainland China, Hebei Province has an iron ore output amounting to approximately 595 million tonnes in 2011, a year-on-year increase of 36.8%. It also accounted for 44.8% of national iron ore output in Mainland China for the year. According to an analysis of the growth of iron ore production in Hebei Province, the increase in its iron ore output in 2011 mainly resulted from the supply provided by newly developed iron mines in Hebei Province. Meanwhile, iron ore import in Hebei Province grew by 22.6% to a total of approximately 110 million tonnes in 2011.

The Group's Lincheng Xingye Mineral Resources Co., Ltd. Yanjiazhuang Mine (the "Yanjiazhuang Mine") is located in the Hanxing region in the south of Hebei Province, the PRC, where many steel mills are located. As the total iron concentrate production in Hebei Province is not able to match the local steel mills' demand, the Group believes that despite the recent price fluctuation, iron ore price is likely to remain stable in the foreseeable future.

Business and Operation Review

Iron Concentrate Business

During the FY 2011, the Group produced and sold 46,900 tonnes of iron concentrates and generated approximately RMB45.9 million in sales revenue. The average selling price of its iron concentrates, net of value-added tax, was approximately RMB979 per tonne, with its average iron concentrate grade of approximately 65%. Comparative figures for the previous year are not available as the Yanjiazhuang Mine had not commenced commercial production for that year.

The Group's Yanjiazhuang Mine commenced commercial production on 1 January 2011. Following the commencement of commercial production, the Group was impacted by severe droughts in Northern China (including the Yanjiazhuang Mine) which were the worst experienced in the past sixty years. As a result, the Group's production levels had been significantly reduced in March 2011. Meanwhile, the Group invested substantial management time and resources to proceed with its Phase One expansion plan, and successfully achieved its goal by June 2011 so that the Group expanded its annual mining and ore processing capacity at the Yanjiazhuang Mine to 3,000,000 tonnes and annual iron concentrate production capacity to approximately 760,000 tonnes.

However, since late July 2011, there were several incidents of disputes arising from land expropriation in the surrounding area of the Yanjiazhuang Village, leading to the slow progress in the land expropriation and the construction works for the iron ore mining business. These incidents created tension between local villagers and mining and manufacturing companies in the area, including us. Owing to these unforeseen incidents, the progress of the land expropriation and subsequent construction works (including the construction of one dry magnetic cobbing system (namely No. 3 Dry Magnetic Cobbing System), the Water Supply System (as defined below) and a new tailings storage facility (namely the New Tailings Storage Facility)) experienced unexpected delays, which in turn affected the schedule to complete the Phase Two and the Phase Three expansion plans of the Yanjiazhuang Mine. As a result, the Yanjiazhuang Mine has not been in normal production since March 2011.

During the Reporting Period, due to the aforesaid construction delays caused by the land expropriation works, the New Tailings Storage Facility was not ready for service as originally scheduled. On the other hand, the existing tailings storage facility was approaching its capacity limit on safe emission. In October 2011, the Group decided to suspend the Yanjiazhuang Mine's production of iron concentrates until the completion and availability of the New Tailings Storage Facility. As a result, the Group did not meet its original target production of 200,000 tonnes of iron concentrates during the Reporting Period. As further elaborated in the "Outlooks and Future Plans" section, we anticipate that the production of iron concentrates should gradually resume normal after the New Tailings Storage Facility is available to have its tailing discharge in place within the second quarter of 2012.

On 28 April 2011, the Group entered into an agreement with Shougang Holding (Hong Kong) Limited ("Shougang"), the principal terms of which cover the sale of iron concentrates, future strategic cooperation and technical support. Pursuant to the said agreement, the Group has entered into an iron concentrate sale and purchase agreement, pursuant to which the Group shall sell 30% of the Group's annual production of iron concentrates to Shougang at a 3% discount to the prevailing market price at the time of supply. The Group has also received Shougang's advisory support in various respects, and expect to finalise specific cooperation arrangements with Shougang after the resumption of normal commercial production at the Yanjiazhuang Mine.

Gabbro-Diabase Business

Although the Group has not yet begun mining production of gabbro-diabase in 2011, the management has undertaken substantial preparatory works for the related infrastructure, as further explained in the section headed "Capital Expenditure for Gabbro-Diabase Business".

For marketing and sales, the Group has also initiated the marketing and promotion for its gabbro-diabase products. In February 2011, the Group entered into four memoranda of understanding with PRC property companies or their subsidiaries. The Group will further negotiate with these companies to formalise the execution of specific gabbro-diabase sales agreements. In addition, during the Reporting Period, the Group participated in a recognised stone industry exhibition to promote its gabbro-diabase products, aiming to create corporate branding and establish customer network.

Exploration, Development and Mining Activities

During FY 2011, the Group incurred capital expenditures of approximately RMB324.9 million mainly in respect of the Group's three-phase expansion plan as disclosed in the prospectus of the Company dated 21 June 2011 (the "Prospectus") and as further discussed in the section "Iron Concentrate Capacity Expansion Plan" below.

Iron Concentrate Capacity Expansion Plan

Phase One

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

During the Reporting Period, apart from expanding the capacity of the processing facilities, 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 has helped to achieve the expected outcome both in terms of production capacity and quality improvement of crushed ore.

During FY 2011, the total capital expenditure for the Phase One expansion plan amounted to approximately RMB29.8 million.

Phase Two

Phase Two expansion plan, which commenced in September 2010, included the development of three open-pit mining pits, the construction of No. 3 Dry Magnetic Cobbing System, the third processing facility and supporting infrastructure and equipment (including the New Tailings Storage Facility). These improvements would further help to increase the Group's annual mining and ore processing capacity and annual iron concentrate production capacity and to complement our growth during Phase Two expansion plan.

In addition, to cope with the enhanced capacity in Phase Two as well as to mitigate the impacts brought by the droughts on our production, the Group is also constructing pump stations with a water pipeline with a length of 20 km for its Phase Two expansion plan, connecting to the Lincheng Water Reservoir located in Lincheng County of Hebei Province for sufficient supply of water to the Yanjiazhuang Mine (the "Water Supply System"). As at the end of the Reporting Period, the majority of the construction works for the Water Supply System has been completed, leaving the pipeline section to be completed within limited mileage. The construction of the Phase Two expansion plan was occasionally suspended since late August 2011 due to disputes of land expropriation which occurred in the surrounding area of Yanjiazhuang Village.

During the Reporting Period, as a result of the incidents arising from land expropriation disputes in the surrounding area of Yanjiazhuang Village, part of the construction works in Phase Two expansion plan including the construction of the No. 3 Dry Magnetic Cobbing System, the Water Supply System and the New Tailings Storage Facility proceeded slowly and were not completed as originally scheduled. Thus, the production at the Yanjiazhuang Mine was hampered.

With the support of the local government, the Group managed to reach agreement with a number of local villages and made a breakthrough in the land expropriation works for the Yanjiazhuang Mine. As a result, the construction of the New Tailings Storage Facility resumed during the Reporting Period.

During FY 2011, the total capital expenditure for Phase Two expansion plan amounted to approximately RMB188.2 million.

Phase Three

The Group is currently in the process of refining the implementation of the Phase Three expansion plan. It is subject to modifications in light of current conditions of the Yanjiazhuang Mine. Given the current situation, the Phase Three expansion plan is anticipated to be completed in 2013.

During FY 2011, the total capital expenditure for the Phase Three expansion plan amounted to approximately RMB65.6 million.

Capital Expenditure for Gabbro-Diabase Business

The Group was notified by Hebei Provincial Land and Resources Department that, on 28 December 2011, the relevant government authority accepted the resources fees assessment report submitted by the Group regarding the gabbro-diabase resources in the Yanjiazhuang Mine. Upon payment of the required resources fees, the Group expects that the mining permit in respect of the gabbro-diabase resources in the Yanjiazhuang Mine will be granted by the relevant government authority and that the production of the gabbro-diabase products will thus be able to commence in the second quarter of 2012.

In FY 2011, although the Group has not yet commenced the gabbro-diabase production, the management has already undertaken substantial preparatory works for the related infrastructure, including organising a professional production and management team in charge of gabbro-diabase business, preparing a mining and production plan for gabbro-diabase mine, and providing technical basis and scientific management for the gabbro-diabase production to commence in due course. Meanwhile, the Group started the infrastructure works for a gabbro-diabase quarry during the Reporting Period. A road connecting the first gabbro-diabase quarry has been built, and preparatory works for other quarries are also in progress, laying solid foundation for the Group to commence gabbro-diabase production as soon as possible.

Moreover, the Group is currently preparing for the project involving the construction of a gabbro-diabase processing plant on a parcel of land of 50mu (approximately 33,333 square metres) in Lincheng County Industrial Park located in Lincheng County of Hebei Province. Site formation works and plant construction design have been completed. When the processing plant is completed, it will provide a solid foundation towards future mass production of gabbro-diabase slabs, carving stones and other products.

During FY 2011, the total capital expenditure for the gabbro-diabase project amounted to approximately RMB34.1 million.

Iron Ore Resources and Reserves

As at 31 December 2011, details of the Group's mineral resources and ore reserves prepared under the JORC Code were set out as below:

Summary of our iron ore resources

		JORC Mineral Resources Category	As at 31.12.2011 (Mt)	Average iron grade TFe (%)	As at 31.12.2010 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Measured	99.56	22.53	99.80	22.53
		Indicated	211.96	21.03	211.96	21.03
		Total	<u>311.52</u>	<u>21.51</u>	<u>311.76</u>	<u>21.51</u>

Summary of our iron ore reserves

	Percentage of ownership	JORC Ore Reserve Category	As at 31.12.2011 (Mt)	Average iron grade TFe (%)	As at 31.12.2010 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Proved	85.56	21.39	85.80	21.39
		Probable	174.21	19.97	174.21	19.97
		Total	<u>259.77</u>	<u>20.43</u>	<u>260.01</u>	<u>20.43</u>

During FY 2011, the Group consumed 240,000 tonnes iron ores for mining production in the Yanjiazhuang Mine. Comparative figures for the previous year are not available as the Yanjiazhuang Mine had not commenced commercial production for that year.

Save as disclosed above, there is no other material change in the Group's mineral resources and ore reserves as disclosed in the Prospectus.

Gabbro-Diabase Resources

In order to investigate the possibility of utilising the gabbro-d diabase resources in the Yanjiazhuang Mine, we have conducted an estimate for the gabbro-d diabase resources. As at 31 December 2011, the gabbro-d diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic meters and categorised as an Indicated Resource under the JORC Code.

Production Safety and Environmental Protection

The Group has focused its attention highly on production safety and environmental protection since the commencement of commercial production. Therefore, the Group has been consistently promoting safety standards and strengthening environmental protection policies so as to develop itself into a socially responsible enterprise with high awareness of safety concerns. During FY 2011, the Yanjiazhuang Mine had no record of significant safety incident.

Resources Exploration and Identification of New Resources

During the Reporting Period, the Group did not incur any cost or capital expenditure on exploration works.

In February 2010, the Group entered into a contract with the No.11 Geological Brigade of Hebei Bureau of Geological Exploration of the PRC (the "No.11 Geological Brigade") to purchase the exploration rights in relation to two iron mines, namely (i) the Gangxi Mine located in Lincheng County, Hebei Province, the PRC, and (ii) the Shangzhengxi Mine located adjacent to Shahe City, Hebei Province, the PRC, and to engage the No.11 Geological Brigade to carry out exploration works on the two iron mines. The exploration areas of the Gangxi Mine and the Shangzhengxi Mine are 5.28 square kilometres ("sq km") and 2.06 sq km, respectively.

Pursuant to the contract aforesaid, the No.11 Geological Brigade agreed to conduct the necessary transfer procedures. However, the transfer of the exploration rights in relation to the two iron mines is subject to the approval of the relevant government authorities. In addition, the Group agreed to pay the consideration for the exploration rights and the total exploration costs to be incurred by the No.11 Geological Brigade, and agreed to pay RMB2 for each tonne of iron reserves estimated in the area of the two mines upon the completion of the exploration works. Pursuant to the contract, if no iron ore reserve is identified upon the completion of the exploration, the Group shall not be obliged to pay any exploration cost to the No.11 Geological Brigade. The above capital costs will be sourced from the net proceeds raised from the Listing.

On 24 February 2012, to allow more time for the transfer of the exploration rights and carrying on the geological studies of the two mines by the No.11 Geological Brigade, the Group and the No.11 Geological Brigade agreed to extend the term of the aforesaid contract to 26 August 2013.

Meanwhile, the Group is preparing exploration plans for the areas with exploration potential within the Yanjiazhuang Mine, and is also in contact with the relevant government authorities for the application for the exploration right in respect of an area north of the Yanjiazhuang Mine which covers an area of 0.75 sq km. The Group believes that these measures could further strengthen the minable reserves and resources of the Group.

Financial Review

For FY 2011, the Group's revenue was approximately RMB45.9 million (2010: Nil). The increase in revenue was mainly attributable to the commencement of commercial production from 1 January 2011. During the year, the Group produced and sold 46,900 tonnes of iron concentrates at an average selling price of approximately RMB979 per tonne (net of value-added tax).

The profit from operations for FY 2011 was approximately RMB16.8 million (2010: loss from operations of approximately RMB2.9 million), representing a profit margin of 36.6% (2010: N/A).

The net profit for FY 2011 was approximately RMB2.4 million (2010: net loss of approximately RMB2.9 million). The profit attributable to owners of the Company amounted to approximately RMB2.2 million (2010: loss of approximately RMB2.9 million). The basic and diluted earnings per share for FY 2011 was RMB0.06 cent (2010: basic and diluted loss per share of RMB0.09 cent).

Revenue

The Group recorded revenue of approximately RMB45.9 million during FY 2011 following the commencement of commercial iron concentrate production from 1 January 2011 in accordance with Phase One expansion plan.

For the financial year ended 31 December 2010 ("FY 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 FY 2011 amounted to approximately RMB16.9 million (2010: Nil). The increase in cost of sales was mainly attributable to the commencement of commercial production from 1 January 2011.

The cost of sales during FY 2011 represented 36.8% of revenue (2010: N/A).

Gross Profit and Gross Margin

As a result of the above, the Group recorded gross profit of approximately RMB29.0 million and gross margin of 63.2% respectively during FY 2011. 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 RMB0.8 million during FY 2011. No selling and distribution costs were incurred in FY 2010 as the commercial production did not commence until 1 January 2011.

Administrative Expenses

Administrative expenses increased 329.9% to approximately RMB33.1 million during FY 2011 (2010: approximately RMB7.7 million). The increase was mainly due to the expansion of management team and recruitment of mining professionals to cope with the Group's business expansion and the Group's three-phase expansion plan of iron concentrate business.

Finance Income

Finance income increased 338.8% to approximately RMB21.5 million during FY 2011 (2010: approximately RMB4.9 million). The increase was mainly attributed to foreign exchange gains arising from the appreciation of RMB against the Hong Kong dollar (the "HKD") and the United States dollar (the "USD") and interest income earned from unused IPO proceeds.

Profit/(Loss) for the year and Total Comprehensive Income/(Loss) for the year

As a result of the above, the Group's profit and total comprehensive income for FY 2011 amounted to approximately RMB2.4 million (2010: loss and total comprehensive loss of approximately RMB2.9 million).

Property, Plant and Equipment

As at 31 December 2011, the Group's property, plant and equipment had a net carrying amount of approximately RMB670.5 million (2010: RMB351.7 million), which represented an increase of 90.6% during FY 2011. The increase was mainly attributable to mine construction in progress and acquisition of machinery and equipment.

The above net carrying amount represented 40.9% of the Group's total assets as at 31 December 2011 (2010: 74.1%).

Prepayments, Deposits and Other Receivables

As at 31 December 2011, the Group's prepayments, deposits and other receivables were approximately RMB37.3 million (2010: approximately RMB59.4 million), which represented a decrease of 37.2% during FY 2011. The decrease was mainly attributable to the recognition of deferred IPO expenses to share premium account upon the completion of the Listing during FY 2011, which is partly offset by the increase in construction-related advances to suppliers.

The above represented 2.3% of total assets as at 31 December 2011 (2010: 12.5%).

Other Payables and Accruals

As at 31 December 2011, the Group's balances of other payables and accruals were approximately RMB102.0 million (2010: approximately RMB102.2 million). The balance remained stable as there was a decrease in payables for expenses associated with initial public offering since the professional services for the Listing were substantially paid, which was offset by the increase in payables to the suppliers or contractors for the addition of items of property, plant and equipment during the year.

Due to the Then Immediate Holding Company

As at 31 December 2010, the amount due to the then immediate holding company was approximately RMB336.0 million. During FY 2011, the Group made a net repayment of approximately RM292.0 million to the then immediate holding company and foreign exchange gain of approximately RMB7.1 million resulted from the appreciation of RMB against USD during the year. The remaining unpaid amount of RMB36.9 million due to the then immediate holding company was waived by the then immediate holding company upon the Listing.

Liquidity

As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately RMB919.4 million (2010: approximately RMB55.9 million), representing 56.1% (2010: 11.8%) of total assets. The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB526.2 million (2010: net debt position of approximately RMB280.0 million). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.9 (2010: approximately 0.3).

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 RMB1,052 million) after deducting the related commissions, discretionary incentive fees and other estimated offering expenses. The Group's net cash position and liquidity have greatly improved upon the Listing.

During FY 2011, net cash of approximately RMB317.2 million (2010: approximately RMB233.3 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 31 December 2011, the amount of capital was approximately RMB1,529.4 million (2010: approximately RMB371.0 million), and the total borrowings were approximately RMB393.2 million (2010: approximately RMB336.0 million).

As at 31 December 2011, the Group's gearing ratio, based on total borrowings divided by capital, was 25.7% (2010: 90.6%).

Loans, Indebtedness and Maturity Date

As at 31 December 2011, the Group's HKD denominated bank borrowings amounted to HK\$485.0 million (equivalent to approximately RMB393.2 million) (2010: Nil). The bank borrowings were all unsecured and carried interest at floating rates. Maturity of bank borrowings are subject to the banks' overriding right of repayment on demand. As at 31 December 2011, no property, plant and equipment or leasehold land or land use rights were pledged by the Group.

Exposure to Fluctuations in Exchange Rates

The Group businesses are located in the PRC and most of the transactions are conducted in RMB. Majority of the Group's assets and liabilities are denominated in RMB. Therefore, the Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

At the end of the Reporting Period, certain cash and cash equivalents are denominated in HKD and USD and interest-bearing bank borrowings are denominated in HKD. As RMB appreciated against HKD and USD during FY 2011, the Group had no material adverse exposure to foreign exchange fluctuations for the year.

Operating Segment Information

For management purposes, the Group is organised into business units based on our products and services. During FY 2011, the Group's operating revenue and profit were derived from one segment only, namely "Sale of Iron Concentrates".

Furthermore, as the Group's revenue from external customers and the majority of the Group's non-current assets are both located in Hebei Province, Mainland China, no geographical information is presented.

Capital Commitments and Contingent Liabilities

Capital Commitments

As at 31 December 2011, the capital commitments of the Group were, in aggregate, approximately RMB840.0 million (2010: approximately RMB253.8 million), as detailed below:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Contracted, but not provided for:		
— Plant and machinery	<u>82,798</u>	<u>202,667</u>
Authorised, but not contracted for:		
— Plant and machinery	447,217	51,111
— Resources fees	<u>310,000</u>	<u>—</u>
	<u>757,217</u>	<u>51,111</u>

Included in the authorised capital commitment of the Group as at 31 December 2011 was an amount representing the aforesaid resources fees in relation to the gabbro-dabase resources located in the Yanjiazhuang Mine.

On 28 March 2012, the Company has decided to increase the authorised commitment in respect of Phase Two expansion plan by approximately RMB44.6 million, in aggregate, which is expected to be funded by the working capital of the Group, as further discussed in the section “Phase Two Expansion Plan Update” below.

Contingent Liabilities

The Group is exposed to contingent liabilities as a result of the transfer of Venca Investments Limited’s (“Venca”) 99% equity interest in Xingye Mining to Jet Bright Limited (“Jet Bright”) in July 2010. Both Venca and Jet Bright are wholly-owned subsidiaries of the Group. According to the 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. In November 2011, the Group submitted the supplementary information as requested by the relevant tax bureaus. As the Directors believe that the transfer qualifies for special tax treatment and there should be no PRC corporate income tax arising from the transfer, the Group has not made a tax provision for these contingent liabilities in the financial statements.

Significant Investments, Acquisitions and Disposals

During FY 2011, the Group had no significant acquisitions and disposals.

Employees and Remuneration Policies

Employees of the Group

31 December 2011

Number of employees		647
		Approximate percentage to the total number of employees
<i>Type</i>	Number	
Production		
Iron ore mining	213	32.9
Iron ore processing	97	15.0
Ancillary mining activities	181	28.0
Management, finance and administrative	104	16.1
Gabbro-diabase business	22	3.4
Others	30	4.6
Total	647	100.0

As at 31 December 2011, the Group had a total 647 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 geographical 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.

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 RMB1,052 million) by issuing 800 million new shares at an issue price of HK\$1.75 per share in a global offering. The net proceeds raised from the Listing, as allocated according to the basis set out in the Prospectus, will be applied to fund the three-phase expansion plan of the Yanjiazhuang Mine, payment of resources fees, exploration and acquisition activities, development of the gabbro-diabase business, repayment of the shareholders' loans and general working capital.

	Allocation basis %	Net proceeds from the Listing	
		Available to utilise RMB' million	Utilised (up to 31 December 2011) RMB' million
Three-phase expansion plan of the Yanjiazhuang Mine	35	368	73
Payment of resources fees	9	95	—
Exploration and acquisition activities	17	179	—
Development of gabbro-diabase business	26	273	34
Repayment of shareholders' loans	10	105	105
Working capital	3	32	9
	<u>100</u>	<u>1,052</u>	<u>221</u>

Phase Two Expansion Plan Update

On 28 March 2012, based on the understanding of current construction progress, the Board has decided to make the following adjustments to the budget of Phase Two expansion plan:

Project	New budget amount (RMB' Million)	Original budget amount (RMB' Million)	Increased amount (RMB' Million)
No.3 Processing Facility	110.0	85.4	24.6
New Tailings Storage Facility	<u>47.2</u>	<u>27.2</u>	<u>20.0</u>

The Board expects the increase in the abovementioned budget will be funded by the working capital of the Group.

The Board believes the successful completion of Phase Two expansion plan will consolidate and enhance the development of the Group's iron concentrate business.

Outlooks and Future Plans

The global economy still faces great uncertainties in 2012. The PRC government has lowered its estimate of economic growth to 7.5% for 2012 as its economy is expected to experience further transformation and adjustment. In 2012, the PRC's twelfth Five-year plan for steel industry emphasises market-driven resource allocation, optimisation as well as industry transformation and upgrade. Taking into account the macro-economic controls imposed by the PRC government, the demand for iron ore as a bulk commodity is expected to have a moderate growth in 2012. On one hand, we expect that such demand and price trend is likely to depend on the pace of Mainland China's rapid urbanisation and new rural construction plan, the government's drive for subsidised housing, and the demand and supply dynamics in other countries worldwide. On the other hand, we see the limited supply of iron ore resources in China, upward adjustment in resources-related taxation, more stringent measures for environmental protection, and currency appreciation and increase in production costs of the iron ore exporting countries. The abovementioned factors will create a balancing effect in stabilising the iron ore prices.

During the Reporting Period, the Group experienced a series of incidents of disputes arising from land expropriation works. With the support of the local government, the Group managed to reach agreement with a number of local villages and made a breakthrough in the land expropriation works for the Yanjiazhuang Mine. As a result, the construction of the New Tailings Storage Facility resumed during the Reporting Period. The Group, being a socially responsible company, will continue to follow the national rules and regulations and proactively communicate with the local government and villagers to resolve any future disputes. Every effort will be made to ensure smooth progress and completion of the construction of the Phase Two expansion plan within 2012. According to the existing construction schedule, in the absence of any unforeseen events, the New Tailings Storage Facility is expected to have its tailing discharge in place within the second quarter of 2012 and the production of iron concentrates in the Yanjiazhuang Mine should gradually resume normal.

In 2012, it is hoped that through smooth negotiation with the local villagers, the Group will be able to reach further agreements on the expropriation works for the remaining parcels of land in facilitating the completion of the Phase Three expansion plan of the Yanjiazhuang Mine by 2013.

In addition, the relevant government authority accepted the resources fees assessment report submitted by the Group regarding the gabbro-diabase resources in the Yanjiazhuang Mine on 28 December 2011. The Group expects that the mining permit in respect of the gabbro-diabase resources in the Yanjiazhuang Mine will be granted by the relevant government authority upon payment of the required resources fees and that the production of the gabbro-diabase products will thus be able to commence in the second quarter of 2012.

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of FY 2011 (2010: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period from 4 July 2011 (the “Listing Date”) up to the date of this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a publicly listed company’s responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles, code provisions and certain recommended best practices as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules.

Since the Listing Date, the Company has complied with the code provisions as set out in the CG Code to the extent that such provisions are applicable and devoted considerable efforts to identify and formalise the best corporate governance practices suitable for the Company’s needs.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that it complies with the CG Code and align with the latest developments.

AUDIT COMMITTEE

The Audit Committee of the Group was established on 8 June 2011. Currently, it comprises three members, all of whom are independent non-executive Directors, namely Mr. Tsui King Fai, who possesses professional accounting qualifications, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny. Mr. Tsui King Fai is the chairman of the Audit Committee. The Audit Committee has adopted the term of reference in line with the CG Code issued by the Stock Exchange. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for FY 2011 and the auditors’ report thereon.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited financial statements of the Company for FY 2011.

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

Since the Listing Date and up to 31 December 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CHANGES TO BOARD COMPOSITION

Mr. Tsang Yam Pui (“Mr. Tsang”) has informed the Board of his intention of not seeking re-election at the forthcoming annual general meeting of the Company (the “AGM”) to be held on Wednesday, 23 May 2012 as he would like to concentrate on his roles as an executive director of NWS Holdings Limited, a substantial shareholder of the Company. Therefore, Mr. Tsang will retire as chairman and non-executive Director from the Company with effect from the conclusion of the AGM.

The Board proposes to nominate Dr. Cheng Kar Shun (“Dr. Cheng”) to be elected by the shareholders at the AGM as a non-executive Director and the chairman of the Company with effect from the conclusion of the AGM. The particulars of Dr. Cheng will be set out in the circular of the Company, to be sent together with the 2011 Annual Report to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 May 2012 to Wednesday, 23 May 2012 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfer of shares of the Company accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company’s Hong Kong listed share registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 8 May 2012.

ANNUAL GENERAL MEETING

The AGM of the Company for FY 2011 is scheduled to be held on Wednesday, 23 May 2012. A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2011 Annual Report of the Company will be dispatched to shareholders and published on the Hong Kong Exchanges and Clearing Limited’s website at www.hkexnews.hk and the Company’s website at www.newton-resources.com in due course. This announcement can also be accessed on these websites.

On behalf of the Board
Newton Resources Ltd
Tsang Yam Pui
Chairman

Hong Kong, 28 March 2012

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