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新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1231)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board wishes to announce the audited consolidated annual results of the Group for FY 2012 together with the comparative figures for FY 2011 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	<i>Notes</i>	2012 RMB'000	2011 RMB'000
Revenue	3	—	45,944
Cost of sales		—	(16,867)
Gross profit		—	29,077
Other income and gains		257	97
Selling and distribution costs		—	(764)
Administrative expenses		(45,910)	(33,100)
Finance income	5	13,773	21,453
(Loss)/profit from operations		(31,880)	16,763
Equity-settled share option expense		(2,656)	(9,338)
(Loss)/profit before tax	4	(34,536)	7,425
Income tax expense	6	(1,343)	(5,053)
(Loss)/profit for the year		(35,879)	2,372
Total comprehensive (loss)/income for the year		(35,879)	2,372
Attributable to:			
Owners of the Company		(35,628)	2,249
Non-controlling interests		(251)	123
		(35,879)	2,372
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	8	(0.89)	0.06

Details of the dividends payable and proposed for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	9	725,188	670,483
Intangible assets		50,088	2,301
Prepaid land lease payments		3,610	3,709
		<u>778,886</u>	<u>676,493</u>
Current assets			
Inventories		4,736	4,747
Prepayments, deposits and other receivables	10	41,781	37,343
Cash and cash equivalents		793,146	919,399
		<u>839,663</u>	<u>961,489</u>
Current liabilities			
Trade payables	11	427	979
Other payables and accruals	12	85,879	102,009
Interest-bearing bank borrowings		393,238	393,190
Income tax payable		6,227	4,443
		<u>485,771</u>	<u>500,621</u>
Net current assets		<u>353,892</u>	<u>460,868</u>
Total assets less current liabilities		<u>1,132,778</u>	<u>1,137,361</u>
Non-current liabilities			
Long-term payables		29,820	1,180
Net assets		<u><u>1,102,958</u></u>	<u><u>1,136,181</u></u>
Equity			
Equity attributable to owners of the Company			
Issued capital		331,960	331,960
Reserves		769,136	802,108
		<u>1,101,096</u>	<u>1,134,068</u>
Non-controlling interests		<u>1,862</u>	<u>2,113</u>
Total equity		<u><u>1,102,958</u></u>	<u><u>1,136,181</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserves	Share option reserve	Accumulated losses		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011	—	—	40,366	—	(6,619)	33,747	35,072
Profit for the year	—	—	—	—	2,249	123	2,372
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	2,249	123	2,372
Issue of shares	66,392	1,095,468	—	—	—	—	1,161,860
Capitalisation issue	265,568	(265,568)	—	—	—	—	—
Share issue expenses	—	(110,029)	—	—	—	—	(110,029)
Waiver of unpaid outstanding amount due to the then immediate holding company	—	—	36,903	—	—	—	36,903
Equity-settled share option arrangements	—	—	3,595	5,743	—	—	9,338
Capital injection	—	—	—	—	—	665	665
At 31 December 2011 and 1 January 2012	331,960	719,871	80,864	5,743	(4,370)	1,134,068	1,136,181
Loss for the year	—	—	—	—	(35,628)	(251)	(35,879)
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(35,628)	(251)	(35,879)
Equity-settled share option arrangements	—	—	—	2,656	—	—	2,656
At 31 December 2012	331,960	719,871	80,864	8,399	(39,998)	1,862	1,102,958

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		(34,536)	7,425
Adjustments for:			
Depreciation of items of property, plant and equipment	4	4,262	6,114
Amortisation of prepaid land lease payments	4	101	101
Finance income, net	5	(13,773)	(21,453)
Equity-settled share option expense		2,656	9,338
Cash flows before working capital changes		(41,290)	1,525
Decrease/(increase) in inventories		11	(3,130)
Increase in prepayments, deposits and other receivables		(686)	(7,458)
(Decrease)/increase in trade payables		(552)	621
(Decrease)/increase in other payables and accruals		(2,641)	6,122
Decrease in advances from customers		—	(23,671)
Cash used in operations		(45,158)	(25,991)
Interest received		16,076	2,698
Bank charges paid		(22)	(32)
Corporate income tax paid		(240)	(2,157)
Net cash flows used in operating activities		(29,344)	(25,482)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		(74,799)	(317,200)
Addition of intangible assets		(11,987)	—
Net cash flows used in investing activities		(86,786)	(317,200)
Cash flows from financing activities			
Interest paid		(9,941)	(5,598)
Proceeds from issue of shares		—	1,161,860
Payment of initial public offering expenses		—	(63,013)
Proceeds from interest-bearing bank borrowings		—	406,171
Capital injection from non-controlling shareholders		—	665
Advances from the then immediate holding company		—	219,403
Repayments to the then immediate holding company		—	(511,354)
Net cash flows (used in)/generated from financing activities		(9,941)	1,208,134
Net (decrease)/increase in cash and cash equivalents		(126,071)	865,452

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)*Year ended 31 December 2012*

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Net (decrease)/increase in cash and cash equivalents	(126,071)	865,452
Cash and cash equivalents at beginning of year	919,399	55,934
Effect of foreign exchange rate changes, net	(182)	(1,987)
Cash and cash equivalents at end of year	<u>793,146</u>	<u>919,399</u>
 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	<u>793,146</u>	<u>919,399</u>

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 (“IASB”) 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 2012. 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 revised IFRSs for the first time for the current year’s 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 Adopters</i>
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets</i>
IAS 12 Amendments	<i>Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the revised IFRSs has had no significant financial 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 — Government Loans²</i>
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities²</i>
IFRS 9	<i>Financial Instruments⁴</i>
IFRS 10	<i>Consolidated Financial Statements²</i>
IFRS 11	<i>Joint Arrangements²</i>
IFRS 12	<i>Disclosure of Interests in Other Entities²</i>
IFRS 9 and IFRS 7 Amendments	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures⁴</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	<i>Amendments to IFRS 10, IFRS 11 and IFRS 12 — Transition Guidance²</i>
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	<i>Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — Investment Entities³</i>
IFRS 13	<i>Fair Value Measurement²</i>
IAS 1 Amendments	<i>Amendments to IAS 1 Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income¹</i>
IAS 19 (2011)	<i>Employee Benefits²</i>
IAS 27 (2011)	<i>Separate Financial Statements²</i>
IAS 28 (2011)	<i>Investments in Associates and Joint Ventures²</i>
IAS 32 Amendments	<i>Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities³</i>
IFRIC-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine²</i>
Annual Improvements 2009-2011 Cycle	<i>Amendments to a number of IFRSs issued in June 2012²</i>

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

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ 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. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue in the prior year represented the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable.

Operating Segment Information

For management purposes, the Group organised its business units based on products and services. The Group has no revenue recognised during the year and the loss for the year was derived from the "Sale of Iron Concentrates" operating segment. In FY 2011, both the Group's revenue and profit were derived from one segment only, namely "Sale of Iron Concentrates" operating segment. Therefore, there is no presentation of operating segment information.

Furthermore, as the Group's revenue from the external customers (where applicable) and the majority of the Group's non-current assets are located in the PRC in both years, no geographical information is presented.

4. (LOSS)/PROFIT BEFORE TAX

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Cost of inventories sold	—	16,867
Depreciation of items of property, plant and equipment	4,262	6,114
Amortisation of prepaid land lease payments	101	101
	<u> </u>	<u> </u>

5. FINANCE INCOME

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Interest on bank borrowings	(9,685)	(6,174)
Less: Interest capitalised	5,733	6,174
	<u> </u>	<u> </u>
	(3,952)	—
Interest income	18,004	2,698
Bank charges	(22)	(32)
Net foreign exchange (losses)/gains	(257)	18,787
	<u> </u>	<u> </u>
Finance income, net	13,773	21,453
	<u> </u>	<u> </u>

6. INCOME TAX

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2012 and 2011.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the years ended 31 December 2012 and 2011.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Current tax — Mainland China		
Charge for the year	1,343	5,053
	<u> </u>	<u> </u>

7. DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2012 (2011: Nil).

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

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 (2011: approximately 3,596,712,000) in issue during the year.

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

	2012 RMB'000	2011 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	(35,628)	2,249
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/ earnings per share calculation	4,000,000	3,596,712

The pre-initial public offering share options of the Company had an anti-dilutive effect on the basic (loss)/earnings per share amount for the years ended 31 December 2012 and 2011 and were ignored in the calculation of diluted (loss)/earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Motor vehicles, fixtures and others <i>RMB'000</i>	Machinery <i>RMB'000</i>	Mining infrastructure <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 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)	—
	<u>698</u>	<u>—</u>	<u>31,001</u>	<u>54,292</u>	<u>(85,991)</u>	<u>—</u>
At 31 December 2011 and 1 January 2012	698	4,752	53,269	77,319	541,725	677,763
Additions	—	392	352	1,400	56,823	58,967
Transfer in/(out)	—	—	—	2,460	(2,460)	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,460</u>	<u>(2,460)</u>	<u>—</u>
At 31 December 2012	<u>698</u>	<u>5,144</u>	<u>53,621</u>	<u>81,179</u>	<u>596,088</u>	<u>736,730</u>
Accumulated depreciation:						
At 1 January 2011	—	(123)	(985)	(58)	—	(1,166)
Provided for the year	(32)	(521)	(3,059)	(2,502)	—	(6,114)
	<u>(32)</u>	<u>(521)</u>	<u>(3,059)</u>	<u>(2,502)</u>	<u>—</u>	<u>(6,114)</u>
At 31 December 2011 and 1 January 2012	(32)	(644)	(4,044)	(2,560)	—	(7,280)
Provided for the year	(33)	(706)	(3,516)	(7)	—	(4,262)
	<u>(33)</u>	<u>(706)</u>	<u>(3,516)</u>	<u>(7)</u>	<u>—</u>	<u>(4,262)</u>
At 31 December 2012	<u>(65)</u>	<u>(1,350)</u>	<u>(7,560)</u>	<u>(2,567)</u>	<u>—</u>	<u>(11,542)</u>
Net carrying amount:						
At 31 December 2012	<u>633</u>	<u>3,794</u>	<u>46,061</u>	<u>78,612</u>	<u>596,088</u>	<u>725,188</u>
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>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Advances to suppliers	23,636	21,810
Other tax receivables	11,512	10,864
Deposits	3,073	3,052
Bank interest receivables	2,477	—
Prepaid land lease payments, current portion	101	103
Advances to employees	—	581
Others	982	933
	<u>41,781</u>	<u>37,343</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.

11. 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:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 6 months	267	707
6 months to 1 year	3	272
Over 1 year	157	—
	<u>427</u>	<u>979</u>

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

12. 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 RMB54,084,000 (2011: RMB75,465,000).

Other payables are unsecured and non-interest-bearing.

13. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, in late March 2013, a subsidiary of the Group was involved in a litigation as a defendant regarding the construction sum payable arising out of the ordinary course of business of the Group. The Group is currently reviewing the relevant documents from the counterparty and will proactively respond to the case in accordance with the advice of the Group's legal counsels. Based on the information provided so far, it is not anticipated to have any material adverse impact to the financial position and operations of the Group.

CHAIRMAN'S STATEMENT

2012 was a humbling year for Newton. Despite steadfast efforts made by our management, issues at the Yanjiazhuang Mine have resulted in a net loss for the Reporting Period. This is disconcerting. Since I took over the role as Chairman earlier this year, I have been working closely with our management to remediate our situation at the Yanjiazhuang Mine which I will elucidate in details later. There are nevertheless spirited note. I am pleased to report that Shougang Hong Kong, our cornerstone investor at time of our initial public offering, has affirmed its confidence in us by increasing its equity stake and becoming our Substantial Shareholder and second largest Shareholder in November 2012. Shougang Hong Kong is a subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC and a market leader in China's steel industry. As part of our strategy to augment our undertakings at the Yanjiazhuang Mine, we are currently in discussions with Shougang Hong Kong to further explore areas of cooperation and development.

The Group recorded a net loss of approximately RMB35.9 million for the Reporting Period, as compared to a net profit of approximately RMB2.4 million for FY 2011. The loss was a direct result of suspension of production at the Yanjiazhuang Mine during the Reporting Period. This somber outcome warrants elaborations. With respect to our iron ore mining operation, throughout the entire 2012, management's efforts have been focusing on the completion of the New Tailings Storage Facility and laying the ground work for the resumption of production. I am pleased to report that the Group completed the New Tailings Storage Facility and resumed the stripping activities and began trial running of the No.1 dry magnetic cobbing system and the No.1 processing facility at the Yanjiazhuang Mine around the end of November 2012. With trial production underway, our management has been working earnestly with the Safety Authority on the granting of the production safety permit for the New Tailings Storage Facility. Our Phase Two expansion plan has been substantially completed subject to the completion of the No. 3 dry magnetic cobbing system and the last few kilometres of water supply system after resolving the land expropriation issues. Our Phase Three expansion plan also experienced delay pending the overall resolution of land expropriation issues. There have been ongoing negotiations with villager representatives with the support of local government to help resolve this matter. This is a delicate matter involving the welfare of the indigenous population and the environment. My directive to management is to forge ahead to resolve these issues expeditiously, amicably, and equitably. For our gabbro-diabase operation, notwithstanding good progress in the construction of the First Quarry (along with the related infrastructure development) and the granting of the mining permit for mining gabbro-diabase resources in 2012, we have not begun production at the date of this announcement. We are in the process of applying for the remaining production safety permit. Barring any unforeseen situations, our management is targeting to commence production of gabbro-diabase products sometime in 2013.

Suffice to say there remains numerous challenges ahead in implementing our expansion plan for the Yanjiazhuang Mine. I am nevertheless cautiously optimistic about our prospects.

In closing, I would like to express my heartfelt gratitude to our Shareholders for their continuous support, to my fellow Directors for their guidance to the Group, and to our management for their dedication and hard work throughout these trying times.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2012, influenced by the continuous fermentation of the European debt crisis, the adjustment of economic structure and the slowdown in economic growth in Mainland China as well as other factors, the iron and steel industry remained sluggish as a whole and the iron ore prices saw tremendous fluctuations, dropping in the second half of the year and hitting the bottom of the year at about USD100 per tonne at the end of September. Throughout the year, the average price in the iron ore market went down 23.5% to about USD130 per tonne on a year-on-year basis in 2012. The Chinese factors still played a noticeable role in influencing the international iron ore prices. As the Chinese government continued to regulate the real estate sector and slowed down the construction of high-speed railway, the steel demand in the country declined, and the profits in the steel industry went down and underwent substantial reduction of output, thus influencing the upstream iron ore prices. In the fourth quarter, driven by some positive economic factors both at Mainland China and abroad, and that steel enterprises began to increase iron ore inventory, the iron ore prices seemed to stabilise, but still saw a remarkable drop as compared with the climax in 2012.

In addition, as a large steel producing country, China's iron ore demands largely depend on imports, and thus, the demands in the international market will also have a significant impact on the iron ore prices in Mainland China. In 2012, Mainland China imported about 744Mt of iron ores, representing a year-on-year increase of 8.4%. As a province in Mainland China with the largest steel producing and iron ore demand in 2012, Hebei Province achieved about 524Mt in iron ore output, representing a year-on-year decrease of 12.0%, accounting for 40.0% of the country's total production. This is mainly due to the cost conscious measures of steel mills which switched to imports of iron ore, that driven the demand for domestically produced iron ore to decrease. Meanwhile, in 2012, the iron ore imports in Hebei Province increased by 23.1% to about 170Mt.

China's GDP growth in 2012 maintained at a relatively high level of 7.8%. The year 2013 is a crucial year for China to implement the "12th Five-Year" Plan, and the new government is expected to introduce new economic policies to maintain the economic development and push forward the recovery of market confidence.

Business and Operation Review

Iron Concentrate Business

The Group's commercial production of iron concentrates regrettably came to a standstill in 2012.

During the Reporting Period, the Group has been focusing its resources and manpower on the construction and accomplishment of the New Tailings Storage Facility, which has been substantially completed by June 2012. Then, the Group proceeds with the application for trial tailings discharge with the Safety Authority. In the meantime, the Group is following up on further enhancing the safety features of the New Tailings Storage Facility, progress update on trial tailings discharge, and the issuance of a production safety permit by the Safety Authority.

Despite the progress achieved on the construction of New Tailings Storage Facility, a number of mid-level management staff and subordinates in the Yanjiazhuang Mine have not turned up for work since July 2012. This has hindered our schedule to resume the iron concentrate production. The Group has now terminated the employment relationship with these staff members and have been taking prompt recruitment action to fill up the vacancies.

The Group resumed the stripping activities and started commissioning of the No.1 dry magnetic cobbing system and the No.1 processing facility, and trial production of a limited scale at the Yanjiazhuang Mine around the end of November 2012. However, no revenue was recognised for FY 2012. The Group will continue to monitor the progress of trial production and tackle any upcoming challenges, through active communication with relevant authorities and parties, to smooth out its production and operations at the Yanjiazhuang Mine.

Meanwhile, the Group is in the process of applying for a production safety permit for the New Tailings Storage Facility. Once the Safety Authority is satisfied with the conditions for tailings discharge, it will issue a production safety permit to the Group. The Board expects that the mining and iron concentrate production at the Yanjiazhuang Mine will gradually resume to normal thereafter.

In 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%, for the said year.

Currently, the Group has accomplished the Phase One expansion plan. However, the Phase Two and Phase Three expansion plans were regrettably hindered by disputes arising from land expropriation. During FY 2012, the remaining construction projects remain uncompleted. For further details, please refer to the paragraphs headed “Iron Concentrate Business – Phase Two and Phase Three Expansion Plans and Ancillary Constructions” in “Capital Expenditure and Infrastructure Development” section.

Gabbro-Diabase Business

Throughout FY 2012, the Group has been actively preparing for the gabbro-diabase mining at the Yanjiazhuang Mine, and had made good progress in site formation and stripping and preparation works at the First Quarry, and the access road to the First Quarry had been constructed. On the other hand, the Group engaged a Beijing-based stone mining specialty advisor in early 2012, which has a team of reputable stone mining experts, to provide the Group with technical supports and consultancy guidance in respect of the gabbro-diabase mining plan and production. For the gabbro-diabase infrastructure construction carried out during FY 2012, further discussion will be provided in the paragraphs headed “Gabbro-Diabase Business” in “Capital Expenditure and Infrastructure Development” section.

Apart from the mining plan and progress in infrastructure construction, the Group also received the mining and other requisite permits during the year. The Group received a mining permit for diabase resources in June 2012 from Hebei Province Department of Land and Resources and was also granted the business license for the production and sale of diabase products by the domestic Industrial and Commercial Administration Bureau. The Group is currently in the process of applying for a production safety permit from the Safety Authority. The Board anticipates that the Group could commence normal production of gabbro-diabase products sometime in 2013, with the remaining requisite permit issued by the Safety Authority.

From the marketing perspective, the Group has continued to participate in recognised stone industry exhibitions to promote its gabbro-diabase products, aiming to create corporate branding and establish customer network.

As the Group had not yet started the commercial mining and production of gabbro-diabase resources during the Reporting Period, no revenue was recognised for FY 2012.

Capital Expenditure and Infrastructure Development

For FY 2012, the Group has incurred capital expenditure amounting to approximately RMB59.0 million, mainly on construction of the New Tailings Storage Facility and mining infrastructure of the First Quarry at the Yanjiazhuang Mine.

Iron Concentrate Business — Phase Two and Phase Three Expansion Plans and Ancillary Constructions

Despite the challenges and difficulties that we are facing during the year, the Group has continued with the implementation of expansion plan with an aim to enhance the Group's mining and ore processing capacity and the iron concentrate production capacity. Throughout the Reporting Period, the Group has been focusing its resources and manpower on the construction and accomplishment of the New Tailings Storage Facility, which has been substantially completed by June 2012.

Affected by the disputes arising from land expropriation in the surrounding areas of the Yanjiazhuang Mine in the prior year, the Group's construction progress on other Phase Two and Phase Three facilities was hindered. The plant construction and equipment installation for No. 3 processing facility which was substantially completed in 2011 is still awaiting further testing and commissioning when stable power and water supply is available. The Group has also finished the site preparation for No. 3 dry magnetic cobbing system, which is expected to complement the operation of No. 3 processing facility, and the requisition of core machinery were completed. Due to the land expropriation disputes, the scheduled construction has been delayed.

In addition, to cope with the enhanced capacity in Phase Two expansion plan as well as to mitigate the impacts brought by droughts on the production at the Yanjiazhuang Mine, the Group has been constructing a water pipeline with a length of 20km, which connects to the Lincheng Water Reservoir located in Lincheng County of Hebei Province to secure sufficient supply of water to the Yanjiazhuang Mine (the "Water Supply System"). Although a majority of the construction works for the Water Supply System had been completed, the outstanding works remained suspended during FY 2012 as affected by the said land expropriation disputes. Moreover, the construction of a 35,000kVA electricity transformer substation and the electricity wiring have been completed and ready for power transmission.

When the iron concentrate production at the Yanjiazhuang Mine has been smoothed out, the Group will further proceed with these constructions so as to cope with the development of the Group's iron concentrate business. Through support from local government and villages, the successful accomplishment of Phase Two expansion plan will consolidate and bolster the development of the Group's iron concentrate business.

The Group will continue to carry out ongoing evaluation of the business development at the Yanjiazhuang Mine and refine the implementation of the expansion plan as and when appropriate.

During FY 2012, the capital expenditure for the iron concentrate business (including the Phase Two and Phase Three expansion plans) amounted to approximately RMB47.4 million.

Gabbro-Diabase Business

In 2012, although the Group has not yet commenced the gabbro-diabase mining and production, the management has already taken out massive preparatory works on related infrastructure and construction, including organising a team of professionals in charge of gabbro-diabase production and mine management,

preparing a mining and production plan for gabbro-diabase mine which provide a basis for professional and scientific management of the gabbro-diabase production when operation commences. The Group started the infrastructure works for the First Quarry during FY 2012, with an access road connecting the First Quarry built, the production platform at the First Quarry established, and the necessary machinery and equipment for the exploitation and production purchased. In addition, the preparatory works for other quarries are also in progress, laying solid foundation for the Group to commence gabbro-diabase production as soon as practicable.

Moreover, the Group is currently preparing for the construction of a gabbro-diabase processing plant on a parcel of land of 50mu (approximately 33,333m²) in Lincheng County Industrial Park located in Lincheng County of Hebei Province. With the completion of the site formation works and plant construction design, the Group will monitor the status and mining progress of gabbro-diabase resources and commence the construction of the gabbro-diabase processing plant when the production has attained a commercial scale.

During FY 2012, the total capital expenditure for the gabbro-diabase business was approximately RMB11.6 million, which was mainly the expenditure incurred for the conduct of infrastructural stripping activities at the First Quarry, construction of roads, and purchase of production equipment.

Iron Ore Resource and Reserve Estimates

As at 31 December 2012, details of the Group's mineral resource and ore reserve estimates under the JORC Code were summarised as below:

Summary of mineral resource

	Percentage of ownership	JORC Mineral Resource Category	As at	Average	As at	Average
			31.12.2012	iron grade	31.12.2011	iron grade
			(Mt)	TFe (%)	(Mt)	TFe (%)
Yanjiazhuang Mine	99%	Measured	99.56	22.53	99.56	22.53
		Indicated	211.96	21.03	211.96	21.03
		Total	<u>311.52</u>	<u>21.51</u>	<u>311.52</u>	<u>21.51</u>

Summary of ore reserve

	Percentage of ownership	JORC Ore Reserve Category	As at	Average	As at	Average
			31.12.2012	iron grade	31.12.2011	iron grade
			(Mt)	TFe (%)	(Mt)	TFe (%)
Yanjiazhuang Mine	99%	Proved	85.56	21.39	85.56	21.39
		Probable	174.21	19.97	174.21	19.97
		Total	<u>259.77</u>	<u>20.43</u>	<u>259.77</u>	<u>20.43</u>

Mining production activities

The Group resumed the trial production at the Yanjiazhuang Mine and commenced its stripping activities in the mining pit around the end of November 2012. As there was negligible production at the Yanjiazhuang Mine in FY 2012, the mineral resources and ore reserves as at 31 December 2012 are essentially the same as that at 31 December 2011. In FY 2011, the Yanjiazhuang Mine exploited and consumed approximately 240,000 tonnes of iron ores.

Gabbro-Diabase Resources

In order to investigate the possibility of utilising the gabbro-diabase resources in the Yanjiazhuang Mine, we have conducted an estimate for the gabbro-diabase resources. As at 31 December 2012 and 2011, the gabbro-diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic metres and categorised as an Indicated Resource under the JORC Code.

During the Reporting Period, the Group received a mining permit for gabbro-diabase resources, which is valid until 26 July 2017. The mining permit allows the Group to mine the relevant ore resources up to approximately 15.8 million cubic metres. As at 31 December 2012, the mining and production of gabbro-diabase resources had yet to commence.

For FY 2012, the Group incurred resource fees of approximately RMB47.8 million in relation to the granting of gabbro-diabase mining permit.

Resources Exploration and Identification of New Resources

The Group engaged the No.11 Geological Brigade of Hebei Bureau of Geological Exploration of the PRC (the “No. 11 Geological Brigade”) to carry out exploration works on two iron mines, namely Gangxi Mine located in Lincheng County, Hebei Province and Shangzhengxi Mine located adjacent to Shahe City, Hebei Province, with permitted exploration areas covering 5.28 km² and 2.06 km², respectively. To allow ample time for the transfer of exploration rights and carrying out geological studies of the two mines by the No.11 Geological Brigade, the Group and the No.11 Geological Brigade agreed on 24 February 2012 to extend the term of the contract to 26 August 2013.

In addition, the Group will continue to identify and evaluate opportunities for acquisition and merger of other reserves and resources. It is believed to be beneficial for the Group to further expand and strengthen the mining reserves and resources in the long run.

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

Production Safety and Environmental Protection

During the trial production, the Group has been focusing its attention highly on production safety and environmental protection. Therefore, the Group established a competent department responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection policies so as to develop the Group itself into a socially responsible enterprise with high awareness of safety concerns. During FY 2012, the Yanjiazhuang Mine had no record of significant safety incident.

Financial Review

During FY 2012, the Group's production was suspended until the end of November 2012, where the Group has resumed the stripping activities and started the trial production of iron concentrates at the Yanjiazhuang Mine. However, no revenue was recognised for FY 2012, as compared to revenue of approximately RMB45.9 million for FY 2011. In FY 2011, 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 and other surtaxes).

As a result of the suspension of iron concentrate production for most of 2012, the net loss for FY 2012 amounted to approximately RMB35.9 million (2011: net profit of approximately RMB2.4 million). The loss attributable to owners of the Company amounted to approximately RMB35.6 million (2011: profit of approximately RMB2.2 million). The basic and diluted loss per share for FY 2012 was RMB0.89 cent (2011: basic and diluted earnings per share of RMB0.06 cent).

Revenue

During FY 2012, the Group's production was suspended until the end of November 2012, where the Group has resumed the stripping activities and started the trial production of iron concentrates at the Yanjiazhuang Mine. However, no revenue was recognised for FY 2012. During FY 2011, the Group recorded revenue of approximately RMB45.9 million following the commencement of commercial iron concentrate production from 1 January 2011 in accordance with Phase One expansion plan.

Cost of Sales

Cost of sales mainly comprised 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 2012 was nil as no revenue was recognised, as compared to approximately RMB16.9 million for FY 2011 which was mainly attributable to the commencement of commercial production for the prior year.

The cost of sales during FY 2011 represented 36.8% of revenue.

Gross Profit and Gross Margin

As a result of the above, the Group recorded nil gross profit for FY 2012. For FY 2011, the Group recorded gross profit of approximately RMB29.0 million and gross margin of 63.2%.

Selling and Distribution Costs

During FY 2012, the Group did not incur any selling and distribution costs. The selling and distribution costs for FY 2011 comprised salaries of sales staff and entertainment expenses, which amounted to approximately RMB0.8 million.

Administrative Expenses

Administrative expenses increased by 38.7% to approximately RMB45.9 million during FY 2012, as compared to approximately RMB33.1 million for FY 2011. The increase was mainly due to the recognition of production staff costs and overheads directly as administrative expenses during FY 2012 when the production at the Yanjiazhuang Mine was suspended, which were recognised as the Group's cost of sales in FY 2011.

Finance Income

Finance income decreased by 35.8% to approximately RMB13.8 million during FY 2012, as compared to approximately RMB21.5 million for FY 2011. The decrease was mainly attributable to the absence of foreign exchange gains arising from the appreciation of RMB against HKD and USD during FY 2012.

Income Tax Expense

The income tax expense represented the current year provision for the PRC corporate income tax ("CIT") calculated at the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the respective years FY 2012 and FY 2011.

The effective tax rate changed from 68% for FY 2011 to -4% for FY 2012, which was mainly attributable to the non-recognition of tax losses of the Group as deferred tax assets. It is considered that it is premature to recognise the deferred tax assets as at 31 December 2012.

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

As a result of the above, the Group's loss and total comprehensive loss for FY 2012 amounted to approximately RMB35.9 million, as compared to a profit and total comprehensive income for FY 2011 of approximately RMB2.4 million.

Property, Plant and Equipment

As at 31 December 2012, the Group's property, plant and equipment had a net carrying amount of approximately RMB725.2 million (2011: approximately RMB670.5 million), which represented an increase of 8.2% during FY 2012. The increase was mainly attributable to construction works in progress achieved during FY 2012.

The above net carrying amount represents 44.8% of the Group's total assets as at 31 December 2012 (2011: 40.9%).

Intangible Assets

During FY 2012, with the continual efforts of the Group to follow up with the relevant government authority, the Group received the mining permit regarding the gabbro-diabase resources at the Yanjiazhuang Mine. Such mining permit is valid until 26 July 2017. In this respect, the Group recognised the intangible assets for the related mining rights during FY 2012, and the Group's intangible assets have been increased by 2,078.3% to approximately RMB50.1 million as at 31 December 2012, as compared to approximately RMB2.3 million as at 31 December 2011.

Other Payables and Accruals

As at 31 December 2012, the Group's balances of other payables and accruals were approximately RMB85.9 million (2011: approximately RMB102.0 million). The decrease of 15.8% was mainly attributable to the decrease in payables to suppliers or contractors for the Group's constructions and addition of items of property, plant and equipment.

Liquidity and Cash and Cash Equivalents

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately RMB793.1 million (2011: approximately RMB919.4 million), representing 49.0% (2011: 56.1%) of total assets. The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB399.9 million (2011: approximately RMB526.2 million). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.7 (2011: approximately 1.9).

During FY 2012, the Group paid approximately RMB86.8 million (2011: approximately RMB317.2 million) for constructions or additions of items of property, plant and equipment and intangible assets.

Capital Structure and Gearing Ratio

Gearing ratio of the Group is calculated by dividing its net debt position (calculated as total borrowings less cash and cash equivalents) by its total equity.

As at 31 December 2012, the total equity of the Group amounted to approximately RMB1,103.0 million (2011: approximately RMB1,136.2 million).

As at 31 December 2012 and 2011, as the Group had net cash position of approximately RMB399.9 million and RMB526.2 million, respectively, it is not considered to have any gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 31 December 2012 and 2011, the Group's bank borrowings remained at HK\$485.0 million (equivalent to approximately RMB393.2 million), which are denominated in HKD. The bank borrowings were all unsecured and carried interest at floating rates. Maturity of bank borrowings is subject to the banks' overriding right of repayment on demand. As at 31 December 2012 and 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. Except for the Group's HKD denominated bank borrowings and certain cash and cash equivalents, 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 in the foreign currency rates.

As of 31 December 2012, certain cash and cash equivalents were denominated in HKD and USD and the bank borrowings were denominated in HKD. As the RMB fluctuates against HKD and USD in a limited extent during FY 2012, the Group had no material adverse exposure to foreign exchange fluctuations for FY 2012.

Operating Segment Information

For management purposes, the Group organised its business units based on products and services. The Group has no revenue recognised during the year and the loss for the year was derived from the "Sale of Iron Concentrates" operating segment. In FY 2011, both the Group's revenue and profit were derived from one segment only, namely "Sale of Iron Concentrates" operating segment. Therefore, there is no presentation of operating segment information.

Furthermore, as the Group's revenue from the external customers (where applicable) and the majority of the Group's non-current assets are located in the PRC in both years, no geographical information is presented.

Capital Commitments and Contingent Liabilities

Capital Commitments

As at 31 December 2012, the capital commitments of the Group were, in aggregate, approximately RMB770.6 million (2011: approximately RMB840.0 million), as detailed below:

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	<u>59,991</u>	<u>82,798</u>
Authorised, but not contracted for:		
— Property, plant and equipment	400,591	447,217
— Resource fees	<u>310,000</u>	<u>310,000</u>
	<u>710,591</u>	<u>757,217</u>

Contingent Liabilities

The Group was exposed to contingent liabilities as a result of the transfer of Venca Investments Limited (“Venca”)’s 99% equity interest in Xingye Mining to Jet Bright Limited (“Jet Bright”) in 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 prior years, the Group submitted an application and supplementary information to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the Directors believed that the transfer qualifies for special tax treatment and there should be no CIT arising from the transfer, the Group did not make any tax provision for these contingent liabilities.

During FY2012, the Group reached an understanding with the relevant tax bureaus that the above-mentioned transfer qualifies for the special tax treatment and thus no tax exposure would arise from such transfer.

Event after the Reporting Period

Subsequent to the end of the Reporting Period, in late March 2013, a subsidiary of the Group was involved in a litigation as a defendant regarding the construction sum payable arising out of the ordinary course of business of the Group. The Group is currently reviewing the relevant documents from the counterparty and will proactively respond to the case in accordance with the advice of the Group’s legal counsels. Based on the information provided so far, it is not anticipated to have any material adverse impact to the financial position and operations of the Group.

Significant Investments, Acquisitions and Disposals

During FY 2012, the Group had no significant acquisitions and disposals.

Employees and Remuneration Policies

Employees of the Group

As at
31 December 2012

Number of employees 419

<i>Type</i>	Number of employees	Approximate percentage to the total number of employees
Production		
Iron ore mining	112	26.7
Iron ore processing	81	19.3
Ancillary mining activities	86	20.5
Management, finance and administrative	113	27.0
Gabbro-diabase business	<u>27</u>	<u>6.5</u>
Total	<u><u>419</u></u>	<u><u>100.0</u></u>

As at 31 December, 2012 the Group had a total of 419 full-time employees (2011: 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 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.

In view of the temporary suspension of iron concentrate production at the Yanjiazhuang Mine since October 2011, and for the purpose of minimising the operating costs, the Group has arranged certain employees at the Yanjiazhuang Mine to take leave in groups during FY 2012. In compliance with the relevant PRC laws and regulations, the Group paid the upkeep of the basic living of those employees on leave. During their leave, the Group still maintained the employment relationship, and requested these employees to report periodically to the human resources department. Furthermore, training programs are offered to these employees from time to time so that they are ready to return to their posts at any time to meet the production needs.

During FY 2012, a number of mid-level management staff and their subordinates from the Yanjiazhuang Mine have not turned up for work. The Group has terminated the employment relationship with these staff members and has taken prompt recruitment action to fill up the vacancies so as to get ready for resumption of production. The trial production at the Yanjiazhuang Mine has been resumed around the end of November 2012.

Use of Net Proceeds from the Listing

The Group was listed on the Stock Exchange in 2011 and raised net proceeds of approximately RMB1,052 million. The net proceeds raised from the Listing, as allocated according to the basis set out in the prospectus of the Company dated 21 June 2011 in connection with the Listing, will be applied to fund the three-phase expansion plan of the Yanjiazhuang Mine, payment of resource fees, exploration and acquisition activities, development of gabbro-diabase business, repayment of the shareholders' loans and working capital.

	Allocation basis %	Net proceeds from the Listing	
		Available to utilise RMB' million	Utilised (up to 31 December 2012) RMB' million
Three-phase expansion plan of the Yanjiazhuang Mine	35	368	132
Payment of resource fees	9	95	—
Exploration and acquisition activities	17	179	—
Development of gabbro-diabase business	26	273	54
Repayment of shareholders' loans	10	105	105
Working capital	3	32	32
	100	1,052	323

Dividend

The Directors do not recommend the payment of a final dividend in respect of FY 2012 (2011: Nil).

Outlook and Future Plans

There remains great uncertainty in global economic outlook for 2013, but positive signs are emerging. In Mainland China, further economic transformation, infrastructure projects, and the stimulus spending and measures by the PRC government to stabilise economic growth will support the demands for iron concentrates and are expected to have a positive impact on helping the iron mines and steel mills to step out of the difficult year 2012. It could be anticipated that the demand for iron concentrates will benefit from capital spending plans including building of roads, subways, and extra spending on railways approved by the PRC government.

During the Reporting Period, the Group completed the New Tailings Storage Facility, and commenced the stripping and mining activities at the Yanjiazhuang Mine. However, the construction of Phase Two and Phase Three expansion plans was still hindered by the disputes arising from land expropriation and other issues. In 2013, the Group anticipates that there could still be a number of uncertainties, issues and challenges that will affect its operating and external environments. As a socially responsible company, the Group will continue to actively communicate with government and villages in an orderly manner according to laws and regulations to resolve future difference, and will continue to devote its every effort to smooth out the external issues and land expropriation disputes as may arise at the Yanjiazhuang Mine. Also, the Group will gradually proceed with the remaining construction of Phase Two expansion plan in 2013 to cope with the development of iron concentrate business and to enhance the iron concentrate production at the Yanjiazhuang Mine as early as we can.

The Group is actively following up with the Safety Authority for the issue of a production safety permit for gabbro-diorite mining, which is anticipated to be granted in 2013. The Board expects that the mining and production of gabbro-diorite resources could be commenced upon the permit is granted, and the gabbro-diorite business will be gradually ramped up to a commercial scale and contribute to the Group's success in the long run.

In November 2012, Shougang Hong Kong became a Substantial Shareholder and the second largest Shareholder of the Company. As part of our strategy to augment our undertakings at the Yanjiazhuang Mine, the Group is currently in discussions with Shougang Hong Kong to further explore areas of cooperation and development, which is believed to bring in positive initiatives for the Group's business development.

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance practices are important for enhancing corporate value and investors' confidence and interests. The Company has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of the business of the Group. During FY 2012, we adopted corporate governance principles that emphasize a quality Board, effective internal controls, stringent disclosure practices, transparency and complete accountability towards all the stakeholders of the Company.

The Company has taken various measures to cope with the latest development in the corporate governance regime. The Board has updated its corporate governance principles and practices by adopting the revised code provisions contained in the CG Code contained in Appendix 14 of the Listing Rules with effect from 1 April 2012.

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable new Code Provisions and, where appropriate, new Recommended Best Practices as set out in the CG Code (effective from 1 April 2012) as well as those of the former Code on Corporate Governance Practices (effective until 31 March 2012) as set out in the then Appendix 14 of the Listing Rules throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the Code on Corporate Governance Practices for the period from 1 January 2012 to 31 March 2012 and the CG Code for the period from 1 April 2012 to 31 December 2012, except for the Code Provision A.6.7 of the CG Code and those as noted hereunder.

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend AGMs and develop a balanced understanding of the views of shareholders. Due to prior business commitments, a non-executive Director was unable to attend the AGM held on 23 May 2012 (the "2012 AGM") and an independent non-executive Director was not able to attend the 2012 AGM as he had an overseas engagement on that day.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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.

Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout FY 2012.

The Company has also established written guidelines (the “Code for Securities Transactions by Relevant Employees”) on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. Each of the relevant employees has been given a copy of the Code for Securities Transactions by Relevant Employees.

The Company was not aware of any incident of non-compliance with the Code for Securities Transactions by Relevant Employees throughout FY 2012.

Formal notifications are sent by the Company to its Directors and relevant employees reminding them that they should not deal in the securities of the Company during the “black-out period” specified in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 8 June 2011 and comprises three independent non-executive Directors, including Mr. Tsui King Fai (Chairman of the Committee), who possesses the appropriate professional qualification or accounting or related financial management expertise, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny. None of the members of the Audit Committee is a former partner of the Company’s existing external auditors. The specific written terms of reference of the Audit Committee, which was revised on 28 March 2012 in light of the amendments of the Listing Rules, is available on the Company’s website. 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 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 2012 and the auditors’ report thereon.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY 2012.

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

During FY 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 June 2013 to Friday, 7 June 2013 (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 of the Company, all transfer of Shares accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 31 May 2013.

ANNUAL GENERAL MEETING

The AGM of the Company for FY 2012 is scheduled to be held on Friday, 7 June 2013. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company, respectively. The annual report 2012 containing chairman's statement, management discussion and analysis, consolidated financial information and other corporate information of the Group will be despatched to the Shareholders and published on the above websites in due course.

GLOSSARY OF TERMS

In this announcement, unless the context otherwise requires, the following expressions have the meanings as mentioned below:

General Terms

“AGM”	annual general meeting
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“Company” or “Newton”	Newton Resources Ltd
“Director(s)”	existing director(s) of the Company
“First Quarry”	the first gabbro-diabase quarry located in Pian Zhai Gou area at the Yanjiazhuang Mine
“FY 2011”	the financial year ended 31 December 2011
“FY 2012” or “Reporting Period”	the financial year ended 31 December 2012
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on the main board of the Stock Exchange on 4 July 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“New Tailings Storage Facility”	the new tailings storage facility of the Group, being constructed as part of Phase Two expansion plan

“Phase One”	the first phase of the Company’s three-phase expansion plan, to achieve total mining and ore processing capacities of 3,000,000 tpa to produce approximately 760,000 tpa of iron concentrates
“Phase Two”	the second phase of the Company’s three-phase expansion plan, to achieve total mining and ore processing capacities of 7,000,000 tpa to produce approximately 1,770,000 tpa of iron concentrates
“Phase Three”	the third phase of the Company’s three-phase expansion plan, to achieve total mining and ore processing capacities of 10,500,000 tpa to produce approximately 2,655,000 tpa of iron concentrates
“PRC” or “Mainland China”	The People’s Republic of China for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Safety Authority”	the relevant government authority for the granting of production safety permit(s) for the New Tailings Storage Facility and/or the production of Gabbro-Diabase products
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Shougang Hong Kong”	Shougang Holding (Hong Kong) Limited, a subsidiary of Shougang Corporation, a company incorporated in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“USD”	the United States dollar, the lawful currency of the United States of America
“Xingye Mining”	Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司), a subsidiary of the Company as to 99.0% of its equity interest
“Yanjiazhuang Mine”	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (臨城興業礦產資源有限公司閆家莊鐵礦), an iron ore mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

Technical Terms

“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004, a widely used and internationally recognised code setting out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves
“km”	kilometre(s)
“kVA”	kilovolt-ampere
“Mt”	megatonne(s)
“km ² ”	square km(s)
“m ² ”	square metre(s)
“TFe”	average total iron grade
“tonne(s)”	equal to 1,000 kilograms
“tpa”	tonne(s) per annum

On behalf of the Board
Newton Resources Ltd
Cheng Kar Shun
Chairman and Non-Executive Director

Hong Kong, 27 March 2013

As at the date of this announcement, the executive Directors are Ms. Yu Shuxian, Mr. Jiao Ying and Mr. Li Yuelin; the non-executive Directors are Dr. Cheng Kar Shun, 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.