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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 2013

The Board wishes to announce the audited consolidated annual results of the Group for FY 2013 together with the comparative figures for FY 2012 as follows:—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	<i>Notes</i>	2013 RMB'000	2012 RMB'000
Revenue	3	2,163	—
Cost of sales		<u>(7,002)</u>	<u>—</u>
Gross profit		(4,839)	—
Other income and gains		11	257
Selling and distribution costs		(191)	—
Administrative expenses		(47,806)	(45,910)
Finance income	5	<u>18,538</u>	<u>13,773</u>
Loss from operations		(34,287)	(31,880)
Equity-settled share option expense		<u>(615)</u>	<u>(2,656)</u>
Loss before tax	4	(34,902)	(34,536)
Income tax expense	6	<u>(1,026)</u>	<u>(1,343)</u>
Loss for the year		(35,928)	(35,879)
Total comprehensive loss for the year		<u>(35,928)</u>	<u>(35,879)</u>
Attributable to:			
Owners of the Company		(35,519)	(35,628)
Non-controlling interests		<u>(409)</u>	<u>(251)</u>
		<u>(35,928)</u>	<u>(35,879)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	8	<u>(0.89)</u>	<u>(0.89)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	<i>Notes</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	9	712,642	725,188
Intangible assets		50,088	50,088
Prepaid land lease payments		3,509	3,610
		<u>766,239</u>	<u>778,886</u>
Current assets			
Inventories		4,504	4,736
Prepayments, deposits and other receivables	10	41,549	41,781
Cash and bank balances		730,888	793,146
		<u>776,941</u>	<u>839,663</u>
Current liabilities			
Trade payables	11	268	427
Other payables and accruals	12	64,088	85,879
Interest-bearing bank borrowings		381,307	393,238
Income tax payable		7,212	6,227
		<u>452,875</u>	<u>485,771</u>
Net current assets		<u>324,066</u>	<u>353,892</u>
Total assets less current liabilities		<u>1,090,305</u>	<u>1,132,778</u>
Non-current liabilities			
Long-term payables	12	22,660	29,820
Net assets		<u><u>1,067,645</u></u>	<u><u>1,102,958</u></u>
Equity			
Equity attributable to owners of the Company			
Issued capital		331,960	331,960
Reserves		734,232	769,136
		<u>1,066,192</u>	<u>1,101,096</u>
Non-controlling interests		<u>1,453</u>	<u>1,862</u>
Total equity		<u><u>1,067,645</u></u>	<u><u>1,102,958</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserves	Share option reserve	Accumulated losses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	331,960	719,871	80,864	5,743	(4,370)	1,134,068	2,113
Loss for the year	—	—	—	—	(35,628)	(35,628)	(251)
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(35,628)	(35,628)	(251)
Equity-settled share option arrangements	—	—	—	2,656	—	2,656	—
At 31 December 2012 and 1 January 2013	331,960	719,871	80,864	8,399	(39,998)	1,101,096	1,862
Loss for the year	—	—	—	—	(35,519)	(35,519)	(409)
Other comprehensive income for the year	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(35,519)	(35,519)	(409)
Equity-settled share option arrangements	—	—	—	615	—	615	—
At 31 December 2013	331,960	719,871	80,864	9,014	(75,517)	1,066,192	1,453

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Loss before tax		(34,902)	(34,536)
Adjustments for:			
Depreciation of items of property, plant and equipment	4	6,218	4,262
Loss on disposal/write-off of items of property, plant and equipment	4	9,294	—
Amortisation of prepaid land lease payments	4	101	101
Finance income, net	5	(18,538)	(13,773)
Equity-settled share option expense		615	2,656
Cash flows before working capital changes		(37,212)	(41,290)
Decrease in inventories		232	11
Increase in prepayments, deposits and other receivables		(148)	(686)
Increase in restricted bank deposits		(1,188)	—
Decrease in trade payables		(159)	(552)
Decrease in other payables and accruals		(9,415)	(2,641)
Cash used in operations		(47,890)	(45,158)
Interest received		21,144	16,076
Bank charges paid		(177)	(22)
Corporate income tax paid		(41)	(240)
Net cash flows used in operating activities		(26,964)	(29,344)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		(20,049)	(74,799)
Addition of intangible assets		(7,160)	(11,987)
Net cash flows used in investing activities		(27,209)	(86,786)
Cash flows from financing activities			
Interest paid		(9,189)	(9,941)
Net cash flows used in financing activities		(9,189)	(9,941)
Net decrease in cash and cash equivalents		(63,362)	(126,071)
Cash and cash equivalents at beginning of year		793,146	919,399
Effect of foreign exchange rate changes, net		(84)	(182)
Cash and cash equivalents at end of year		729,700	793,146
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		730,888	793,146
Restricted bank deposits		(1,188)	—
Cash and cash equivalents at end of year		729,700	793,146

Notes:

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board and 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 (together, the “Group”) for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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.

IFRS 1 Amendments	Amendments of IFRS 1 First-time Adoption of International Financial Reporting Standards — Government Loans
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 Amendments	Amendments to IAS 1 Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income
IAS 19 (2011)	Amendments to IAS 19 — Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as explained below regarding the impact of IFRS 10, IFRS 13, IAS 1 Amendments and IFRIC-Int 20, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

- (a) IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and addresses the issues in International Standing Interpretations Committee Interpretation (“ISIC-Int”) 12 Consolidation — Special Purpose Entities. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. The application of IFRS 10 does not change any of the consolidation conclusions of the Group.
- (b) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

- (c) The IAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time are presented separately from items which will never be reclassified. The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.
- (d) IFRIC-Int 20 addresses the recognition of stripping costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the stripping costs are recognised as a stripping activity asset under non-current assets. The adoption of the interpretation has had no effect on the financial statements for the year ended 31 December 2013.

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 9	Financial Instruments ³
IFRS 14	Regulatory Deferral Accounts ⁵
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 ³
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — Investment Entities ¹
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits — Defined Benefit Plans: — Employee Contributions ²
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities ¹
IAS 36 Amendments	Amendments to IAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets ¹
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 cycle ²
IFRIC 21	Levies ¹

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

² Effective for annual periods beginning on or after 1 July 2014

³ No mandatory effective date yet determined but is available for adoption

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016

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 represents 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 production and services. The Group has revenue of RMB2,163,000 recognised during the year ended 31 December 2013 (2012: nil) and the losses for both periods were mainly derived from the “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 BEFORE TAX

The Group’s loss before tax is arrived at after charging:

	2013 <i>RMB’000</i>	2012 <i>RMB’000</i>
Cost of inventories sold	7,002	—
Depreciation of items of property, plant and equipment	6,218	4,262
Minimum lease payments under operating leases for office tenancy	2,595	2,873
Amortisation of prepaid land lease payments	101	101
Loss on disposal/write-off of items of property, plant and equipment	9,294	—
	<u> </u>	<u> </u>

5. FINANCE INCOME

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

	2013 <i>RMB’000</i>	2012 <i>RMB’000</i>
Interest on bank borrowings	(8,776)	(9,685)
Less: Interest capitalised	—	5,733
	<u> </u>	<u> </u>
	(8,776)	(3,952)
Interest income	19,054	18,004
Bank charges	(177)	(22)
Net foreign exchange gains/(losses)	11,724	(257)
Other borrowing costs	(3,287)	—
	<u> </u>	<u> </u>
Finance income, net	<u>18,538</u>	<u>13,773</u>

6. INCOME TAX

The provision for 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 2013 and 2012.

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 2013 and 2012.

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Current tax — Mainland China		
Charge for the year	<u>1,026</u>	<u>1,343</u>

7. DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013 (2012: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the years ended 31 December 2013 and 2012.

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	<u>(35,519)</u>	<u>(35,628)</u>
	<i>'000</i>	<i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>4,000,000</u>	<u>4,000,000</u>

The pre-IPO share options of the Company had an anti-dilutive effect on the basic loss per share amount for the years ended 31 December 2013 and 2012 and were ignored in the calculation of diluted loss 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 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)	—
At 31 December 2012 and 1 January 2013	698	5,144	53,621	81,179	596,088	736,730
Additions	—	1,265	494	—	2,707	4,466
Transfer in/(out)	61,541	1,173	43,730	76,118	(182,562)	—
Disposals/write-off	—	(1,012)	(7,246)	(2,647)	(1,944)	(12,849)
At 31 December 2013	62,239	6,570	90,599	154,650	414,289	728,347
Accumulated depreciation:						
At 1 January 2012	(32)	(644)	(4,044)	(2,560)	—	(7,280)
Provided for the year	(33)	(706)	(3,516)	(7)	—	(4,262)
At 31 December 2012 and 1 January 2013	(65)	(1,350)	(7,560)	(2,567)	—	(11,542)
Provided for the year	(1,276)	(1,241)	(3,693)	(8)	—	(6,218)
Disposals/write-off	—	818	1,237	—	—	2,055
At 31 December 2013	(1,341)	(1,773)	(10,016)	(2,575)	—	(15,705)
Net carrying amount:						
At 31 December 2013	60,898	4,797	80,583	152,075	414,289	712,642
At 31 December 2012	633	3,794	46,061	78,612	596,088	725,188

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Advances to suppliers	23,096	23,636
Other tax receivables	11,743	11,512
Deposits	3,528	3,073
Bank interest receivables	387	2,477
Prepaid land lease payments, current portion	101	101
Others	2,694	982
	41,549	41,781

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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 6 month	94	267
6 months to 1 year	19	3
Over 1 year	155	157
	268	427

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

12. OTHER PAYABLES AND ACCRUALS AND LONG-TERM PAYABLES

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 RMB38,038,000 (2012: RMB54,084,000).

Except for the gabbro-diabase resources fees payable which is unsecured and bears interest at the RMB loan prime rate, other payables are unsecured and non-interest-bearing.

13. CONTINGENT LIABILITIES

In March 2013, a subsidiary of the Group was involved in a litigation as a defendant regarding construction sum payable arising out of the ordinary course of business of the Group. During the litigation, to protect its interest, the plaintiff has applied for property preservation against certain assets of the subsidiary, and the plaintiff provided asset securities for that purpose as required by relevant law and regulations. In May 2013, the local court in the PRC issued a verdict to freeze two properties of the plaintiff and such subsidiary's bank accounts or other assets up to RMB36 million. Consequently, as at 31 December 2013, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court. During the year, the subsidiary and the plaintiff have tried to settle the litigation by mediation, but no consensus has been reached so far. Therefore, in November 2013, the local court has designated an independent firm of quantity surveyors to assess the value of the construction work that have been completed by the plaintiff. The assessment is currently in progress. Based on the information provided so far, it is anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

CHAIRMAN'S STATEMENT

In spite of persistent efforts made by our management, negotiations with villagers and local government on land expropriation remained extremely challenging. This has resulted in the production halt at the Yanjiazhuang Mine during the Reporting Period. Thus, the Group recorded a net loss of approximately RMB35.9 million for the Reporting Period, which is similar to that of the preceding year.

Change is the only way out of this predicament. In November 2013, we restructured the management at the Yanjiazhuang Mine and recruited new members with extensive experience in local affairs. With the strengthening of our management team, together with mediations by the local government officials, the Group has gradually developed mutual trust and understanding with the neighboring villages. Depending on the progress in resolving the land expropriation issues and the issuance of relevant production permit, the Group is targeting to restore its trial production of iron concentrates and start the gabbro-diabase production as early as practicable in 2014. In order to ensure a seamless resumption of production after resolving the local issues, my directive to the management is to maintain all production and ancillary facilities in good conditions and to keep up a high awareness of mine safety.

With the current suspension of iron concentrate production, I have also instructed the management to explore other business opportunities. Amid nearby infrastructure development, demand for crushed stones as construction materials has been driven up drastically. With an aim to generate extra cash flow and to make use of the barren rock in mine site, we carried out a preliminary study which ascertained its possible application to highway pavements. At present, our management is laying the groundwork for crushed stones production, which includes a plan to build related processing facilities. Concerning that the Chinese authorities have vowed to tackle the worsening haze and pollution problems in Mainland China, I have also urged the management to put extra emphasis on environmental measures.

During the Reporting Period, our management has been in active and ongoing discussions with Shougang on collaboration with us to support the operation and development of the Yanjiazhuang Mine. Various ideas have been exchanged and different proposals have been studied. While I am encouraged by the constructive tone of the discussion, I look forward to implementing the relevant strategic collaboration once the iron concentrate production resumes stable.

I would also like to take this opportunity to welcome Mr. Li Changfa to join our Board as executive Director and the chief operating officer of the Company with elated enthusiasm. Mr. Li Changfa has vast experience in leading different enterprises in the PRC and shall offer valuable management expertise to the Group. Amidst buoyancy, there were also regrettable departures within our Board. I regret to inform you that Ms. Yu Shuxian and Mr. Li Yuelin left the Group due to their desire to devote more time to personal affairs. I would like to express my utmost gratitude to Ms. Yu Shuxian and Mr. Li Yuelin for their valuable contributions to the Group, including our successful listing on the Stock Exchange. And, I, jointly with our Board members, would like to wish them every success in all pursuits in future.

In closing, I would like to express my deepest gratitude to my fellow Board members for their invaluable counsel to the Group. My heartfelt appreciation must also go to the management team and staff for their dedication and commitment in this challenging environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2013, the annual growth rate of the PRC's GDP decreased to 7.7%, signaling a further slow down in the PRC's economic growth. With the growth rate of the global steel production volume surpassing the growth of demand, notably, since measures to adjust the economic structure nationwide had been taken and efforts to phase out the backward steel production capacities had been intensified, the PRC's iron and steel industry became sluggish as a whole. During the Reporting Period, the price of iron ores in the PRC experienced mixed movements, but its annual average price remained at a similar level as that in 2012.

As in prior years, the production output in the PRC did not meet its own demand for iron ores, and the steel industry relied heavily on the import of iron ores. In 2013, the PRC imported about 819 Mt of iron ores in total, representing a year-on-year increase of 10.2%. Hebei Province is the most important steel production base in the PRC as well as the province with the highest production output of iron ores. Hebei Province's production output achieved about 569Mt of iron ores in 2013, representing a year-on-year growth of 6.6%. The imported volume of iron ores amounted to approximately 187 Mt, representing an increase of 9.8% as compared with last year. However, both numbers were growing at a slower pace than those in last year, which is mainly attributable to the unprecedented significant endeavors taken in Hebei Province to environmental protection and stringent governmental policies to manage the steel production activities to reduce air pollution. Meanwhile, the production and operating costs of the iron ore producers were on the rise, causing production halts and shutdown of some small-size and medium-size iron mines, which is also the major reason for the slower growth in production output.

It is anticipated in 2014 that against a rising cost of the steel industry, the tight liquidity, and the depressed situation of the industry, which cannot be alleviated in the short term, it is highly likely that the price of iron ores will decline.

Business Review

Iron Concentrate Business

In early 2013, the Group resumed the stripping activities, and started the trial operation at No.1 dry magnetic cobbing system and No.1 processing facility and the trial production of a limited scale at the Yanjiazhuang Mine. Regrettably, during the year, some neighboring villages and their inhabitants had again caused disturbance around our mine site. However, notwithstanding the assistance and mediation by the local government officials, not all asserted demands by the neighboring villages and their inhabitants could be met amicably and therefore the Group was forced to suspend its trial production again. Up to the end of the Reporting Period, our trial production of iron concentrates has yet to be resumed.

Given sufficient consideration for the difficulty and complexity of the situations that the Group is facing in the development and production at the mine site, the Group has engaged in active communication with relevant government authorities and bodies with an aim of achieving comprehensive and thorough solutions with the neighboring villages and their inhabitants, so as to smooth out the development of the production and operation at the Yanjiazhuang Mine in the long run. During the Reporting Period, by adjusting the structure of the management team of the Yanjiazhuang Mine, recruiting experienced talents, and enhancing communication with relevant government authorities and the neighboring villages, the Group has achieved further progress. Building on the mutual understanding between the Group and relevant government authorities and the neighboring villages, the Group will strive to gradually resume the trial production of iron concentrates at the Yanjiazhuang Mine within 2014.

In bid to tackling local festering pollution crisis, productions of steelmaking mills, cement plants and other high-pollution industries have been under close scrutiny by the relevant authorities from time to time. As the situation is not expected to be improved or would even worsen in near future, it is anticipated that a tightening environmental policy might as well affect the industry and our iron concentrate business going forward.

In 2013, the Group produced and sold approximately 2,600 tonnes of iron concentrates and generated sales revenue of approximately RMB2.2 million. The average selling price of iron concentrates, net of value-added tax, was approximately RMB830 per tonne, which attained an overall iron concentrate grade of approximately 66%, for the year.

During the Reporting Period, the Group and Shougang Hong Kong were exploring the strategic cooperation concerning the production, operation and infrastructure development of the Yanjiazhuang Mine, with a view to obtaining support on management proficiency and technical aspects in order to strengthen the mine management, and to provide assistance in the infrastructure development and operational planning at the Yanjiazhuang Mine. It is anticipated that such strategic cooperation will be gradually crystallized after the resumption and stabilization of the production of iron concentrates.

The Group's expansion plans were hindered by the disputes arising from land expropriation. During FY 2013, the relevant construction works remained uncompleted. For further details, please refer to the section headed "Capital Expenditure and Infrastructure Development".

Gabbro-Diabase Business

During FY 2013, the gabbro-diabase business of the Group was in the planning and construction stage and the commercial production was yet to commence. Therefore, no revenue was recognised.

During the year, the Group had continued preparing for the First Quarry of its gabbro-diabase mine, and had made certain progress in this aspect. Over the process, the operation at the First Quarry was not materially affected by the disturbance caused by the neighboring villages and their inhabitants. For the gabbro-diabase infrastructure construction carried out during the Reporting Period, further discussion will be provided in the section headed "Capital Expenditure and Infrastructure Development".

With respect to the Group's application for the production safety permit for its gabbro-diabase business, the Group has been working closely with the Safety Authority. In 2013, the Group has submitted all required documents relevant to the application of the production safety permit to the relevant authorities for approval after a series of discussions. The representatives from the Safety Authority conducted on-site inspection and assessment and confirmed the Group's safety credentials on gabbro-diabase production at the end of 2013. The Company understands that due to heightened concern over national pollution, the government authorities would require additional time to consider the Group's application. In the absence of any unforeseen circumstance, it is expected that the Group will be granted the production safety permit following the resolution and completion of internal procedures by the relevant authorities.

In the marketing perspective, the Group continues to participate in the recognized China Xiamen International Stone Fair in order to establish its customer network through displaying its gabbro-diabase samples. The Group anticipates that it will help improve its profitability when the production of gabbro-diabase commences in due course.

Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB4.5 million, mainly for the mining infrastructure constructions, including drainage and flood control infrastructure and the First Quarry, and additions to other fixed assets.

Iron Concentrate Business

Due to the land expropriation disputes and the disturbance around, the relevant construction of Phase Two and Phase Three expansion plans was suspended during the Reporting Period. In addition, as a result of a lawsuit, details of which are set out in the section headed “Contingent Liabilities”, the construction of certain projects undertaken by the plaintiff was also suspended.

During the Reporting Period, the Group basically completed the drainage construction and the summer enhancement works for flood control infrastructure amounting to approximately RMB1.6 million, and additions to other fixed assets amounted to RMB1.3 million.

Capital expenditures of the iron concentrate business in 2013 and 2012 are indicated below:

	2013 <i>RMB'million</i>	2012 <i>RMB'million</i>
Construction costs	1.1	40.5
Equipment and others	1.8	1.2
Finance costs	—	5.7
Total	<u>2.9</u>	<u>47.4</u>

It is expected that when the iron concentrate production at the Yanjiazhuang Mine is smoothed out, the Group will further proceed with the relevant constructions so as to support the development of its iron concentrate business as and when appropriate.

Gabbro-Diabase Business

At the end of 2013, the infrastructure in the First Quarry was basically completed; the access road and the production electricity supply facilities were ready to use; the production platform at the First Quarry was established; and the necessary machineries and equipment for initial stage of exploitation and production were purchased, thereby laying a solid foundation for the Group to commence production of gabbro-diabase as soon as practicable. During the Reporting Period, the Group's mining infrastructure expedited for that purpose amounted to approximately RMB1.6 million.

In the past, the Group had been preparing for the development of a gabbro-diabase processing plant on a parcel of land with an area of 50 mu (approximately 33,333 m²) (the “Land”) located in the Lincheng County Industrial Park in Hebei Province, and the Group paid RMB1.5 million as deposit for the Land.

In view of the delayed development of the gabbro-diabase business, the Group had no further development of the Land during the Reporting Period, and therefore in August 2013, reached an agreement with the administrative body of Lincheng County Industrial Park to return the Land to such administrative body. In return, the administrative body would provide another parcel of land in future, as and when appropriate, for the construction of the Group’s gabbro-diabase processing plant subject to entering into a further definitive agreement. Following the valuation by the administrative body on the site formation cost made by the Group, it has been agreed that part of the deposit of RMB0.75 million will be refunded to the Group, and the remaining amount shall be retained by such administrative body as a prepayment for the new land in future.

Capital expenditures of the gabbro-diabase business in 2013 and 2012 are indicated below:

	2013 <i>RMB’million</i>	2012 <i>RMB’million</i>
Construction costs	—	3.7
Mining infrastructure	1.6	6.8
Equipment and others	—	1.1
Total	1.6	11.6

The Group will continue to monitor the development progress of the gabbro-diabase business, and maintain close contact with the administrative body of Lincheng County Industrial Park. In doing so, the Group is expected to commence the construction of a gabbro-diabase processing plant as and when the scale of the gabbro-diabase business becomes commercially viable.

Exploration Activities

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. The contract between the Group and the No.11 Geological Brigade expired on 26 August 2013.

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

Production Costs for the Yanjiazhuang Mine

Production costs mainly comprised of operating fees incurred from mining and hauling, and expenses in relation to staff, materials, power, and other utilities, repairs and maintenance, depreciation, and amortization. The Group’s production costs during FY 2013 amounted to approximately RMB7.0 million (2012: Nil). The production costs represented 318.2% of revenue (2012: Nil). The production costs were relatively high mainly due to fairly limited production during FY 2013 as the mine site environment was affected by the disturbance around. In FY 2012, the Group’s production was suspended and therefore no production costs was recorded.

The following table presents, for the periods indicated, the Group's total production costs:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Mining costs		
— Staff costs	598	—
— Hauling	431	—
— Others	118	—
	<u>1,147</u>	<u>—</u>
Processing costs		
— Staff costs	613	—
— Hauling	342	—
— Others	1,383	—
	<u>2,338</u>	<u>—</u>
Overheads		
— Depreciation	1,237	—
— Staff costs	1,796	—
— Others	484	—
	<u>3,517</u>	<u>—</u>
Total production costs	<u><u>7,002</u></u>	<u><u>—</u></u>

Iron Ore Resource and Reserve Estimates

As at 31 December 2013, 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 31.12.2013 (Mt)	Average iron grade TFe (%)	As at 31.12.2012 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Measured	99.56	22.53	99.56	22.53
		Indicated	<u>211.96</u>	<u>21.03</u>	<u>211.96</u>	<u>21.03</u>
		Total	<u><u>311.52</u></u>	<u><u>21.51</u></u>	<u><u>311.52</u></u>	<u><u>21.51</u></u>

Summary of ore reserve

	Percentage of ownership	JORC Ore Reserve Category	As at 31.12.2013 (Mt)	Average iron grade TFe (%)	As at 31.12.2012 (Mt)	Average iron grade 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

As there was negligible production at the Yanjiazhuang Mine in FY 2013, the mineral resources and ore reserves as at 31 December 2013 is generally the same as that at 31 December 2012. In FY 2012, the Yanjiazhuang Mine had a very small scale of mining activities.

Gabbro-Diabase Resource Estimates

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 2013 and 2012, the gabbro-d diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic metres and categorised as an Indicated Resource under the JORC Code.

The Group has received a mining permit for gabbro-d 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 2013, the mining and production of gabbro-d diabase resources had yet to commence.

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 2013, the Yanjiazhuang Mine had no record of significant safety incident.

Owing to the deteriorating air quality in Mainland China, especially in Hebei Province, it is anticipated that the government will inevitably tighten the relevant environmental policies over resources mining, steelmaking, cement production and other high-pollution industries. To mitigate the potential policy impact to our business, the Group will keep abreast of the latest regulatory requirements and introduce appropriate environmental measures to our operation and production from time to time.

Financial Review

During FY 2013, the Group's revenue was approximately RMB2.2 million (2012: Nil). The increase in revenue was mainly attributable to the sale of iron concentrates in early 2013.

The net loss for FY 2013 was approximately RMB35.9 million (2012: loss of approximately RMB35.9 million). The loss attributable to owners of the Company amounted to approximately RMB35.5 million (2012: loss of approximately RMB35.6 million). The basic and diluted loss per share for FY 2013 was approximately RMB0.89 cent (2012: approximately RMB0.89 cent).

Revenue

The Group recorded revenue of approximately RMB2.2 million during FY 2013 in relation to iron concentrate trial production. In the past few months, the neighboring villages and their inhabitants caused disturbance to the Group's mine site, and as a result of these disturbance, the mining activities were disrupted thereby forcing the Group to suspend its trial production. During FY 2013, the Group produced and sold approximately 2,600 tonnes of iron concentrates.

During FY 2012, the Group's iron concentrate production at the Yanjiazhuang Mine was temporarily suspended, pending for the construction of the New Tailings Storage Facility. As a result, the Group did not record any revenue for FY 2012.

Gross Loss and Negative Gross Profit Margin

Taking into consideration the disturbance and trial production of a limited scale, the Group recorded gross loss of approximately RMB4.8 million and negative gross profit margin of -218.2% for FY 2013 (2012: Nil).

Selling and Distribution Costs

Selling and distribution costs, which mainly comprise of salaries of sales staff and entertainment expenses, amounted to approximately RMB0.2 million during FY 2013. During FY 2012, no selling and distribution costs were incurred, as the Group had no selling activity prior to the trial production.

Administrative Expenses

Administrative expenses increased by 4.1% to approximately RMB47.8 million during FY 2013, as compared to approximately RMB45.9 million for FY 2012. The increase was mainly due to the loss on the write-off and disposal of items of property, plant and equipment of RMB9.3 million during FY 2013 which is partly offset by the reduced administrative expense during the production suspension period. In 2012, the production was suspended and production related cost was recognised as administrative expense.

Finance Income

Finance income increased by 34.1% to approximately RMB18.5 million during FY 2013, as compared to approximately RMB13.8 million for FY 2012. The increase was mainly attributed to foreign exchange gains arising from the appreciation of RMB against HKD.

Income Tax Expense

The income tax expense represented the current period 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 both periods.

The effective tax rate was negative and changed from -4% for FY 2012 to -3% for FY 2013, 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 2013.

Loss for the Year and Total Comprehensive Loss for the Year

As a result of the above, the Group’s loss and total comprehensive loss for the year amounted to approximately RMB35.9 million during FY 2013 (2012: approximately RMB35.9 million).

Property, Plant and Equipment

As at 31 December 2013, the Group’s property, plant and equipment had a net book value of approximately RMB712.6 million (2012: approximately RMB725.2 million), representing 46.2% (2012: 44.8%) of total assets of the Group. During FY 2013, there was a decrease in the net book value of the property, plant and equipment due to the write-off of certain obsolete assets and the return of the Land for gabbro-diabase processing plant of RMB10.8 million, in aggregate. Further discussion on additions to property, plant and equipment are set out in the section headed “Capital Expenditure and Infrastructure Development”.

Other Payables and Accruals

As at 31 December 2013, the Group’s balances of other payables and accruals were approximately RMB64.1 million (2012: approximately RMB85.9 million). The decrease of 25.4% was mainly attributable to the settlement of payables to suppliers or contractors for the Group’s addition of items of property, plant and equipment during FY 2013.

Liquidity and Cash and Cash Equivalents

As at 31 December 2013, the Group’s cash and cash equivalents amounted to approximately RMB729.7 million (2012: approximately RMB793.1 million), of which 99.7% denominated in RMB and 0.3% denominated in HKD. As at 31 December 2013, the Group’s cash and cash equivalents represented 47.3% (2012: 49.0%) of total assets of the Group. The Group’s net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB348.4 million (2012: approximately RMB399.9 million). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.7 (2012: approximately 1.7).

In addition, the Group has restricted bank balances of RMB1.2 million as at 31 December 2013, further details of which are set out in “Contingent Liabilities” section.

During FY 2013, the Group paid approximately RMB27.2 million (2012: approximately RMB86.8 million) for the settlement of payables to suppliers or contractors for the Group’s addition of items of property, plant and equipment.

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 2013, the total equity of the Group amounted to approximately RMB1,067.6 million (2012: approximately RMB1,103.0 million).

As at 31 December 2013 and 2012, as the Group had net cash position of approximately RMB348.4 million and RMB399.9 million, respectively, it is not considered to have any gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 31 December 2013, the Group's HKD denominated bank borrowings amounted to HK\$485.0 million (equivalent to approximately RMB381.3 million) (2012: HK\$485.0 million, equivalent to approximately RMB393.2 million). 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 2013, no property, plant and equipment or leasehold land or land use rights were pledged by the Group.

Funding and Treasury Policy

The Group has a funding and treasury policy to monitor its funding requirements and perform on-going liquidity review. This tool considers the maturity of its financial instruments, financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings.

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 bank balances, 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 2013, certain cash and bank balances 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 2013, the Group had no material adverse exposure to foreign exchange fluctuations during FY 2013.

Operating Segment Information

For management purposes, the Group organised its business units based on production and services. The Group has revenue of RMB2,163,000 recognised during the year ended 31 December 2013 (2012: Nil) and the losses for both periods were mainly derived from the "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

At the end of FY 2013, the capital commitments of the Group were detailed as below:

	2013 RMB'000	2012 <i>RMB'000</i>
Contracted, but not provided for:		
— Property, plant and equipment	61,214	59,991
Authorised, but not contracted for:		
— Property, plant and equipment	396,070	400,591
— Resource fees	310,000	310,000
	706,070	710,591
Total	767,284	770,582

Contingent Liabilities

In March 2013, a subsidiary of the Group was involved in a litigation as a defendant regarding construction sum payable arising out of the ordinary course of business of the Group. During the litigation, to protect its interest, the plaintiff has applied for property preservation against certain assets of the subsidiary, and the plaintiff provided asset securities for that purpose as required by relevant law and regulations. In May 2013, the local court in the PRC issued a verdict to freeze two properties of the plaintiff and such subsidiary's bank accounts or other assets up to RMB36 million. Consequently, as at 31 December 2013, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court. During the year, the subsidiary and the plaintiff have tried to settle the litigation by mediation, but no consensus has been reached so far. Therefore, in November 2013, the local court has designated an independent firm of quantity surveyors to assess the value of the construction work that have been completed by the plaintiff. The assessment is currently in progress. Based on the information provided so far, it is anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

Significant Investments, Acquisitions and Disposals

During FY 2013, the Group had no significant acquisitions and disposals.

The Group will continue to identify and evaluate opportunities for mergers and acquisitions of quality mining resources. It is believed to be beneficial for the development of the Group in the long run.

Employees and Remuneration Policies

The Group

31 December 2013

Number of employees

299

Type	Number of employees	Approximate percentage to the total number of employees
Production		
Iron ore mining	62	20.7
Iron ore processing	60	20.1
Ancillary mining activities	48	16.1
Management, finance and administrative	105	35.1
Gabbro-diabase business	24	8.0
Total	299	100.0

As at 31 December, 2013 the Group had a total of 299 full-time employees (2012: 419 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 and Change in Use of Net Proceeds from the Listing

As at 31 December 2013, the application of the net proceeds raised from the Listing of the Company is set out as below.

	Net proceeds from the Listing			
	Allocation basis %	Available to utilise RMB'million	Utilised RMB'million	Unutilised RMB'million
Three-phase expansion plan of the Yanjiazhuang Mine	35	368	146	222
Payment of resource fees	9	95	—	95
Exploration and acquisition activities	17	179	—	179
Development of gabbro-diabase business	26	273	65	208
Repayment of shareholders' loans	10	105	105	—
Working capital	3	32	32	—
	100	1,052	348	704

As further detailed in the section headed “Exploration Activities”, the Group’s contract with the No. 11 Geological Brigade in relation to the exploration works on Gangxi Mine and Shangzhengxi Mine expired on 26 August 2013. In this connection, the Group will continue to identify and evaluate opportunities for acquisition and merger of other reserves and resources.

On 26 March 2014, the Board approved the change in application of the unutilised net proceeds raised from the Listing of the Company in the revised manner set out below:

Intended use of the unutilised net proceeds

- (1) approximately RMB179 million for exploration and acquisition activities to expand the resources, including further exploration work at the Yanjiazhuang Mine, the acquisition of exploration rights to expand the northern boundary of the permitted mining area of the Yanjiazhuang Mine by an additional 0.75 km² and two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine
- (2) approximately RMB208 million for development of gabbro-diabase business

Revised use of the unutilised net proceeds

- (1) approximately RMB179 million as general working capital, payment for future capital expenditure, exploration, investment and acquisition activities in the mining and/or resources sector, financial management and repayment of bank borrowings (*Note*)
- (2) approximately RMB108 million for the purpose originally designated and approximately RMB100 million as general working capital, payment for future capital expenditure, exploration, investment and acquisition activities in the mining and/or resources sector, financial management and repayment of bank borrowings (*Note*)

Note: As a result of the above re-allocation of the unutilised net proceeds, a total sum of approximately RMB279 million will be used as general working capital, payment for future capital expenditure, exploration, investment and acquisition activities in the mining and/or resources sector, financial management and repayment of bank borrowings of the Group.

It is also determined that for the unutilised net proceeds that are not immediately applied to the above revised purposes or if the Group is unable to effect any part of its future development plans as intended, the Group may hold such funds in treasury products, apart from deposits in the interest-bearing and non-interest-bearing bank accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong or the PRC until they are expedited for the intended purposes.

Dividend

The Directors do not recommend the payment of a final dividend in respect of FY 2013 (2012: Nil).

Outlook and Future Plans

In 2014, the production, operation, and infrastructure development of the Yanjiazhuang Mine are still subject to whether mutual understanding and acceptable solutions could be arrived at between the Group and the surrounding villages in relation to the disputes involving the land expropriation. The Group will continue to communicate with the local government and villages in an active and orderly manner according to the laws and regulations, and take the best efforts to resolve external problems and the disputes currently hindering the production of the Yanjiazhuang Mine as soon as possible, in order to restore the iron concentrate production at the Yanjiazhuang Mine.

Regarding the Group's gabbro-diabase business, upon the successful issuance of the production safety permit, gabbro-diabase production will be commencing simultaneously. In the current plan, the Group will gradually increase the exploitation volume and develop various kinds of gabbro-diabase products to capture the market demands.

While putting steadfast efforts to resolve the aforesaid issues, the Group is aware of a growing demand for crushed stones as construction materials, driven by an increasing number of expressway projects undertaken in Hebei Province, the PRC. As ascertained by a preliminary study, crushed stones from the Yanjiazhuang Mine could be applied in highway pavements. In anticipation to seize the emerging market opportunity and derive benefits from it, the Group is now undertaking the construction of stone crushing facilities. Hopefully, the successful production and sale of crushed stones could help bring in new cash flow to the Group in these difficult times.

Despite a sluggish industry environment and a tightening environmental policy will negatively impact our business, it might on the other hand present an opportunity for the Group to acquire quality mining resources with more attractive valuations. Especially under the nationwide policy in resource consolidation to improve the overall production efficiency and lower the social and environmental costs, the Group believes that a prudent mergers and acquisitions strategy is the key to produce sustainable growth in the long run.

CORPORATE GOVERNANCE PRACTICES

The Board strongly believes that corporate governance is an integral part of the Company's mission in our pursuit of growth and value creation. The Board strives to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of the Shareholders. During FY 2013, 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.

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices of the CG Code as set out in the 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 CG Code during the Reporting Period, except for the Code Provision A.6.7 of the CG Code as set out hereunder.

Under the 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 7 June 2013.

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 2013.

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 2013.

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 Audit 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 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 2013 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 2013.

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

During FY 2013, 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, 19 May 2014 to Friday, 23 May 2014 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM of the Company, all transfer of the 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 (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with effect from 31 March 2014), not later than 4:30 p.m. on Friday, 16 May 2014.

ANNUAL GENERAL MEETING

The AGM of the Company for FY 2013 is scheduled to be held on Friday, 23 May 2014. 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. The annual report 2013 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:

“AGM”	annual general meeting
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“Company”	Newton Resources Ltd
“Director(s)”	existing director(s) of the Company
“First Quarry”	the first gabbro-diorite quarry located in Pian Zhai Gou area at the Yanjiazhuang Mine
“FY 2012”	the financial year ended 31 December 2012
“FY 2013” or “Reporting Period”	the financial year ended 31 December 2013
“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

“km”	kilometre(s)
“km ² ”	square km(s)
“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
“Mt”	megatonne(s)
“m ² ”	square metre(s)
“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 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 report, 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 for 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
“TFe”	average total iron grade
“tonne(s)”	equal to 1,000 kilograms
“tpa”	tonne(s) per annum

“USD”

the United States dollar, the lawful currency of the United States of America

“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

By Order of the Board
Newton Resources Ltd
Cheng Kar Shun

Chairman and Non-Executive Director

Hong Kong, 26 March 2014

As at the date of this announcement, the executive Directors are Mr. Li Changfa and Mr. Jiao Ying; 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.