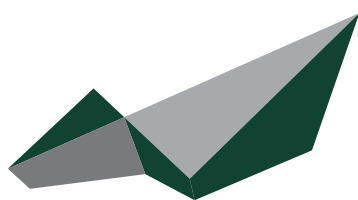


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# 新礦資源有限公司

## NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1231)

### INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

The Board wishes to announce the unaudited consolidated interim results of the Group for the Reporting Period together with the comparative figures for the Corresponding Prior Period as follows:–

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2014

|                                                                                  |       | Six-month period<br>ended 30 June |                                |
|----------------------------------------------------------------------------------|-------|-----------------------------------|--------------------------------|
|                                                                                  | Notes | 2014<br>RMB'000<br>(Unaudited)    | 2013<br>RMB'000<br>(Unaudited) |
| <b>Revenue</b>                                                                   | 3     | –                                 | 2,163                          |
| Cost of sales                                                                    |       | –                                 | (7,002)                        |
| <b>Gross Profit</b>                                                              |       | –                                 | (4,839)                        |
| Other income and gains                                                           |       | –                                 | 11                             |
| Selling and distribution costs                                                   |       | –                                 | (191)                          |
| Administrative expenses                                                          |       | (26,527)                          | (17,563)                       |
| Finance (expenses)/income, net                                                   | 5     | (1,068)                           | 10,733                         |
| <b>Loss from operations</b>                                                      |       | (27,595)                          | (11,849)                       |
| Equity-settled share option expense                                              |       | (203)                             | (434)                          |
| <b>Loss before tax</b>                                                           | 4     | (27,798)                          | (12,283)                       |
| Income tax expense                                                               | 6     | (422)                             | (491)                          |
| <b>Loss for the period</b>                                                       |       | (28,220)                          | (12,774)                       |
| <b>Total comprehensive loss for the period</b>                                   |       | <u>(28,220)</u>                   | <u>(12,774)</u>                |
| Attributable to:                                                                 |       |                                   |                                |
| Owners of the Company                                                            |       | (28,073)                          | (12,638)                       |
| Non-controlling interests                                                        |       | (147)                             | (136)                          |
|                                                                                  |       | <u>(28,220)</u>                   | <u>(12,774)</u>                |
| <b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY<br/>EQUITY HOLDERS OF THE COMPANY</b> |       |                                   |                                |
| Basic and diluted (RMB cent)                                                     | 8     | <u>(0.70)</u>                     | <u>(0.32)</u>                  |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

|                                                     |             | <b>30 June<br/>2014</b> | 31 December<br>2013 |
|-----------------------------------------------------|-------------|-------------------------|---------------------|
|                                                     | <i>Note</i> | <b>RMB'000</b>          | <b>RMB'000</b>      |
|                                                     |             | <b>(Unaudited)</b>      | <b>(Audited)</b>    |
| <b>Non-current assets</b>                           |             |                         |                     |
| Property, plant and equipment                       |             | <b>716,888</b>          | 712,642             |
| Intangible assets                                   |             | <b>50,088</b>           | 50,088              |
| Prepaid land lease payments                         |             | <b>3,458</b>            | 3,509               |
|                                                     |             | <b>770,434</b>          | 766,239             |
| <b>Current assets</b>                               |             |                         |                     |
| Inventories                                         |             | <b>4,110</b>            | 4,504               |
| Prepayments, deposits and other receivables         |             | <b>43,211</b>           | 41,549              |
| Cash and bank balances                              |             | <b>631,764</b>          | 730,888             |
|                                                     |             | <b>679,085</b>          | 776,941             |
| <b>Current liabilities</b>                          |             |                         |                     |
| Trade payables                                      | 10          | <b>601</b>              | 268                 |
| Other payables and accruals                         |             | <b>60,236</b>           | 64,088              |
| Interest-bearing bank borrowings                    |             | <b>317,520</b>          | 381,307             |
| Income tax payable                                  |             | <b>7,634</b>            | 7,212               |
|                                                     |             | <b>385,991</b>          | 452,875             |
| <b>Net current assets</b>                           |             | <b>293,094</b>          | 324,066             |
| <b>Total assets less current liabilities</b>        |             | <b>1,063,528</b>        | 1,090,305           |
| <b>Non-current liabilities</b>                      |             |                         |                     |
| Long-term payables                                  |             | <b>22,660</b>           | 22,660              |
| <b>Net assets</b>                                   |             | <b>1,040,868</b>        | 1,067,645           |
| <b>Equity</b>                                       |             |                         |                     |
| <b>Equity attributable to owners of the Company</b> |             |                         |                     |
| Issued capital                                      |             | <b>331,960</b>          | 331,960             |
| Reserves                                            |             | <b>706,362</b>          | 734,232             |
|                                                     |             | <b>1,038,322</b>        | 1,066,192           |
| <b>Non-controlling interests</b>                    |             | <b>2,546</b>            | 1,453               |
| <b>Total equity</b>                                 |             | <b>1,040,868</b>        | 1,067,645           |

## NOTES:

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the period, the principal activity of the Company is investment holding and the principal activities of its subsidiaries include mining, ore processing and sale of iron concentrates and mining, processing and sale of gabbro-diabase products in the PRC.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The unaudited condensed consolidated interim financial information of the Group for the six-month period ended 30 June 2014 (the “Interim Financial Information”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

#### 2.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the adoption of new and revised accounting standards and interpretations (which includes all new and revised International Financial Reporting Standards, IASs and Interpretations issued by the International Accounting Standards Board, collectively the “IFRSs”) that are relevant and first effective for the current accounting period of the Company, as summarised below:

|                                               |                                                                                                                                               |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| IFRIC 21                                      | Levies                                                                                                                                        |
| IFRS 10, IFRS 12 and IAS 27 (2011) Amendments | Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities                                                                        |
| IAS 32 Amendments                             | Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>                       |
| IAS 36 Amendments                             | Amendments to IAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>                                    |
| IAS 39 Amendments                             | Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> |

The adoption of the new and revised IFRSs did not have any significant effect on the amounts reported and/or disclosures set out in the Interim Financial Information.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

### 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. During the six-month period ended 30 June 2014, the Group commenced the “Gabbro-Diabase” segment.

During the six-month period ended 30 June 2014, the Group has no revenue recognised and the loss for the period was mainly attributable to unallocated expenses and net finance expenses. For the six-month period ended 30 June 2013, the Group had revenue of RMB2,163,000 and the loss for that period, both were mainly derived from the “Iron Concentrates” segment.

As of 30 June 2014, the total assets and liabilities of the “Iron Concentrates” segment were amounting to approximately RMB688,817,000 and RMB42,624,000 (31 December 2013: approximately RMB691,411,000 and RMB48,812,000) respectively, and the total assets and liabilities of the “Gabbro-Diabase” segment were amounting to approximately RMB100,954,000 and RMB32,868,000 (31 December 2013: approximately RMB93,079,000 and RMB31,289,000) respectively, and the total unallocated and corporate assets and liabilities were amounting to approximately RMB659,748,000 and RMB333,159,000 (31 December 2013: approximately RMB758,690,000 and RMB395,434,000) respectively.

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 periods, no geographical information is presented.

### 4. LOSS BEFORE TAX

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

|                                                        | <b>Six-month period<br/>ended 30 June</b> |                       |
|--------------------------------------------------------|-------------------------------------------|-----------------------|
|                                                        | <b>2014</b>                               | <b>2013</b>           |
|                                                        | <b><i>RMB’000</i></b>                     | <b><i>RMB’000</i></b> |
|                                                        | <b>(Unaudited)</b>                        | <b>(Unaudited)</b>    |
| Cost of inventories sold                               | –                                         | 7,002                 |
| Depreciation of items of property, plant and equipment | <b>4,891</b>                              | 2,563                 |
| Amortisation of prepaid land lease payments            | <b>51</b>                                 | 51                    |

## 5. FINANCE (EXPENSES)/INCOME

An analysis of the Group's net finance (expenses)/income is as follows:

|                                     | Six-month period<br>ended 30 June |                                |
|-------------------------------------|-----------------------------------|--------------------------------|
|                                     | 2014<br>RMB'000<br>(Unaudited)    | 2013<br>RMB'000<br>(Unaudited) |
| Interest on bank borrowings         | (3,923)                           | (4,499)                        |
| Interest income                     | 8,885                             | 8,583                          |
| Bank charges                        | (164)                             | (170)                          |
| Net foreign exchange gains/(losses) | (4,993)                           | 6,819                          |
| Other borrowing costs               | (873)                             | —                              |
|                                     | <u>(1,068)</u>                    | <u>10,733</u>                  |
| Finance (expenses)/income, net      | <u>(1,068)</u>                    | <u>10,733</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 six-month periods ended 30 June 2014 and 2013.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the six-month periods ended 30 June 2014 and 2013.

|                              | Six-month period<br>ended 30 June |                                |
|------------------------------|-----------------------------------|--------------------------------|
|                              | 2014<br>RMB'000<br>(Unaudited)    | 2013<br>RMB'000<br>(Unaudited) |
| Current tax – Mainland China |                                   |                                |
| Charge for the period        | <u>422</u>                        | <u>491</u>                     |

The Group has unrecognised tax losses arising from entity operating in Mainland China of RMB62,324,000 that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

## 7. DIVIDEND

The directors do not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: 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 period attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the periods ended 30 June 2014 and 2013.

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

|                                                                                                                                   | <b>Six-month period<br/>ended 30 June</b> |                         |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------|
|                                                                                                                                   | <b>2014</b>                               | <b>2013</b>             |
|                                                                                                                                   | <b>RMB'000</b>                            | <b>RMB'000</b>          |
|                                                                                                                                   | <b>(Unaudited)</b>                        | <b>(Unaudited)</b>      |
| <b>Loss</b>                                                                                                                       |                                           |                         |
| Loss attributable to owners of the Company,<br>used in the basic and diluted loss per share calculation                           | <u><u>(28,073)</u></u>                    | <u><u>(12,638)</u></u>  |
|                                                                                                                                   | <b>'000</b>                               | <b>'000</b>             |
| <b>Shares</b>                                                                                                                     |                                           |                         |
| Weighted average number of ordinary shares in issue during<br>the period used in the basic and diluted loss per share calculation | <u><u>4,000,000</u></u>                   | <u><u>4,000,000</u></u> |

The Pre-IPO Share Options of the Company had an anti-dilutive effect on the basic loss per share amount for the six-month periods ended 30 June 2014 and 2013 and were ignored in the calculation of diluted loss per share.

## 9. CREDIT POLICY

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

## 10. 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:

|                    | <b>30 June<br/>2014</b>  | <b>31 December<br/>2013</b> |
|--------------------|--------------------------|-----------------------------|
|                    | <b>RMB'000</b>           | <b>RMB'000</b>              |
|                    | <b>(Unaudited)</b>       | <b>(Audited)</b>            |
| Within 6 months    | <b>354</b>               | 94                          |
| 6 months to 1 year | <b>114</b>               | 19                          |
| Over 1 year        | <u><b>133</b></u>        | <u>155</u>                  |
|                    | <u><u><b>601</b></u></u> | <u><u>268</u></u>           |

## 11. CONTINGENT LIABILITIES

- (a) Since March 2013, a subsidiary of the Group was involved in litigation as a defendant regarding construction sum payable arising out of the ordinary course of business of the Group. In prior year, a 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, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court as of 30 June 2014. 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.
- (b) During the six-month ended 30 June 2014, a subsidiary of the Group was involved in litigation as a defendant regarding the costs and damages arising out of the ordinary course of business of the Group. The Group is reviewing the relevant documents from the counterparty and will proactively respond to the case in accordance with the advice of the Group's PRC legal counsels. 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 the persistent efforts made by the management, we are gradually building up mutual trust and easing tension between the Group and neighbouring villages. Nevertheless, negotiations with the villagers and local government on land expropriation remained extremely challenging as the issues in some of the villages have yet to be fully resolved. As such, the iron concentrate production at the Yanjiazhuang Mine has yet to be resumed during the Reporting Period. The Group recorded an increase in net loss to approximately RMB28.2 million during the Reporting Period which was mainly attributable to the foreign exchange loss arising from the depreciation of the Renminbi against Hong Kong dollars during the first half of 2014.

Despite the current suspension of iron concentrate production, I am pleased to see that the management has been actively exploring other business opportunities. During the Reporting Period, the preparations for the gabbro-diabase production at the Yanjiazhuang Mine has made good progress with the staunch support of the local government. Due to the nearby highway infrastructure development, demand for crushed stones for highway paving has been driven up drastically. In order to seize this market opportunity, we have completed the construction of new crushed stone production facility and have commenced the trial production of crushed stones that qualify for highway paving. At the same time, the Group has also decided to invest in certain stone mining and processing equipment for gabbro-diabase quarry stone mining and slab processing. Meanwhile, the Yanjiazhuang Mine is recruiting villagers from neighbouring villages to engage in the processing operation, hence creating job opportunities for, and improving its relationships with, the local villages. In view of the pledge by the Chinese authorities to tackle the worsening haze and pollution problems in Mainland China, I have also urged the management to put extra emphasis on environmental measures. Given the efforts of the management and the support of the local government authorities, it is expected that the Group will soon be able to commence the normal production of gabbro-diabase products, thereby bringing in cash flow for the Group.

During the Reporting Period, the management and Shougang have continued to exchange ideas on the operation and development of the Yanjiazhuang Mine and it is believed that such discussions will help resolve the operation and development problems in relation to the Yanjiazhuang Mine.

In closing, I would like to extend my deepest appreciation to my fellow Board members for their consistent hard work and dedication and to express my heartfelt thanks for the relentless efforts of our management team and employees in this challenging environment.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET OVERVIEW**

In the first half of 2014, international iron ore prices have dropped by approximately 30% since the beginning of the year due to the increased supply in the international iron ore market and the impact of a slowdown in the steel production in Mainland China. Despite the relatively rapid growth of the Chinese economy during the first half of the year, steel production in Mainland China is expected to lose further momentum and the adjustments brought by the oversupply of iron ores will continue for a certain period, given that the property market takes a conservative approach while the Chinese government implemented further measures to optimise the economic structure and restrict or even shut down heavy polluting steel plants with low technology standards. High production cost of the mines in China, with low iron ore prices and the tightening environmental measures, all have brought adverse impacts and challenges to the domestic production of iron ores. Nevertheless, there are still favourable market factors amid the general market downturn. Recently, the Chinese government actively promotes urbanisation and investment in redevelopment of shanty towns. These initiatives will help boost the demand for steel and provide gentle support for iron ore prices.

Gabbro-diabase is a high-end granite stone materials used in the construction industry and enjoys price advantages over synthetic stone materials. It also has distinct market and competitive edges in view of the tightening environmental measures for synthetic stone materials. With the substantial increase in demand for crushed stones for highway paving resulting from nearby highway infrastructure development, the accelerating urbanisation and redevelopment of shanty towns, we expect to have favourable market opportunities for gabbro-diabase products.

### **BUSINESS AND OPERATION REVIEW**

#### **Iron Concentrate Business**

During the first half of 2014, disturbances caused by neighbouring villages and their inhabitants around our mine site have been mitigated to a certain extent through the mediation by local government authorities and village representatives. However, disputes over land expropriation and external problems have not been fully resolved, thereby preventing the Group from resuming its mining activities. Our trial production of iron concentrates has yet to be resumed during the Reporting Period.

Following the restructuring of the management team in late 2013, and with our efforts to enhance local communications and security measures, as well as the mediation and negotiations by local government officials, the Group has gradually established mutual trust and understanding with the neighbouring villages. This creates favourable conditions for our next move to resolve the land expropriation issues at the Yanjiazhuang Mine that have long plagued the Group, thus are conducive to the Group's future business development in the long run.

With the deteriorating air pollution problem in Beijing and its neighbouring areas, it is anticipated that the Chinese government will further tighten its environmental policy towards heavy polluting industries including mining industry in Hebei Province, and this might adversely affect our iron concentrate business. In particular, the Group has submitted required documents regarding the renewal of production safety permit for iron mining to the relevant authorities for approval. The representatives from the Safety Authority conducted on-site inspection and assessment and confirmed the Group's safety qualification on production. The Group is striving to follow up the progress of the application and the issuance. However, given the heightened concern over national pollution issues, the government authorities would require time to coordinate and arrange the issuance of permit, and the timing of the issuance could not be reliably anticipated. The Group will keep abreast of the latest status and development, always maintain all production and ancillary facilities in good conditions and keep up a high awareness of mine safety and environmental protection measures.

During the Reporting Period, the Group continued to exchange views with Shougang on various co-operation aspects such as mining production operations and infrastructure development of our mine, with a view to strengthening our management proficiency and technical standards.

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

### **Gabbro-Diabase Business**

During the Reporting Period, the development of the gabbro-diabase business of the Group showed a good progress. However, the commercial production of such business has yet to commence during the Reporting Period. Therefore, no revenue was recognised.

The Group intends to create a new cash flow with the sale of gabbro-diabase products. Due to the nearby highway infrastructure development, demand for crushed stones for highway paving has been driven up drastically. In order to seize this market opportunity, the management had conducted a study and is arranging to crush the barren rock in our mine site into highway paving stones for sale. The Group has completed the construction of the new production facility for crushed stones during the Reporting Period and the trial production is currently in progress with smooth operation. Meanwhile, we have invited certain highway contractors to carry out quality tests on our crushed stones from the trial production so as to provide essential benchmarks for fine-tuning our crushing equipment and determining the selling price of crushed stones. The Group expects to commence the commercial production of crushed stones as soon as practicable.

Apart from crushed stones, the management is also actively studying the possibility of expanding into the markets of other gabbro-diabase products including, among others, quarry stones and decorative slabs. The Group has acquired mining equipment and is undergoing trial production of quarry stones, and expects to move on to commercial production as soon as practicable. Besides, we also intend to cut, process and polish quarry stones into decorative slabs so as to increase their commercial value. On the other hand, mushroom tile production, which has a low production skill requirement, allows a better utilisation of surplus manpower from the halt to the iron concentrate business. It also offers an additional income source for local villagers to join the Group in the processing operation, thereby serving as an opportunity for the Group to improve its relationship with the local villagers.

With respect to the application for the production safety permit for the gabbro-diabase business, the Group has submitted required documents to the relevant authorities for approval. The representatives from the Safety Authority conducted on-site inspection and assessment and confirmed the Group's safety qualification on gabbro-diabase production. However, given the heightened concern over national pollution issues, the government authorities would require time to coordinate and arrange the issuance of permit. The Group is striving to follow up the progress of the application and the issuance, which however are not within our control.

To facilitate the sale of gabbro-diabase products, and to keep abreast of the latest industry development and establish clientele, the Group participated in the recognised China Xiamen International Stone Fair in mid-March. The sale of gabbro-diabase products is expected to bring in new cash flow for the Group.

With our improving relationship with the neighbouring villages and following the macro environmental and emission-reducing trends, by setting a goal to build an environmental friendly mine, the management expects to enlist the support of the local government in our mining operation by resolving land expropriation disputes and external problems while producing gabbro-diabase products in the meantime.

For the gabbro-diabase infrastructure development carried out during the Reporting Period, further discussion will be provided in the section headed “Capital Expenditure and Infrastructure Development”.

## **CAPITAL EXPENDITURE AND INFRASTRUCTURE DEVELOPMENT**

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB9.1 million, mainly on the infrastructure and construction of crushed stone production facility, the payments on water supply facilities and additions to other facilities.

### **Iron Concentrate Business**

Due to the land expropriation disputes and the disturbances 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 note (a) of the section headed “Contingent Liabilities”, the construction of certain projects undertaken by the plaintiff was also suspended.

During the Reporting Period, the Group has further paid for the construction for the water supply facilities amounting to approximately RMB2.0 million, and additions to other fixed assets amounted to approximately RMB0.2 million.

Capital expenditures of the iron concentrate business during the six-month periods ended 30 June 2014 and 2013 are indicated below:

|                      | <b>Six-month period<br/>ended 30 June</b> |                           |
|----------------------|-------------------------------------------|---------------------------|
|                      | <b>2014</b>                               | <b>2013</b>               |
|                      | <b><i>RMB'million</i></b>                 | <b><i>RMB'million</i></b> |
|                      | <b>(Unaudited)</b>                        | <b>(Unaudited)</b>        |
| Construction costs   | <b>2.0</b>                                | 1.0                       |
| Equipment and others | <b>0.2</b>                                | 1.7                       |
| Total                | <b><u>2.2</u></b>                         | <b><u>2.7</u></b>         |

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

During the Reporting Period, the Group has constructed the crushed stone production facility and acquired certain mining and processing equipment, amounting to approximately RMB6.9 million.

Capital expenditures of the gabbro-diabase business during the six-month periods ended 30 June 2014 and 2013 are indicated below:

|                       | <b>Six-month period<br/>ended 30 June</b> |                           |
|-----------------------|-------------------------------------------|---------------------------|
|                       | <b>2014</b>                               | <b>2013</b>               |
|                       | <b><i>RMB'million</i></b>                 | <b><i>RMB'million</i></b> |
|                       | <b>(Unaudited)</b>                        | <b>(Unaudited)</b>        |
| Construction costs    | <b>4.9</b>                                | —                         |
| Mining infrastructure | —                                         | 1.5                       |
| Equipment and others  | <b>2.0</b>                                | —                         |
|                       | <hr/>                                     | <hr/>                     |
| Total                 | <b>6.9</b>                                | 1.5                       |
|                       | <hr/>                                     | <hr/>                     |

## EXPLORATION ACTIVITIES

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

## PRODUCTION COSTS FOR THE YANJIAZHUANG MINE

During the Reporting Period, the Group's production has yet to be resumed and therefore no production cost was recorded. The Group's production costs during the Corresponding Prior Period amounted to approximately RMB7.0 million, represented 318.2% of revenue. For the Corresponding Prior Period, the 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 amortisation. The production costs were relatively high mainly due to fairly limited production during the Corresponding Prior Period as the mine site environment was affected by the disturbances in nearby areas.

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

|                         | <b>Six-month period<br/>ended 30 June</b> |                       |
|-------------------------|-------------------------------------------|-----------------------|
|                         | <b>2014</b>                               | <b>2013</b>           |
|                         | <b><i>RMB'000</i></b>                     | <b><i>RMB'000</i></b> |
|                         | <b>(Unaudited)</b>                        | <b>(Unaudited)</b>    |
| <b>Mining costs</b>     |                                           |                       |
| – Staff costs           | –                                         | 598                   |
| – Hauling               | –                                         | 431                   |
| – Others                | –                                         | 118                   |
|                         | <hr/>                                     | <hr/>                 |
|                         | –                                         | 1,147                 |
|                         | <hr/>                                     | <hr/>                 |
| <b>Processing costs</b> |                                           |                       |
| – Staff costs           | –                                         | 613                   |
| – Hauling               | –                                         | 342                   |
| – Others                | –                                         | 1,383                 |
|                         | <hr/>                                     | <hr/>                 |
|                         | –                                         | 2,338                 |
|                         | <hr/>                                     | <hr/>                 |
| <b>Overheads</b>        |                                           |                       |
| – Depreciation          | –                                         | 1,237                 |
| – Staff costs           | –                                         | 1,796                 |
| – Others                | –                                         | 484                   |
|                         | <hr/>                                     | <hr/>                 |
|                         | –                                         | 3,517                 |
|                         | <hr/>                                     | <hr/>                 |
| Total production costs  | <hr/> <hr/>                               | <hr/> <hr/>           |
|                         | –                                         | 7,002                 |

## **IRON ORE RESOURCE AND RESERVE ESTIMATES**

During the Reporting Period, the Group has yet to resume its production of iron concentrates at the Yanjiazhuang Mine and there were no significant changes in the Group's mineral resources and ore reserves prepared under the JORC Code as at 30 June 2014 as compared to those disclosed in the annual report 2013 of the Company.

## **GABBRO-DIABASE RESOURCE ESTIMATES**

In order to investigate the feasibility of utilising the gabbro-diabase resources at the Yanjiazhuang Mine, the Group has conducted an estimate for the gabbro-diabase resources. As at 30 June 2014, there was no material change in the gabbro-diabase resources at the Yanjiazhuang Mine, as compared to those disclosed in the annual report 2013 of the Company. During the Reporting Period, the mining of gabbro-diabase resources has yet to commence.

## **PRODUCTION SAFETY AND ENVIRONMENTAL PROTECTION**

During the Reporting Period, the Group has been focusing its attention highly on production safety and environmental protection measures. Therefore, the Group established a competent department on production safety and environmental management responsible for ensuring that adequate workplace safety measures are in place. This department also provides regular training to all staff to equip them with high safety awareness. During the Reporting Period, the Yanjiazhuang Mine had no record of significant safety incident.

In addition to production efficiency and safety, the Group is also committed to build a green mine. During the Reporting Period, we planted nearly 20,000 tree seedlings along the roads in our mine site to help creating a green environment for our mine and prevent soil erosion. In light of the deep concern of the Chinese authorities with the deteriorating air pollution, the direction of the Group's business development taking into account green initiatives shall suit local government policies.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Reporting Period (Nil for the Corresponding Prior Period).

## **FINANCIAL REVIEW**

The Group's iron concentrate production at the Yanjiazhuang Mine has yet to be resumed during the Reporting Period and the Group did not record any revenue for the Reporting Period, as compared to the revenue of approximately RMB2.2 million for the Corresponding Prior Period.

The net loss for the Reporting Period was approximately RMB28.2 million (approximately RMB12.8 million for the Corresponding Prior Period). The loss attributable to owners of the Company amounted to approximately RMB28.1 million (approximately RMB12.6 million for the Corresponding Prior Period). The basic and diluted loss per share for the Reporting Period was approximately RMB0.70 cent (approximately RMB0.32 cent for the Corresponding Prior Period).

### **Revenue**

The Group's iron concentrate production at the Yanjiazhuang Mine has yet to be resumed during the Reporting Period. The neighbouring villages and their inhabitants caused disturbances around the Group's mine site, and as a result of these disturbances, the mining activities were disrupted thereby forcing the Group to suspend its trial production since last year. The Group therefore did not record any revenue for the Reporting Period, as compared to revenue of approximately RMB2.2 million for the Corresponding Prior Period. During the Corresponding Prior Period, the Group produced and sold 2,600 tonnes of iron concentrates.

### **Gross Profit/(Loss) and Negative Gross Profit Margin**

As a result of the above, the Group recorded nil gross profit for the Reporting Period. For the Corresponding Prior Period, the Group recorded a gross loss of RMB4.8 million and negative gross profit margin of -218.2%, which was mainly due to the disturbances and trial production of a limited scale.

## **Selling and Distribution Costs**

During the Reporting Period, the Group did not incur any selling and distribution costs. The selling and distribution costs for the Corresponding Prior Period mainly comprised of salaries of sales staff and entertainment expenses, which amounted to approximately RMB0.2 million.

## **Administrative Expenses**

Administrative expenses increased by 50.6% to approximately RMB26.5 million during the Reporting Period, as compared to approximately RMB17.6 million for the Corresponding Prior Period. The increase was mainly due to the recognition of production staff costs and overheads directly as administrative expenses during the Reporting Period when the production at the Yanjiazhuang Mine was temporary ceased, which were recognised as the Group's cost of sales in the Corresponding Prior Period, and the increase in depreciation for the Reporting Period. The depreciation expenses have increased for the Reporting Period as compared to the Corresponding Prior Period as the Group has progressively finalised the completion accounts for its infrastructure development throughout 2013.

## **Finance Expense/(Income)**

The Group recorded finance expenses of approximately RMB1.1 million during the Reporting Period, as compared to approximately RMB10.8 million finance income for the Corresponding Prior Period. The main reason for the change from the finance income for the Corresponding Prior Period to the finance expenses for the Reporting Period was the recognition of an exchange loss of approximately RMB5.0 million derived mainly from the HKD denominated bank borrowings as a result of the depreciation of RMB against the HKD during the Reporting Period (approximately RMB6.8 million exchange gain for the Corresponding Prior Period derived from the appreciation of RMB against the HKD during that period).

## **Income Tax Expense**

The income tax expense represented the current period provision for the 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 -4.0% for the Corresponding Prior Period to -1.5% for the Reporting Period, 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 30 June 2014. Further details about the Group's income tax are set out in note 6 to the interim financial information.

## **Loss for the Period and Total Comprehensive Loss for the Period**

As a result of the above, the Group's loss and total comprehensive loss for the period amounted to approximately RMB28.2 million during the Reporting Period (approximately RMB12.8 million during the Corresponding Prior Period).

## **Property, Plant and Equipment**

As at 30 June 2014, the Group's property, plant and equipment had a net book value of approximately RMB716.9 million (approximately RMB712.6 million as at 31 December 2013), representing 49.5% (31 December 2013: 46.2%) of total assets of the Group. The increase was mainly attributable to the construction of the production facility for crushed stones during the Reporting Period.

## **Other Payables and Accruals**

As at 30 June 2014, the Group's balances of other payables and accruals were approximately RMB60.2 million (approximately RMB64.1 million as at 31 December 2013). The decrease of 6.1% was mainly attributable to the settlement to contractors during the Reporting Period for the Group's addition of items of property, plant and equipment.

## **LIQUIDITY AND CASH AND CASH EQUIVALENTS**

As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately RMB630.6 million (approximately RMB729.7 million as at 31 December 2013), of which 99.6% denominated in RMB and 0.4% denominated in HKD. As at 30 June 2014, the Group's cash and cash equivalents represented 43.5% (47.3% as at 31 December 2013) of total assets of the Group. The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB313.1 million (approximately RMB348.4 million as at 31 December 2013). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.8 (approximately 1.7 as at 31 December 2013).

In addition, the Group has restricted bank balances of approximately RMB1.2 million as at 30 June 2014 and 31 December 2013, further details of which are set out in "Contingent Liabilities" section.

During the Reporting Period, the Group paid approximately RMB13.6 million (approximately RMB16.9 million for the Corresponding Prior Period) 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 30 June 2014, the total equity of the Group amounted to approximately RMB1,040.9 million (approximately RMB1,067.6 million as at 31 December 2013).

As at 30 June 2014 and 31 December 2013, as the Group had net cash position of approximately RMB313.1 million and RMB348.4 million, respectively, it is therefore not considered to have any gearing as at these dates.

## **LOANS, INDEBTEDNESS AND MATURITY DATE**

As at 30 June 2014, the Group's HKD denominated bank borrowings amounted to HK\$400.0 million (equivalent to approximately RMB317.5 million) (HK\$485.0 million, equivalent to approximately RMB381.3 million as at 31 December 2013). 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 30 June 2014, 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 30 June 2014, 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 the Reporting Period, the Group had no material adverse exposure to foreign exchange fluctuations during the Reporting Period.

## **OPERATING SEGMENT INFORMATION**

For management purposes, the Group organised its business units based on production and services. During the Reporting Period, the Group commenced the "Gabbro-Diabase" segment.

During the Reporting Period, the Group has no revenue recognised and the loss for the period was mainly attributable to unallocated expenses and net finance expenses. For the Corresponding Prior Period, the Group had revenue of RMB2,163,000 and the loss for that period, both were mainly derived from the "Iron Concentrates" segment.

As of 30 June 2014, the total assets and liabilities of the "Iron Concentrates" segment were amounting to approximately RMB688,817,000 and RMB42,624,000 (31 December 2013: approximately RMB691,411,000 and RMB48,812,000) respectively, and the total assets and liabilities of the "Gabbro-Diabase" segment were amounting to approximately RMB100,954,000 and RMB32,868,000 (31 December 2013: approximately RMB93,079,000 and RMB31,289,000) respectively, and the total unallocated and corporate assets and liabilities were amounting to approximately RMB659,748,000 and RMB333,159,000 (31 December 2013: approximately RMB758,690,000 and RMB395,434,000) respectively.

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 periods, no geographical information is presented.

## CAPITAL COMMITMENTS

At the end of the Reporting Period, the capital commitments of the Group were detailed as below:

|                                     | <b>30 June<br/>2014<br/>RMB'000<br/>(Unaudited)</b> | <b>31 December<br/>2013<br/>RMB'000<br/>(Audited)</b> |
|-------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Contracted, but not provided for:   |                                                     |                                                       |
| – Property, plant and equipment     | <u>60,993</u>                                       | <u>61,214</u>                                         |
| Authorised, but not contracted for: |                                                     |                                                       |
| – Property, plant and equipment     | <u>387,153</u>                                      | <u>396,070</u>                                        |
| – Resource fees                     | <u>310,000</u>                                      | <u>310,000</u>                                        |
|                                     | <u>697,153</u>                                      | <u>706,070</u>                                        |
| Total                               | <u><u>758,146</u></u>                               | <u><u>767,284</u></u>                                 |

## CONTINGENT LIABILITIES

- (a) Since March 2013, a subsidiary of the Group was involved in litigation as a defendant regarding construction sum payable arising out of the ordinary course of business of the Group. In prior year, a 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, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court as of 30 June 2014. 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.
- (b) During the six-month ended 30 June 2014, a subsidiary of the Group was involved in litigation as a defendant regarding the costs and damages arising out of the ordinary course of business of the Group. The Group is reviewing the relevant documents from the counterparty and will proactively respond to the case in accordance with the advice of the Group's PRC legal counsels. 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 the Reporting Period, 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

30 June 2014

|                                       |              |                  |
|---------------------------------------|--------------|------------------|
| Number of employees                   |              | 298              |
|                                       |              |                  |
|                                       |              | Approximate      |
|                                       |              | percentage to    |
|                                       |              | the total number |
| Type                                  | Number       | of employees     |
|                                       | of employees | of employees     |
| Mining, production and operation      | 192          | 64.4             |
| Management and administrative support | 106          | 35.6             |
| Total                                 | 298          | 100.0            |

As at 30 June, 2014, the Group had a total of 298 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

The net proceeds raised from the Listing of the Company amounted to approximately RMB1,052 million. 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 km<sup>2</sup> 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 authorised financial institutions in Hong Kong or the PRC until they are expedited for the intended purposes.

As at 30 June 2014, the application of the net proceeds raised from the Listing of the Company is set out as below.

|                                                                   | Available to<br>utilise upon<br>Listing<br>RMB' million | Net proceeds from the listing                        |                                               |                          | Unutilised<br>RMB' million |
|-------------------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------|-----------------------------------------------|--------------------------|----------------------------|
|                                                                   |                                                         | Approved<br>changes in<br>March 2014<br>RMB' million | Revised<br>use of<br>proceeds<br>RMB' million | Utilised<br>RMB' million |                            |
| Three-phase expansion plan of the Yanjiazhuang Mine               | 368                                                     | –                                                    | 368                                           | 152                      | 216                        |
| Payment of resource fees                                          | 95                                                      | –                                                    | 95                                            | –                        | 95                         |
| Exploration and acquisition activities                            | 179                                                     | (179)                                                | –                                             | –                        | –                          |
| Development of gabbro-diabase business                            | 273                                                     | (100)                                                | 173                                           | 71                       | 102                        |
| Repayment of shareholders' loans                                  | 105                                                     | –                                                    | 105                                           | 105                      | –                          |
| Working capital                                                   | 32                                                      | –                                                    | 32                                            | 32                       | –                          |
| General working capital, acquisitions and<br>financial management | –                                                       | 279                                                  | 279                                           | 79                       | 200                        |
|                                                                   | <u>1,052</u>                                            | <u>–</u>                                             | <u>1,052</u>                                  | <u>439</u>               | <u>613</u>                 |

## OUTLOOK AND FUTURE PLANS

Looking forward, the Group will continue to carry on its communications with the relevant government authorities to facilitate the renewal of the production safety permit, and will liaise and communicate with the local government and villages, and use its best efforts to resolve the disputes over land expropriation and external problems hindering the iron concentrate production at the Yanjiazhuang Mine as soon as possible, in order to resume production.

Despite the above, the Group is facing lots of challenges. The market price of iron ores is expected to remain sluggish due to an over-supply situation as a result of the market factors. Also, the Chinese government has a heightening concern over the environmental issues towards heavy polluting industries including mining industry in the PRC. These factors inevitably affect our iron concentrate business in the long run.

Our gabbro-diabase business has just started. It is a challenging task to grow this new business to a commercial viable scale. To cope with the challenges in our business development, the Group targets to build a green mine and canvass the local government and neighbouring villages for their support for the operation of the Yanjiazhuang Mine. The Group will also explore the markets of different gabbro-diabase products and acquire appropriate mining and processing equipment so as to speed up the trial production and gradually expand the production scale of gabbro-diabase products in an economically viable manner, with the aim of generating cash flow for the Group.

Apart from the above businesses, the Group will cautiously take advantage of external merger and acquisition opportunities in order to acquire additional mineral resources to achieve sustainable development.

## **CORPORATE GOVERNANCE PRACTICES**

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 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 Provisions A.6.7 and E.1.2 of the CG Code as noted 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 overseas engagements, two non-executive Directors and an independent non-executive Director were unable to attend the AGM held on 23 May 2014 (the "2014 AGM").

Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGMs. Due to overseas engagements, the chairman of the Board, was unable to attend the 2014 AGM. The vice-chairman of the Board, who acted as the chairman of the 2014 AGM, together with other members of the Board who attended the meeting, were of sufficient calibre for answering questions at the 2014 AGM.

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.

During the Reporting Period, the Company did not have a chief executive officer and the function is divided among the executive Directors.

Further information of the Company's corporate governance practices can be found in the "Corporate Governance" section under "Investor Relations" on the Company's website.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the Reporting Period.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. All of the Audit Committee members are appointed from the three independent non-executive Directors, namely Mr. Tsui King Fai (chairman), Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny, having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in legal, business and financial matters. The Audit Committee has reviewed with the management of the Company the unaudited condensed consolidated interim financial information of the Group for the Reporting Period, the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters. In addition, the Company's auditors, Messrs. Ernst & Young has reviewed the unaudited condensed consolidated interim financial information of the Group for the Reporting Period.

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

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited and the Company. The Interim Report 2014 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                                                                                                    |
| “Corresponding Prior Period” | the six-month period ended 30 June 2013                                                                                 |
| “Director(s)”                | existing director(s) of the Company                                                                                     |
| “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                                                                  |
| “Interim Report 2014”        | the interim report of the Company for the six-month period ended 30 June 2014                                           |
| “km”                         | kilometre(s)                                                                                                            |
| “km <sup>2</sup> ”           | 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                                                     |
| “Model Code”                 | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules |

|                           |                                                                                                                                                                                                           |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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                                                   |
| “Reporting Period”        | the six-month period ended 30 June 2014                                                                                                                                                                   |
| “RMB”                     | Renminbi, the lawful currency of the PRC                                                                                                                                                                  |
| “Safety Authority”        | the relevant government authority for the granting of production safety permit(s) for iron mining and 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)                                                                                                                                                                              |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited                                                                                                                                                                   |
| “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, 28 August 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.*