



新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Environmental, Social and
Governance Report
2016



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Introduction

Newton Resources Ltd (the “Company”, and together with its subsidiaries, collectively the “Group”) is pleased to present its Environmental, Social and Governance Report 2016 (the “Report”). This is the first time that the Group prepares the Report in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”). The Report covers the Group’s overall performance, commitment and strategies in four main areas, namely, working environment, environmental protection, operation practices and community investment, during the year ended 31 December 2016 (“Reporting Period”). Information about our corporate governance is not included in the Report as it has been disclosed in our Annual Report 2016 in compliance with Appendix 14 to the Listing Rules. Data and information disclosed herein are compiled from documents or internal statistics provided by different business units and departments of the Group.

Mission and Vision

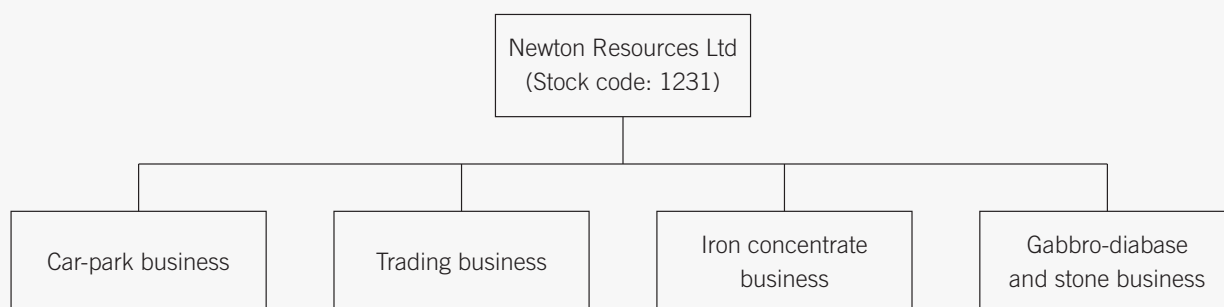
As a company listed on the main board of the Stock Exchange, the Group is committed to improving its business performance and generating economic benefits and shareholders’ returns while upholding good corporate values and fulfilling its social responsibilities in balancing the interests among stakeholders, with a view to pursuing sustainable development of corporation and business.

The Group is primarily engaged in the iron concentrate business, gabbro-diabase and stone business, trading business, as well as car-park business. The Group strives to develop a harmonious and environmental friendly mine, where it builds a safe workplace for stakeholders. The Group has been pragmatic in calibrating our business strategies to explore the right opportunities for a new boost to our corporate development and new income sources. We aim at bringing long-term returns and maximising value for our shareholders.

Business Overview

The Report covers information about the Group’s offices and various operations of its major subsidiaries in Hong Kong and the People’s Republic of China (the “PRC”).

Main Business Structure*



* For illustration purpose for the Report only.

Business Overview *(Continued)*

During the Reporting Period, while the Group was pursuing its business promotion for highway crushed stone and railway ballast progressively, one of our PRC subsidiaries (“PRC Subsidiary”) received a notice from the local environmental protection authority that it was required to upgrade the environmental protection measures of the production facilities of highway crushed stone and railway ballast at the iron and gabbro-diabase mine in Yanjiazhuang (the “Yanjiazhuang Mine”) (the “Environmental Upgrade”). However, inclement weather took place in Hebei Province afterwards and caused floods and landslides in the region (the “Disaster”) and the originally planned Environmental Upgrade compelled to be postponed, the production was forced to be suspended again and our iron concentrate business and gabbro-diabase and stone business were hampered. In light of the situation, the Group proactively diversified its business and successfully commenced the trading business and car-park business during the Reporting Period.

Stakeholders' Communication

The Group would like to illustrate through the Report, to its stakeholders, the situation and performance in terms of sustainable development, whilst demonstrating its works and efforts in working environment, environmental protection, operation practices and community investment. Apart from the Report, the Group also utilises different channels to help stakeholders, such as investors and shareholders, employees, customers, suppliers and business partners, as well as the community and the public, to better understand its business conditions in order to foster closer communication.

Stakeholders	Communication channels	Our commitments
Government	<ul style="list-style-type: none">• Regular/irregular meetings• Official letter• Site visits with government officials	All daily business operations are in compliance with local laws and regulations as far as practicable. We forge communication with the government to understand and cater to the local authorities' policy direction and community needs.
Investors and shareholders	<ul style="list-style-type: none">• Financial reports• Announcements• Designated investor hotline and email• General meeting (at least once every year)	We comply with the Listing Rules and other applicable laws and regulations, with timely announcement of corporate updates. We constantly improve our corporate governance and risk control levels, as well as operation efficiency and results, to enhance corporate value in the long-run, and to bring long-term and stable returns for investors and shareholders.
Employees	<ul style="list-style-type: none">• Staff gathering• Corporate training• Performance appraisal	We provide a safe and respected working environment for all levels of employees. We prohibit any forms of discrimination and ensure that our employees receive fair promotion opportunities. A sound training system is built to help our employees to obtain the industry skills and knowledge required, thereby supporting their long-term and healthy career development.
Customers	<ul style="list-style-type: none">• Customer meetings• Periodic follow up by account officers• Customers' feedback collection	We endeavour to maintain a close communication with customers and understand their needs, whilst improving service quality. We respect and protect customers' privacy, safeguarding them from unnecessary losses.

Stakeholders' Communication *(Continued)*

Stakeholders	Communication channels	Our commitments
Suppliers and business partners	<ul style="list-style-type: none"> • Procurement meetings • Regular contacts by procurement officers • Suppliers' feedback collection 	We establish a comprehensive procurement system pursuant to which an assessment on suppliers and business partners is carried out to monitor business risks. We extend offers with fair and reasonable terms to suppliers and business partners for a long-term and closer relationships, facilitating growth together along the supply chain.
Community and the public	<ul style="list-style-type: none"> • Corporate website • Announcements • Occasional visits, community meetings or other community activities 	We are dedicated to fulfill our corporate social responsibilities and uphold the principle of "giving back to the society". We aim at raising employees' awareness and building values, communicating with the community, and contributing for the society and environment through donations and organising other activities.

Environment

The Group recognises the importance of balance between business development and environmental protection and is committed to reducing the negative impact of its operations on the environment and natural resources. We have adopted a series of environmental measures to mitigate the pollution and damage arising from our daily operations.

Iron Concentrate Business and Gabbro-diabase and Stone Business

The Group's iron concentrate business and gabbro-diabase and stone business in Hebei Province continued to be suspended in the Reporting Period; hence, there were no material direct emission of exhaust gas or greenhouse gas, discharges into water or land, or generation of other hazardous or non-hazardous pollutants.

The PRC government has been implementing more stringent requirements and standards regarding environmental protection and production safety towards mining and other heavy polluting industries. As such, the Group needs to allocate more resources in these aspects in order to comply with the requirements newly adopted by the PRC government. During the Reporting Period, while the Group was pursuing its business promotions for highway crushed stone and railway ballast progressively, the PRC Subsidiary received a notice from the local environmental protection authority that it was required to arrange the Environmental Upgrade for the production facilities of highway crushed stone and railway ballast at the Yanjiazhuang Mine. However, certain roads in Yanjiazhuang area and other safety facilities were damaged by the Disaster so that the PRC Subsidiary was temporarily not able to carry out its production as usual and causing the originally planned Environmental Upgrade to be postponed.

Trading Business and Car-park Business

The Group's trading business primarily involved the supply and sales of commodities (iron ore) during the Reporting Period. There is emission of exhaust gas and greenhouse gas during the transportation process. Since the development of trading business is only at the beginning stage, the Group will consider the collection of information regarding gas and pollutant emission in order to explore the viable measures for environmental protection.

Regarding the Group's car-park business, which primarily refers to car-park operation in a commercial building in Hong Kong during the Reporting Period, no material direct emission was recorded.

Environment *(Continued)*

General Administration

As regards to the use of resources in office, the Group is committed to mitigating, through enhancing efficiency and implementing environmental initiatives, its indirect, negative impact on the environment from operation. We promote green office management in a number of ways, such as waste reduction, energy saving, and indoor air quality improvement. The Group has provided relevant guidance to all Hong Kong employees so as to raise their awareness on environmental protection. Our staff are encouraged and required to protect the environment and reduce consumption of resources. In addition, the Group will review the implementation of these control measures from time to time, and consider improving measures on enhancing efficiency of the use of resources and energy, thereby achieving the objectives of energy saving, emission and pollution reduction and environmental protection.

During the Reporting Period, there is no material direct emission recorded, and the Group implemented green office management in Hong Kong office by adopting the following measures:

1. Vigorously creating “paperless” office by encouraging the use of electronic documents, double-sided printing and recycling paper to reduce paper printing and consumption;
2. Keeping record of stationery and equipment with a registration system to encourage employees to treasure resources;
3. Repairing damaged or obsolete electronic devices, or donating them to other organisations as to extend its life span and reduce electronic waste;
4. Adopting classification of recyclable waste, including paper, metal and plastic, according to the arrangement of the office building’s property management company;
5. Partly adopted the use of LED lighting system;
6. Limiting air-conditioning hours according to the requirement by the office building’s property management company;
7. Displaying notices at prominent positions near the switches of lighting system, reminding staff to turn off the main switch before leaving offices and/or during weekend/long holidays to conserve power;
8. Maintaining the temperature of the air-conditioner at a suitable level, cleaning the air-conditioner and ventilation equipment regularly to conserve power;
9. Promoting the use of telephone or video conferencing system for Directors’ and employees’ communication to decrease the frequency of business trips;
10. Encouraging employees to bring their own utensils for lunch as to reduce waste;
11. Purchasing eco-friendly products, such as recyclable papers, pens with changeable parts, recyclable toner cartridges, office electronic appliances with Energy Efficiency Label, and furniture and fixtures that are made with eco-friendly materials.
12. Providing smoke-free workplace as to achieve optimal indoor air quality.

During the Reporting Period, there was no material breach of environmental laws and regulations by the Group.

Employment and Labour Practices

The Group formulates its human resources allocation and executes recruitment plans based on its development strategies. 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 so as to keep the Group competitive.

Employment

The Group has a comprehensive personnel management system which is prepared (subject to geographical locations) in accordance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other applicable laws, as well as industry practices. The system covers recruitment, rank management, remuneration, training, confidentiality and other areas. At the same time, the Group has provided its staff with employees' induction guidance, together with other documents and information related to the system, setting forth details about its employment policies, employees' benefits and rights, working hours and holidays, staff responsibility, code of conduct and occupational safety and health. We ensure that our employees are clear about their own rights and responsibilities as they will comply with the system and carry out their work legally, in order to safeguard the interest of both parties.

The Group determines the reasonable remuneration packages of its staff by considering the employees' job nature, experience, the Company's performance and market trend, before evaluating work performance. Adequate promotion opportunities will be offered to employees with outstanding performance.

Save as the above remuneration and employment system, the Group also ensures that its staff receive fair treatment and are protected from any discrimination of gender, race, religion, age, marital and family status, disability and any other forms, or denial of any benefits.

In addition, a competitive remuneration package system has been in place to attract and retain employees, including basic salary and overtime pay, staff benefits such as mandatory provident fund, insurance, statutory holidays and additional annual leaves, sick leaves, various allowances and severance payment. Discretionary bonuses and other rewards will be given to employees with the Group's consideration on work performance, financial performance and market conditions.

Based on the local laws and industry practice, the Group also pays for certain employees' social insurance, housing provident fund, business insurance and supplemental medical insurance.

Employment and Labour Practices *(Continued)*

Employment *(Continued)*

During the Reporting Period, the Group offered the following insurance and benefits to its employees:

Hong Kong

Medical insurance
Mandatory provident fund
Employees' compensation insurance
Maternity/Paternity leave with pay
Severance payment/Long service payment

The PRC

Endowment insurance
Medical insurance
Accident insurance
Unemployment insurance
Work-related injury insurance
Childbirth insurance
Housing provident fund

Our human resources strategy guides how we identify and attract diverse talents. Our recruitment and development programmes are focused on fostering diversity and inclusion – which are part of our values at the highest level. While helping to boost the local economy through employment, we strive to achieve a better balance of nationalities and ethnic origins, and increase the representation of women in our operations. Fair and adequate promotion opportunities are in place for employees of different background or other status as we believe that each of our employees brings a unique set of skills, knowledge and perspectives to, thereby contributing to the development of, the Group as a whole.

There was no material non-compliance circumstance in relation to applicable employment laws and regulations noted by the Group during the Reporting Period.

Occupational Health and Safety

We formulate relevant safety guidelines specific for different working environment.

Iron Concentrate Business and Gabbro-diabase and Stone Business

A department responsible for production safety and management was established at Yanjiazhuang Mine. This department has been consistently promoting safety standards and strengthening environmental protection measures so as to raise the safety awareness on the staff of the Group. Production safety has been stressed to protect life and property of the state, enterprises and employees. Production safety is regulated from the perspectives of safety of people, equipment and environment in a macro sense. Responsibilities of departments and employees in production safety are also regulated to ensure relevant approaches are properly executed.

Car-park Business

Vehicle traffic is heavy in car-parks and thus creating certain safety risks in workplace. In light of this, in addition of setting guard posts in the car-parks, we have also placed clear and noticeable signs and equipment in the car-parks, including retro-reflective safety signs, wide-angle mirrors, etc. Periodic checks are carried out as we will repair or replace the pieces whenever any damage condition is discovered, in order to reduce the likelihood of accidents.

Employment and Labour Practices *(Continued)*

Occupational Health and Safety *(Continued)*

General Administration

Besides workplace safety, the Group also cares about the physical and mental health of its staff. We organise staff activities regularly to strengthen the sense of belonging and help maintain work-life balance.

The Group understands the importance of creating a healthy and safe working environment for protecting the employees' well-being. We have prepared and implemented a series of work health and safety guidelines with reference to relevant regulatory requirements. In addition to such internal guidelines, we have also engaged a third party to promote work hygiene, occupational health and safety in the Company. The Group arranges regular carpet sanitising and disinsection for provision of a clean workplace. Different forms of body check and medical insurance are included in staff remuneration packages to protect employees' health. We also participate in fire drill in our office building, partner with other organisations to provide employees with seminars and information regarding safety, and hire third-party organisations to perform formaldehyde check in workplace.

During the Reporting Period, the Group had no significant safety issues and injuries.

Development and Training

The Group attaches high importance to attraction and retention of talents. We, based on our business development principles and needs, invite professionals and those with management expertise to optimise our structure of human resources. We believe it is vital to nurture talented staff. As such, we encourage our employees to join internal or external training programmes while subsidies are also available, in order to improve their quality, qualifications, skills, professional know-how and work efficiency for long-term growth. We offer adequate promotion opportunities within the Group to develop employees with potential and good working performance into senior roles in the Group.

During the Reporting Period, the Group encourages its employees to receive training that is suitable to their job nature and caters to the needs of obtaining certain professional qualifications, such as seminars and training for different professional knowledge. There is also provision of training in business management, project management, communication and presentation skills, and other areas. We coordinate external seminars and provide reading materials regarding the latest Listing Rules and relevant laws and regulations to our Directors, so as to enhance their corporate governance knowledge and sense of responsibility to the Company.

The Group is also committed to understanding the needs of its employees and their views towards the working environment and career goal with the aim of growing together.

Labour Standards

The Group is convinced that a safe, efficient and appropriate working environment and sound labour policies are essential to safeguarding our most valuable assets – employees. The Group has formulated internal human resources guidelines and labour system, which are in strict compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and make reference to international labour standards. All recruitment procedures and promotion mechanisms are monitored and implemented by the Group's human resources department.

During the Reporting Period, the Group had not employed any child labour or forced labour or been involved in any discrimination of race, religion, age or disability.

Supply Chain Management

The Group values integrity and reputation in selecting suppliers. Besides being cost-conscious, serious consideration of product quality and track record is also taken into account prior to placing orders to suppliers. We only select suppliers with good reputation and business record. Through a comprehensive supply chain management system, we closely monitor our daily operations and ensure all control measures are in compliance with local laws.

During the Reporting Period, the suspension of production at Yanjiazhuang Mine hindered our iron concentrate business and gabbro-diabase and stone business. Therefore, our suppliers are mainly for trading business and from overseas and Hong Kong.

The Group will build a database to record suppliers' performance. Upon receiving products and services from suppliers, we will conduct assessment according to our supplier management guidelines on whether they fulfill the terms under procurement contracts. We will report the results in due course and replace the suppliers if their products and services do not meet our demand or expected standards.

While the Group closely monitors its supply chain management system, it strives to maintain good relationships with its suppliers. We have been emphasised on building friendly and long-term relationships with suppliers and contractors with a view to growing together. The Group offers with suppliers fair and reasonable terms based on industry condition. It undertakes not to squeeze them for reducing procurement costs in sacrifice of product or service quality to be provided. We also carefully review procurement contracts and prohibit suppliers from winning orders through any form of interest transfer.

As part of our efforts in promoting sustainable business practices and environmental awareness, we are studying and contemplating various options to enhance collaboration with our suppliers and business partners to develop common approaches to reinforce environmental management, which includes setting reasonable benchmarks, and minimising impacts of resources, water and energy use, emissions, and solid and hazardous waste. During our business processes, we identify possible environmental and social risks with suppliers (such as indirect emissions of exhaust gas and greenhouse gas in the course of trading operations), and we will take feasible measures to mitigate such risks in the supply chain (including choosing of the best transportation routes or finding of new, better and more efficient ways to use resources).

Product Responsibility

The Group attaches great importance to the quality of services and corporate reputation to ensure good product and service quality through internal control and avoid leakage of personal data of customers. As regards to trading business, we have established a sales management system to monitor the sales process. By identifying customers' requirements on our products, we negotiate with them on prices, quantity, quality and delivery schedule prior to entering into sales contracts. Subsequently, we will follow up the delivery process to ensure that our products fulfill the terms under the sales contracts. We will collect customers' feedback through various communication channels before, during and after the delivery processes. Customers' feedback is used as the benchmark to evaluate our quality assurance system and we will take rectification measures when needed.

During the Reporting Period, the Group had received no complaint or damage claim for poor product and service quality, nor had the Group been involved in any incident relating to product responsibility in health and safety, advertising and labelling that had a significant impact on the Group.

Anti-corruption

The Group adheres to “honest operation” and is devoted to create a working environment of integrity. The Group takes a zero tolerance approach to any corruption, bribery, extortion, fraud and money laundering behaviour. Code of conduct, and other terms of anti-corruption, anti-bribery and conflict of interest are clearly set out in all employment contracts and employee handbooks to ensure that our Directors and employees comply with relevant anti-corruption laws and moral standards. Staff behaviour (for Directors and other employees) is bound by these terms with a view to avoiding any violation. In case of any corruption or fraud, we will promptly conduct an investigation and report to management.

We also have the Whistleblowing Policy and encourage our employees to report any corruption as we aim at protecting their and the Group’s interests.

We review our internal control mechanism regularly to enhance our governance level. For more information about the Group’s corporate governance, please refer to pages 26 to 46 of the Company’s Annual Report 2016 and corporate website at www.newton-resources.com.

During the Reporting Period, no incident of corruption, bribery, extortion, fraud and money laundering involving the Group and its employees was noted.

Community Investment

The Group embraces corporate social responsibilities and the giving back to society. It strives to raise employees’ awareness of caring for the community and people, with a view to building good corporate culture.

During the Reporting Period, the PRC Subsidiary had to cope with new demands from local villagers at the Yanjiazhuang Mine due to the Disaster. In order to foster the local villagers to resolve the local matters in an agreeable manner, the management of the PRC Subsidiary devised a preliminary proposal that, by allowing the local villagers to participate in mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the performance of the iron concentrate business (when resumed). Such proposal is however still subject to further negotiations and finalisation between the management of the PRC Subsidiary and the local village representatives and the local authorities.

Community Investment *(Continued)*

Meanwhile, the Group proactively organised and participated in various community activities during the Reporting Period:

- We plant trees from time to time in order to protect the eco-system of the Yanjiazhuang Mine area. During the Reporting Period, a total of 9,000 trees were planted. The Group aspires to help preserve the eco-system and raise the environmental awareness of our employees.
- We created job opportunities in the region by hiring local villagers at the Yanjiazhuang Mine for crushed stone, railway ballast and gabbro-diabase production. We also aim at improving the relationship between the Group and the region through these initiatives, taking an important step to join hands to establish a common development goal.
- We donated certain amounts to the local villages in Hebei Province for supporting local disaster relief works.
- To support environmental protection, we encouraged our Hong Kong staff to participate in the red packet recycling activity organised by the property management company of the office building and Greeners Action.
- We donated certain amounts to a charitable organisation in Hong Kong.

The Group will continue to cooperate with more organisations and institutions to provide them with more support, thereby making greater contribution to the society.

Feedbacks

Should there be any queries or feedback on the Report and its contents, we welcome stakeholders to share with us through the following channels:

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