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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 2015

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 2015

		Six-month period ended 30 June	
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	–	–
Cost of sales		–	–
Gross Profit		–	–
Administrative expenses		(16,824)	(26,527)
Finance income/(expenses), net	5	6,686	(1,068)
Loss from operations		(10,138)	(27,595)
Equity-settled share option expense		–	(203)
Loss before tax	4	(10,138)	(27,798)
Income tax expense	6	–	(422)
Loss for the period		(10,138)	(28,220)
Total comprehensive loss for the period		<u>(10,138)</u>	<u>(28,220)</u>
Attributable to:			
Owners of the Company		(10,013)	(28,073)
Non-controlling interests		(125)	(147)
		<u>(10,138)</u>	<u>(28,220)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	8	<u>(0.25)</u>	<u>(0.70)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

		30 June 2015	31 December 2014
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		711,177	713,835
Intangible assets		49,965	49,999
Prepaid land lease payments		3,357	3,408
		<u>764,499</u>	<u>767,242</u>
Current assets			
Inventories	10	12,839	7,969
Prepayments, deposits and other receivables		46,373	45,238
Cash and bank balances		566,019	601,855
		<u>625,231</u>	<u>655,062</u>
Current liabilities			
Trade payables	11	693	361
Other payables and accruals		62,110	61,100
Interest-bearing bank borrowings		291,782	315,560
Income tax payable		7,634	7,634
		<u>362,219</u>	<u>384,655</u>
Net current assets		<u>263,012</u>	<u>270,407</u>
Total assets less current liabilities		<u>1,027,511</u>	<u>1,037,649</u>
Non-current liabilities			
Long-term payables		15,000	15,000
Net assets		<u>1,012,511</u>	<u>1,022,649</u>
Equity			
Equity attributable to owners of the Company			
Share capital		331,960	331,960
Reserves		678,309	688,322
		<u>1,010,269</u>	<u>1,020,282</u>
Non-controlling interests		<u>2,242</u>	<u>2,367</u>
Total equity		<u>1,012,511</u>	<u>1,022,649</u>

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, processing and sale of iron concentrates and gabbro-diabase and stone 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 2015 (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 Listing Rules.

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 2014.

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 2014, except for the adoption of the following amendment and improvements to existing International Financial Reporting Standards (“IFRSs”), that are relevant and first effective for the current accounting period of the Company, as summarised below:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

The adoption of the above amendment and improvements to 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 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 is organised into business units based on their products and services and has two reportable operating segments, the “Iron Concentrates” segment and the “Gabbro-Diabase” segment.

Iron Concentrates – mining, processing and sale of iron concentrates

Gabbro-Diabase – mining, processing and sale of gabbro-diabase and stones products

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group’s loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances and other unallocated head office and corporate assets, which are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, income tax payable and other unallocated head office and corporate liabilities, which are managed on a group basis.

The following tables present revenue and results information for the Group’s operating segments for the six-month periods ended 30 June 2015 and 2014, respectively:

	Iron Concentrates <i>RMB'000</i>	Gabbro- Diabase <i>RMB'000</i>	Total <i>RMB'000</i>
Six-month period ended 30 June 2015 (Unaudited)			
Segment Revenue:			
Sales to external customers	—	—	—
Segment Results	(4,208)	(1,655)	(5,863)
Reconciliation:			
Interest income			11,737
Corporate and other unallocated expenses			(11,534)
Interest expenses			(4,478)
Loss before tax			(10,138)
Other segment information:			
Write-down of inventories to net realisable value	—	108	108
Depreciation and amortisation	4,208	758	4,966
Corporate and other unallocated depreciation			269
			5,235
Capital expenditure	—	2,364	2,364
Corporate and other unallocated capital expenditure			128
			2,492

	Iron Concentrates RMB'000	Gabbro- Diabase RMB'000	Total RMB'000
Six-month period ended 30 June 2014 (Unaudited)			
Segment Revenue:			
Sales to external customers	—	—	—
Segment Results	(5,863)	(499)	(6,362)
Reconciliation:			
Interest income			8,885
Corporate and other unallocated expenses			(25,525)
Interest expenses			(4,796)
Loss before tax			(27,798)
Other segment information:			
Depreciation and amortisation	4,136	391	4,527
Corporate and other unallocated depreciation			415
			4,942
Capital expenditure	2,153	6,984	9,137

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2015 and 31 December 2014, respectively:

	Iron Concentrates RMB'000	Gabbro- Diabase RMB'000	Total RMB'000
30 June 2015 (Unaudited)			
Segment assets	681,143	114,317	795,460
Corporate and other unallocated assets			594,270
Total assets			1,389,730
Segment liabilities	39,413	30,069	69,482
Corporate and other unallocated liabilities			307,737
Total liabilities			377,219
31 December 2014 (Audited)			
Segment assets	684,587	107,742	792,329
Corporate and other unallocated assets			629,975
Total assets			1,422,304
Segment liabilities	41,943	26,807	68,750
Corporate and other unallocated liabilities			330,905
Total liabilities			399,655

Geographical segment

As the Group had no revenue 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:

	Six-month period ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment	5,150	4,891
Amortisation of prepaid land lease payments	51	51
Amortisation of intangible assets	34	—
Write-down of inventories to net realisable value	108	—

5. FINANCE INCOME/(EXPENSE)

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

	Six-month period ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	11,737	8,885
Interest on bank borrowings	(3,823)	(3,923)
Other borrowing costs	(655)	(873)
Net foreign exchange losses	(402)	(4,993)
Bank charges	(171)	(164)
Finance income/(expense), net	6,686	(1,068)

6. INCOME TAX

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six-month periods ended 30 June 2015 and 2014.

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 2015 and 2014.

	Six-month period ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax – Mainland China		
Charge for the period	–	422
	<u> </u>	<u> </u>

The Group has unrecognised tax losses arising from entity operating in Mainland China of RMB90,616,000 (six-month period ended 30 June 2014: 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 2015 (six-month period ended 30 June 2014: 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 2015 and 2014.

The calculation of basic and diluted loss per share is based on:

	Six-month period ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company,		
used in the basic and diluted loss per share calculation	(10,013)	(28,073)
	<u> </u>	<u> </u>
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during		
the period used in the basic and diluted loss per share calculation	4,000,000	4,000,000
	<u> </u>	<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 2015 and 2014 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. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials and spare parts	3,805	3,979
Semi-finished products	3,172	–
Finished products	6,777	4,797
	13,754	8,776
Inventory provision	(915)	(807)
	12,839	7,969

11. TRADE PAYABLES

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 6 months	476	144
6 months to 1 year	–	45
Over 1 year	217	172
	693	361

12. 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 May 2013, a local court in the PRC issued a verdict to freeze (i) two properties of the plaintiff and (ii) the bank accounts or other assets up to RMB36 million of the Group's subsidiary, pending the outcome of the case. 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 2015. In November 2013, the local court designated an independent firm of quantity surveyors (the "Surveying Company") to assess the value of the construction work that had been completed by the plaintiff. In 2014, the Surveying Company has submitted the assessment to the local court, and a court hearing was held in this respect in April 2015. Both parties have different perspective on the appraised results, and the court is facilitating the negotiation between the parties in respect of the appraised results. Such subsidiary has also filed a counterclaim against the plaintiff regarding the quality issues of the completed construction work. During the Reporting Period, such counterclaim is pending the decision of the relevant court to assess the ratification costs of the completed construction work.

Based on the available information and the advice of the Group's PRC legal counsels on the case, it is anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

- (b) In 2014, a subsidiary of the Group was involved in litigation as a defendant in respect of the costs and damages arising out of the ordinary course of business of the Group. The Group has successfully defended the case in the first hearing. The plaintiff has filed an appeal to the court in November 2014. During the Reporting Period, the Group and the plaintiff reached a settlement agreement and the plaintiff applied to the court to withdraw the prosecution, which has been agreed by the court.

13. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2015, there has been increase in volatility of the exchange rate of RMB, which resulted in an adverse movement in the exchange rate of HKD against RMB. Based on the information available, the Group would recognise further exchange loss from the HKD denominated bank borrowings, which approximate to RMB15.0 million, with a corresponding increase in the Group's interest-bearing bank borrowings.

CHAIRMAN'S STATEMENT

In the first half of 2015, the Group kept exploring different possibilities, including the gabbro-diabase and crushed stone processing operation, which gave fresh impetus to the Group and targets to create favourable conditions at the Yanjiazhuang Mine for its future growth. However, the trial production of iron concentrates at the Yanjiazhuang Mine has not yet resumed.

The management is making every possible effort to resolve the issues with the villages and local government as soon as practicable with the aim of resuming the iron concentrate production in a timely and smooth manner and under an economically viable scale after resolving the local issues and obtaining the necessary consents.

In the first half of 2015, the economic growth in the PRC has been slowing down. Further, with the ongoing environmental and pollution concerns expressed by the PRC government, the persisting oversupply of iron ores and the weak iron concentrate prices, the market environment has posed uncertainties over the development of the Group's iron concentrate business.

The growing concern of the PRC government about, and the importance attached by the PRC government to, environmental protection in Mainland China, especially in Beijing and Hebei Province, could prompt it to further tighten environmental protection policies towards heavily polluting industries. To cope with the potential impacts of such policies on our businesses, I have instructed our management to keep abreast of the latest regulatory requirements and changes and adopt appropriate environmental and other measures from time to time.

Going forward, I believe that the business development of the Yanjiazhuang Mine will continue to be full of challenges under the current operating environment. The Group targets to further expand the infrastructure investment to bring the new gabbro-diabase business to a commercial scale after the pilot products have tested the market. Apart from the above businesses, the Group will cautiously explore mergers and acquisitions opportunities to achieve sustainable development.

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 the first half of 2015, the growth rate of the PRC's gross domestic product was 7%, which was slightly lower than that for last year, signaling a slip in domestic economic growth. International iron ore prices have continued to slide in tandem with a drop in market demand for iron ores due to the persisting oversupply in the international iron ore market and the impact of a slowdown in steel production in Mainland China.

Apart from that, the oversupply of iron ores in the domestic market in 2014 continued through the first half of 2015. Iron ore prices continued to sink and remained fluctuate. In view of the sluggish demand for and falling prices of steel, most of the domestic steel mills took the initiative to scale down their production. Furthermore, steel production output in Mainland China is expected to slow down further and the adjustments brought by the oversupply of iron ores will continue for an extended period, given that the PRC government will further implement measures to optimise the economic structure and restrict or even shut down heavily polluting steel mills with low technology level.

Moreover, in view of the heavy pollution problem in Beijing and its neighbouring areas and the implementation of the new Environmental Protection Law in 2015 by the PRC government, it could be anticipated that environmental policies towards heavily polluting industries, such as mining in Hebei Province, will be further tightened, which might adversely affect our iron concentrate business at the Yanjiazhuang Mine.

Gabbro-diabase is a kind of high-end granite stone building materials used by the construction industry and has quality advantages over other stone materials. However, the property market, particularly the domestic market, takes a conservative approach since the economic growth in China declined further during the first half of 2015. As a result, demand for building materials such as gabbro-diabase and crushed stones saw a decreasing trend. Nonetheless, there are still favourable market factors amid the weakening sentiment. In view of the active implementation of the "One Belt, One Road" initiative and other economic stimuli by the central government, future demand for iron ores and construction-related materials is expected to recover.

BUSINESS REVIEW

During the Reporting Period, the Group kept exploring different possibilities, including the gabbro-diabase and crushed stone business. Through the management's extensive efforts, such as investing in the gabbro-diabase and crushed stone business at the Yanjiazhuang Mine, exploring employment arrangement with local villagers and carrying out studies on possible ways to recruit more villagers, the Group is expecting to build a closer relationship with the local community so as to expedite the land expropriation process. Looking ahead, the management will focus on pushing forward the sale of gabbro-diabase and crushed stones in order to create new cash flow for the Group. Despite the modest progress of investment in the gabbro-diabase and crushed stone business, disputes over land expropriation and local problems have not been fully resolved, thereby preventing the Group from resuming the trial production of iron concentrates at the Yanjiazhuang Mine.

Iron Concentrate Business

During the first half of 2015, disturbances caused by neighbouring villages and their inhabitants to 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, and the trial production of iron concentrates at the Yanjiazhuang Mine has yet to be resumed.

Following the recruitment of talents who are experienced in local affairs to join the management team in 2014, the Yanjiazhuang Mine has gradually established mutual trust and understanding with the neighbouring villages. In addition, the Yanjiazhuang Mine has recruited local villagers to produce crushed stones and gabbro-diabase products in order to create job opportunities for, as well as foster a closer relationship with, the neighbouring areas. This creates the necessary conditions for our next move to resolve the land expropriation issues that have long plagued the Yanjiazhuang Mine.

With respect to the renewal of production safety permit for iron mining, the Group has submitted the required documents to the relevant authorities for approval, and the representatives from the Safety Authority have confirmed the Group's production safety qualification after conducting on-site inspection and assessment. The Group is actively following up on the progress of the permit application and issuance. However, given the deep national concern over pollution, the government authorities would require time to coordinate and arrange the issuance of the permit, and the timing for the Group to obtain the permit could not be reliably anticipated. Furthermore, under the current international and domestic economic conditions, iron concentrate prices remained weak during the Reporting Period which have presented uncertainties over the future development of the Group's iron concentrate business.

The Group aims to resume the operation in a timely and smooth manner and under an economically viable scale after resolving the local issues and obtaining the necessary consents from the Safety Authority and other production related consents. In this respect, the Group will keep abreast of the latest status and renewal progress of licences, keep a close eye on future market development and price trend of iron concentrates, maintain the production and ancillary facilities in reasonably satisfactory conditions, and keep up the high awareness of mine safety and environmental protection measures.

The expansion plans of the Yanjiazhuang Mine were hindered by the disputes arising from land expropriation. During the Reporting Period, the relevant construction works remained suspended. For details, please refer to the section headed "Capital Expenditure and Infrastructure Development".

Gabbro-Diabase Business

During the Reporting Period, the Group has been proactively developing the gabbro-diabase business with a view to creating new cash flow from this new business segment. The Yanjiazhuang Mine has gradually commenced the production of crushed stones and decorative slabs in 2014. During the Reporting Period, approximately 30,000 tonnes of crushed stone products were processed for sale to toll road operators after the pilot products have tested the market. Meanwhile, the Yanjiazhuang Mine was also evaluating the feasibility of selling, and has made preparation for the production of, ballast as high-speed railway paving. During the Reporting Period, the Group did not sell any crushed stones or gabbro-diabase products.

Due to the development of nearby highway infrastructure, demand for crushed stones for highway paving has increased drastically. In order to seize this market opportunity and lay a groundwork for its gabbro-diabase business, the Yanjiazhuang Mine has completed the construction of the new production facility and installed certain mining and processing equipment last year for the production of crushed stones and decorative slabs. During the Reporting Period, to diversify the Group's crushed stone offerings, satisfy the needs of the market and the customers, and expand its crushed stone production capacity, the Group commenced the construction of the second crushed stone production facility at the Yanjiazhuang Mine, which is expected to commence testing in the second half of 2015. Apart from crushed stone processing, the management continued to study the possibility of developing other gabbro-diabase products expanding into other markets. The Group expects to move on to commercial production as soon as its technique and products are accepted by the customers.

Through the scheme to award employees based on their production outputs, the Yanjiazhuang Mine has recruited more local labour force in its processing operation. It offers income source to, and an opportunity for the Yanjiazhuang Mine to further improve its relationship with, local villagers. To explore the gabbro-diabase and crushed stone business, the Yanjiazhuang Mine has also recruited talented sales professionals to expand its local sales team in order to accelerate the establishment of its sales network and customer base. In addition, it conducted exchanges in various aspects with its industry peers with the aim of boosting the productivity and profitability of the gabbro-diabase and crushed stone business.

Following the environmental protection and emission-reducing trends and aiming to build an environmental friendly mine, the Yanjiazhuang Mine has installed environmental protection equipment at the crushed stone production lines and other gabbro-diabase production sites with a view to mitigating the impact of the production process on the neighbouring areas. The Group places a high priority on production safety in respect of its new gabbro-diabase business and makes every effort to provide its staff with a safe working environment.

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

Further discussion of the gabbro-diabase infrastructure developments carried out during the Reporting Period is set out 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 RMB2.5 million, mainly on the construction of the second crushed stone production facility, acquisition of certain mining and processing equipment for gabbro-diabase production and the payments on additions to other facilities at corporate office.

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 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 and the Group did not incur any capital expenditure of the iron concentrate business during the Reporting Period.

Capital expenditure of the iron concentrate business during the six-month periods ended 30 June 2015 and 2014 are indicated below:

	Six-month period ended 30 June	
	2015	2014
	<i>RMB'million</i>	<i>RMB'million</i>
	(Unaudited)	(Unaudited)
Construction costs	—	2.0
Equipment and others	—	0.2
Total	—	2.2

During the Reporting Period, there is no new contract and commitment entered into by the Group for iron concentrate business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment (Nil for Corresponding Prior Period).

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 is constructing the second crushed stone production facility and acquisition of certain mining and processing equipment for the production of decorative slabs.

Capital expenditure of the gabbro-diabase business during the six-month periods ended 30 June 2015 and 2014 are indicated below:

	Six-month period ended 30 June	
	2015	2014
	<i>RMB'million</i>	<i>RMB'million</i>
	(Unaudited)	(Unaudited)
Construction costs	1.3	4.9
Equipment and others	1.1	2.0
Total	2.4	6.9

During the Reporting Period, the new contracts and commitments entered into by the Group for gabbro-diabase business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment amounted to approximately RMB3.0 million (approximately RMB4.2 million for the Corresponding Prior Period).

EXPLORATION ACTIVITIES

During the Reporting Period, the Group did not have any exploration activity nor incur any expense or capital expenditure in that activity at the Yanjiazhuang Mine.

PRODUCTION COSTS OF THE YANJIAZHUANG MINE

Iron Concentrate Business

During the Reporting Period, the Group's iron concentrate production has yet to resume and therefore no production cost of iron concentrates was recorded (Nil for the Corresponding Prior Period).

Gabbro-Diabase Business

During the Reporting Period, the Group did not generate any revenue from gabbro-diabase business and therefore no production cost has been recognised as the cost of sales (Nil for the Corresponding Prior Period).

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 2015 as compared to those disclosed in the annual report 2014 of the Company.

The mining permit of the Yanjiazhuang Mine is valid until 26 July 2017. Taking into consideration that government policies in environmental protection, production safety and other mining-related aspects are constantly affected by pollution and other factors, the Group will continue to closely observe the tendency of these government policies, and timely start the renewal application process for the mining permit of the Group's Yanjiazhuang Mine.

Gabbro-Diabase Resource Estimates

During the Reporting Period, the Group conducted very limited scale of mining activities at the Yanjiazhuang Mine, and the gabbro-diabase ore resources was largely the same as those disclosed in the annual report 2014 of the Company.

Taking into consideration that government policies in environmental protection, production safety and other mining-related aspects are constantly affected by pollution and other factors, the Group will continue to closely observe the tendency of these government policies, and timely start the renewal application process for the mining permit of the Group's Yanjiazhuang Mine.

PRODUCTION SAFETY AND ENVIRONMENTAL PROTECTION

The Group has been placing high attention on production safety and environmental protection. Therefore, the Yanjiazhuang Mine has established a department responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection measures so as to increase the Group's sense of social responsibility and safety awareness. During the Reporting Period, the Yanjiazhuang Mine had no record of significant safety incident.

Considering the deteriorating air quality in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the government will tighten the relevant environmental policies over resources mining, steelmaking, cement production and other high-pollution industries. To cope with the potential policy impact on its business, the Group will keep abreast of the latest regulatory requirements and adopt appropriate environmental measures from time to time to facilitate its operation and production at the Yanjiazhuang Mine.

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

During the Reporting Period, approximately 30,000 tonnes of crushed stone products were processed and preparations for the production of ballast have also been made at the Yanjiazhuang Mine. During the Reporting Period, the Group did not sell any crushed stones or gabbro-diabase products (Nil for the Corresponding Prior Period).

The Group had not resumed the trial production and sale of iron concentrates during the Reporting Period (Nil for the Corresponding Prior Period).

The net loss for the Reporting Period was approximately RMB10.1 million (approximately RMB28.2 million for the Corresponding Prior Period). The loss attributable to owners of the Company amounted to approximately RMB10.0 million (approximately RMB28.1 million for the Corresponding Prior Period). The basic and diluted loss per share for the Reporting Period was approximately RMB0.25 cent (approximately RMB0.70 cent for the Corresponding Prior Period).

The decrease in net loss was mainly attributed to the decrease in administrative expenses, which was caused by the Group's effort to adopt various cost control measures and carry out organisational restructuring last year, and the stabilised foreign exchange movements resulting in a reduced exchange loss for the Reporting Period as compared to the Corresponding Prior Period.

Revenue and Gross Profit

During the Reporting Period, the Group did not sell any crushed stones or gabbro-diabase products (Nil for the Corresponding Prior Period).

The Group had not resumed the trial production and sale of iron concentrates during the Reporting Period (Nil for the Corresponding Prior Period).

Administrative Expenses

Administrative expenses decreased by 36.6% to approximately RMB16.8 million during the Reporting Period, as compared to approximately RMB26.5 million for the Corresponding Prior Period. Since the second half of 2014, the Group has put its effort to adopt various cost control measures and go through an organisational restructuring, which helped to mitigate the administrative expenses.

Finance Income/(Expense)

The Group recorded finance income of approximately RMB6.7 million during the Reporting Period, as compared to finance expenses of approximately RMB1.1 million for the Corresponding Prior Period. The main reasons for such change were the reduction in exchange loss derived mainly from the HKD denominated bank borrowings as a result of the stabilised foreign exchange movements and the increase in interest income from time deposits.

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.

No income tax was recognised during the Reporting Period. During the Corresponding Prior Period, the effective tax rate was -1.5%, 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 2015.

Property, Plant and Equipment

As at 30 June 2015, the Group's property, plant and equipment had a net book value of approximately RMB711.2 million (approximately RMB713.8 million as at 31 December 2014), representing 51.2% (50.2% as at 31 December 2014) of total assets of the Group. The increase was mainly attributable to the construction of the second crushed stone production facility, acquisition of certain mining and processing equipment for gabbro-diabase production and the payments on additions to other facilities at corporate office during the Reporting Period.

Inventories

As at 30 June 2015, the Group's inventories amounted to approximately RMB12.8 million (approximately RMB8.0 million as at 31 December 2014). The 60% increase was a result of the production of crushed stones and the preparation for the production of ballast at the Yanjiazhuang Mine during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB564.8 million (approximately RMB600.7 million as at 31 December 2014), of which 99.2% denominated in RMB and 0.8% denominated in HKD (99.5% denominated in RMB and 0.5% denominated in HKD as at 31 December 2014), representing 40.6% (42.2% as at 31 December 2014) of total assets of the Group. In addition, the Group's restricted bank balances were approximately RMB1.2 million as at 30 June 2015 and 31 December 2014, further details of which are set out in "Contingent Liabilities" section.

The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB273.0 million (approximately RMB285.1 million as at 31 December 2014). The liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.7 as at 30 June 2015 and 31 December 2014.

During the Reporting Period, the Group paid approximately RMB4.3 million (approximately RMB13.6 million for the Corresponding Prior Period) for the settlement of the Group's addition of items of property, plant and equipment and intangible assets.

CAPITAL STRUCTURE AND GEARING RATIO

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

As at 30 June 2015, the total equity of the Group amounted to approximately RMB1,012.5 million (approximately RMB1,022.6 million as at 31 December 2014).

As the Group had net cash position of approximately RMB273.0 million and RMB285.1 million as at 30 June 2015 and 31 December 2014, respectively, it is therefore not considered to have any gearing as at these dates.

LOANS, INDEBTEDNESS AND MATURITY DATE

As at 30 June 2015, the Group's HKD denominated bank borrowings amounted to HK\$370.0 million (equivalent to approximately RMB291.8 million) (As at 31 December 2014: HK\$400.0 million, equivalent to approximately RMB315.6 million). The bank borrowings were all unsecured and carried interest at floating rates. Maturity of bank borrowings was subject to the banks' overriding right of repayment on demand. As at 30 June 2015, 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 approach takes into consideration of 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's 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, the majority of the Group's assets and liabilities are denominated in RMB. Therefore, the Group currently does not have a foreign currency hedging policy.

As of 30 June 2015, certain cash and bank balances were denominated in HKD and USD and the bank borrowings were denominated in HKD. Attributed to the stabilised foreign currency movements of HKD against RMB during the Reporting Period, the Group recognised a reduced exchange loss of approximately RMB0.4 million from the HKD denominated bank borrowings (approximately RMB5.0 million for the Corresponding Prior Period). Subsequent to 30 June 2015, there has been increase in volatility of the exchange rate of RMB and thereby increasing the Group's exposure to foreign currency fluctuation. The Group will continue to monitor its foreign currency risk by closely observing the movement in the foreign currency exchange rates, and the recent movement in the exchange rate of RMB is not expected to pose significant risk on the liquidity and financial position of the Group.

CAPITAL COMMITMENTS

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	<u>61,725</u>	<u>61,210</u>
Authorised, but not contracted for:		
– Property, plant and equipment	381,416	384,423
– Resource fees	<u>500,000</u>	<u>500,000</u>
	<u>881,416</u>	<u>884,423</u>
Total	<u>943,141</u>	<u>945,633</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 May 2013, a local court in the PRC issued a verdict to freeze (i) two properties of the plaintiff and (ii) the bank accounts or other assets up to RMB36 million of the Group's subsidiary, pending the outcome of the case. 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 2015. In November 2013, the local court designated an independent firm of quantity surveyors (the "Surveying Company") to assess the value of the construction work that had been completed by the plaintiff. In 2014, the Surveying Company has submitted the assessment to the local court, and a court hearing was held in this respect in April 2015. Both parties have different perspective on the appraised results, and the court is facilitating the negotiation between the parties in respect of the appraised results. Such subsidiary has also filed a counterclaim against the plaintiff regarding the quality issues of the completed construction work. During the Reporting Period, such counterclaim is pending the decision of the relevant court to assess the ratification costs of the completed construction work.

Based on the available information and the advice of the Group's PRC legal counsels on the case, it is anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

- (b) In 2014, a subsidiary of the Group was involved in litigation as a defendant in respect of the costs and damages arising out of the ordinary course of business of the Group. The Group has successfully defended the case in the first hearing. The plaintiff has filed an appeal to the court in November 2014. During the Reporting Period, the Group and the plaintiff reached a settlement agreement and the plaintiff applied to the court to withdraw the prosecution, which has been agreed by the court.

EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2015, there has been increase in volatility of the exchange rate of RMB, which resulted in an adverse movement in the exchange rate of HKD against RMB. Based on the information available, the Group would recognise further exchange loss from the HKD denominated bank borrowings, which approximate to RMB15.0 million, with a corresponding increase in the Group's interest-bearing bank borrowings.

The exchange loss may have a substantial negative impact to the results of the Group for the year ending 31 December 2015.

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 in order to achieve sustainable development in the long run.

EMPLOYEES AND REMUNERATION POLICIES

The Group		30 June 2015
Number of employees		174
Type	Number of employees	Approximate percentage to the total number of employees
Production, sale and operation	89	51
Management and administrative support	85	49
Total	174	100

As at 30 June 2015, the Group had a total of 174 (as at 31 December 2014: 200) full-time employees in Hong Kong and Mainland China (excluding workers under the reward scheme based on production outputs and workers of the independent third-party contractors engaged in mining and hauling works). In the Reporting Period, the Group further adjusted its organisational structure for the purpose of making better alignment with its business development and changes. Certain employees had job rotation and adjustments while some of the employees had left the Group upon the expiry of their contracts or for other reasons. As a result, the Group managed to reallocate its human resources and the number of full-time employees decreased during the Reporting Period.

The Group formulates its human resources allocation 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 programmes 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. As at 30 June 2015, the application of the net proceeds raised from the Listing of the Company is set out as below.

	Net proceeds from the Listing		
	Revised use of proceeds* <i>RMB'million</i>	Utilised <i>RMB'million</i>	Unutilised <i>RMB'million</i>
Three-phase expansion plan of the Yanjiazhuang Mine	368	154	214
Payment of resource fees	95	—	95
Development of the gabbro-diabase business	173	87	86
Repayment of shareholders' loans	105	105	—
Working capital	32	32	—
General working capital, acquisitions and financial management	279	127	152
	<u>1,052</u>	<u>505</u>	<u>547</u>

* In March 2014, the Board approved the change in application of the unutilised net proceeds raised from the Listing of the Company.

OUTLOOK AND FUTURE PLANS

Notwithstanding the local issues and uncertainties surrounding the international and domestic economic environment and their challenges and obstacles to the Group's business development, the management remains positive and keeps exploring different possibilities at the Yanjiazhuang Mine. The Group is progressively increasing its investment in the gabbro-diabase business with a view to bringing this new business segment to a commercial scale. In respect of crushed stones and gabbro-diabase products, the management will actively develop new products and consider expanding into other markets in order to acquire more experience in production and sale and enlarge its customer base so as to expand the scale of the gabbro-diabase business in a steady and economically viable manner.

For the iron concentrate business, the Group will use its best efforts to maintain amicable communications with the local government and neighbouring villages so as to resolve the disputes over land expropriation and external problems hindering the iron concentrate production at the Yanjiazhuang Mine as soon as practicable, and to resume the production in a timely manner. However, the Group noticed that the weak iron concentrate prices and the impacts of various government policies have brought uncertainties to the iron concentrate business. The Group looks forward to resuming the operation in a timely and smooth manner and under an economically viable scale after resolving the local issues and obtaining the necessary consents from the Safety Authority and other production related consents.

Regarding the permits, the tightening national requirements towards heavily polluting industries, such as mining, in recent years have posed greater difficulties to the Yanjiazhuang Mine in applying for and renewing its permits. Moreover, the government is exerting increased control over the issuance of permits. This, together with the adjustment of policies, has caused delays in the approval and issuance of certain permits, including production safety permits, in relation to the Group's operation at the Yanjiazhuang Mine. The Group will continue its communications with the relevant government authorities to facilitate the renewal and issuance of the production safety permits. In addition, the Group will pay close attention to the relevant requirements of the environmental protection, production safety and other government policies in the PRC concerning heavily polluting industries in order to arrange for the application and renewal of relevant permits at appropriate times and allow the Group to have a better understanding of their impacts on its business development.

Apart from the above businesses, the Group will cautiously explore mergers and acquisitions opportunities in order 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 other business engagements, two non-executive Directors were unable to attend the AGM held on 21 May 2015 (the "2015 AGM").

Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGMs. Due to other business engagements, the chairman of the Board, was unable to attend the 2015 AGM. A non-executive Director, who acted as the chairman of the 2015 AGM, together with other members of the Board who attended the meeting, were of sufficient calibre for answering questions at the 2015 AGM.

Following the retirement of Mr. Wu Wai Leung, Danny as an independent non-executive Director and ceased to be a member of the Audit Committee at the conclusion of the 2015 AGM, the Board comprised a total of two executive Directors, four non-executive Directors and two independent non-executive Directors, which fell below the minimum number of independent non-executive directors required under Rules 3.10(1) and 3.10A of the Listing Rules and fell below the minimum number of members of the Audit Committee required under its terms of reference and Rule 3.21 of the Listing Rules. Upon the appointment of Mr. Shin Yick, Fabian as an independent non-executive Director with effect from 14 August 2015, the Company has complied with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

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 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. Shin Yick, Fabian, having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in legal, business, investment 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 2015 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
“Audit Committee”	the audit committee of the Company
“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 2014
“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
“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 2015
“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)
“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礦), an iron ore and gabbro-diabase 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 August 2015

As at the date of this announcement, the executive Directors are Mr. Li Changfa and Mr. Luk Yue Kan; the non-executive Directors are Dr. Cheng Kar Shun, Mr. Lam Wai Hon, Patrick, Mr. Cheng Chi Ming, Brian and Mr. Wu Wai Leung, Danny; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Shin Yick, Fabian.