



新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231



2017

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
REPORT





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Introduction

Newton Resources Ltd (the “Company”, “We” and together with its subsidiaries, collectively the “Group”) is pleased to present its environmental, social and governance report 2017 (the “Report”). 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 (the “Stock Exchange”) (the “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 2017 (the “Reporting Period” or “FY 2017”). Information about our corporate governance is not included in the Report as it has been disclosed in our annual report 2017 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.

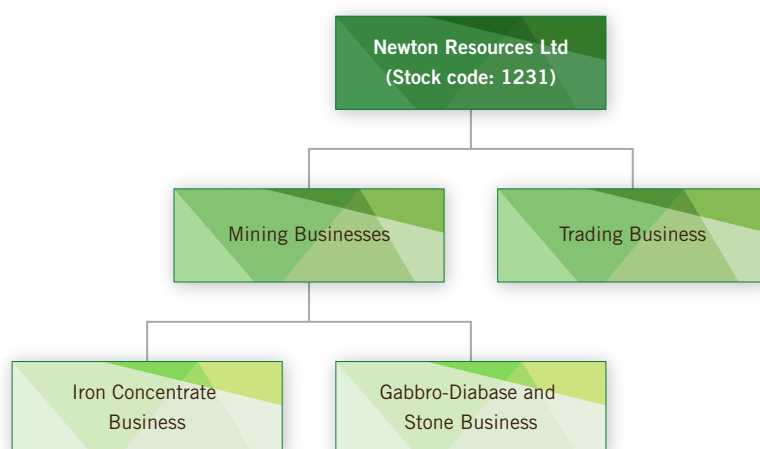
Mission and Vision

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 principally engaged in two businesses, namely, the Trading Business of iron ore, other commodities and construction materials and the Mining Businesses at the open-pit iron and gabbro-diabase mine located in Yanjiazhuang Mining Area, Hebei Province, the People’s Republic of China (the “PRC”) (the “Yanjiazhuang Mine”) (i.e. the Iron Concentrate Business and the Gabbro-Diabase and Stone Business), while it continues to explore new businesses and investment opportunities with an aim to enhance its income stream and cash flows. The Group, through Lincheng Xingye Mineral Resources Co., Ltd. (the “Xingye Mining”), an indirect non-wholly owned subsidiary of the Company, owns and operates the Yanjiazhuang Mine. As a socially responsible enterprise, we endeavor to develop the mine in a harmonious and environmental-friendly manner and focus on creating a safe working space for the 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 PRC.



(For illustration purpose in the Report only.)

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 government bodies, 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 bodies	<ul style="list-style-type: none"> Regular/irregular meetings Official letters Site visits with government officials 	Daily business operations are in compliance with local laws and regulations as far as practicable; forge communication with the government bodies 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) 	Comply with the Listing Rules and other applicable laws and regulations, with timely announcement of corporate updates; 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.



Stakeholders' Communication *(Continued)*

Stakeholders	Communication channels	Our commitments
Employees	<ul style="list-style-type: none"> • Notice boards • Staff gathering • Corporate training • Performance appraisal 	Provide a safe and respected working environment for all levels of employees; 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 support 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 	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.
Suppliers and business partners	<ul style="list-style-type: none"> • Procurement meetings • Regular contacts by procurement officers • Suppliers' feedback collection 	Establish a comprehensive procurement system pursuant to which an assessment on suppliers and business partners is carried out to monitor business risks; extend offers with fair and reasonable terms to suppliers and business partners for 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 	Dedicated to fulfil our corporate social responsibilities and uphold the principle of "giving back to the society"; 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 mitigating the waste of natural resources. We have adopted a series of environmental measures to mitigate the potential environmental pollution and impacts 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 at the Yanjiazhuang Mine remained suspended in the Reporting Period.



Environment *(Continued)*

Iron Concentrate Business and Gabbro-Diabase and Stone Business *(Continued)*

In line with the general trend in the policy for environmental protection and emission reduction in China and with the purpose of constructing an environmental friendly mine and enhancing the utilisation rate of ore resources, the Group installed environmental protection structures at the production facilities and other sites at the Yanjiazhuang Mine so as to mitigate any adverse impact on surrounding area during the production process.

In 2016, Xingye Mining received a notice from the environmental protection authority (the “EPA”) requiring it to carry out an upgrade of environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine as required by the EPA (the “Environmental Upgrade”). Although the management of Xingye Mining has been developing a preliminary plan for the Environmental Upgrade, inclement weather took place in Hebei Province, the PRC in late July 2016, causing floods and landslides in the region as well as life and economic losses and business disruption (the “Disaster”), and forcing the originally planned Environmental Upgrade to be postponed. Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to attain the requirements for the Environmental Upgrade and shall then arrange for an on-site inspection by the EPA of the environmental protection measures at the Yanjiazhuang Mine.

Considering the hazy weather in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the PRC authorities are prompted to further tighten the relevant environmental policies towards heavily polluting industries, such as mining.

During 2017, the Group commenced the application for the renewal (the “Renewal”) of the mining permit (the “Mining Permit”) of Xingye Mining in respect of iron ore and gabbro-diorite at the Yanjiazhuang Mine, which is still in progress. The management of Xingye Mining has been exploring various options and negotiated with the relevant government authorities regarding the Renewal. One of these options is to adjust and narrow down the Yanjiazhuang Mine area so as to preserve the nature reserves area in the region and to positively respond to the PRC government’s direction and development of ecology and environmental policies, while this may help Xingye Mining to reduce its remaining resources fee payable in relation to gabbro-diorite. Such proposal together with the government’s domestic development plan triggered the forestry ecology planning covering the Yanjiazhuang Mine area (the “Land Use Adjustment”), which become one of the steps for the Renewal of the Mining Permit. The management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and approval process regarding the Land Use Adjustment. The Group is still waiting for approval on Land Use Adjustment which is being liaised among various government authorities.



Environment *(Continued)*

Iron Concentrate Business and Gabbro-Diabase and Stone Business *(Continued)*

In 2018, there are several developments in the environmental protection policies in China, which are perceived to be less favourable to the mining industry, especially the open-pit mines. The PRC government has recently launched a series of environmental protection measures such as the Administrative Measures for Soil Environment of Land for Industrial and Mining Use (for Trial Implementation) which, among others, require the implementation of soil, water, environmental and pollution related self-monitoring system and record-filing system. Moreover, in June 2018, the PRC government announced a three-year plan to improve the overall air quality in the Beijing-Tianjin-Hebei region and some other areas with hazy weather. This plan shall put emphasis on the control from sources of pollution, enhancement of measures to eliminate the over-capacity in polluting industries (including the open-pit mines) and adoption of scientific and innovative environmental monitoring modules so as to achieve further reduction of pollution as the goal. Apart from the above, Hebei Province is one of the regions in the PRC where its government authorities had commenced the scheme to revisit those enterprises that were already under environmental monitoring measures in mid-2018. In view of these new requirements and focus on the environmental protection by the PRC government and the direction of its policies and measures, it can be anticipated that the Group will be experiencing more stringent environmental protection requirements and Xingye Mining may have to further adjust its businesses, facilities and measures to catch up with the difficult operating environment of the mining industry before a smooth operation at the Yanjiazhuang Mine could be resumed.

To cope with the potential impact of these policies on the businesses, the Group will keep abreast of the latest regulatory requirements and changes, and adopt appropriate environmental and other measures from time to time to facilitate the resumption of operation and production at the Yanjiazhuang Mine. As discussed above, apart from the measures already implemented or being taken by Xingye Mining such as the Environmental Upgrade and other precautions measures as appropriate, Xingye Mining shall further evaluate the impacts of the new PRC environmental laws and regulations and the requirements therein in order to get prepared for and have the appropriate procedures in place so as to satisfy the current green initiatives and atmosphere of China.

Trading Business

The Group's Trading Business primarily involved the supply and sales of commodities (iron ore) during the Reporting Period. The Group arranges for the suitable transport and delivery of iron ore to customers using third party vessels, and thus there is no record of direct emission in this aspect. Nevertheless, the Group normally nominates the vessels that comply with the requirements of the International Management Code for the Safe Operation of Ships and for Pollution Prevention.



Environment *(Continued)*

General Administration

With regard 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, the Group has implemented green office management in the Hong Kong office by adopting the following measures:

1. Creating “paperless” office by encouraging the use of electronic documents, and reducing paper consumption by promoting duplex printing and the reuse of single-sided recycling paper;
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 so as to extend its life span and reduce electronic waste;
4. Adopting classification of recyclable waste, including paper, metal and plastic, according to the arrangements of the property management company of the office building;
5. Partly adopting the use of LED and other energy saving lighting system;
6. Limiting air-conditioning hours according to the requirements of the property management company of the office building;
7. Displaying notices at prominent positions near the entrance, main switch, and 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-conditioners at a suitable level, cleaning the air-conditioners and ventilation equipment regularly to conserve power;
9. Promoting the use of telephone or video conferencing system for Directors’ and employees’ communications to reduce the frequency/necessity of business trips;
10. Encouraging employees to bring their own utensils for lunch so 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; and
12. Providing smoke-free workplaces so as to achieve optimal indoor air quality.



Environment *(Continued)*

Emission

During the Reporting Period, the Group's emissions, mainly arising from the upkeep of the Yanjiazhuang Mine and the general administration of the Group, is summarised and presented in the table below:

	Unit	FY 2017	Intensity ⁵ (Per full-time employee)
Greenhouse gas ("GHG") emissions¹			
Direct emissions ("Scope 1") ²	Tonnes CO ₂ e	32	
Energy indirect emissions ("Scope 2") ³	Tonnes CO ₂ e	147	
Other indirect emissions ("Scope 3") ⁴	Tonnes CO ₂ e	14	
Total GHG emissions	Tonnes CO ₂ e	193	2.6
Non-hazardous solid waste (Paper)¹	kg	195	17.7

Only small amount of non-hazardous solid wastes were generated from the general administration in Hong Kong office of the Group in FY 2017. The solid wastes have been handled by the property management company of the office building. According to the aforesaid green office management measures, the Group will continue to evaluate the reduction initiatives and assess the results achieved in future.

There was no other material direct emission of exhaust gas or greenhouse gas, no material discharges into water or land, or significant generation of any hazardous or non-hazardous wastes and pollutants relating to the Yaujiazhuang mine and the general administration of the Group.

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

¹ Our environmental data in FY 2017 included greenhouse gas emissions and non-hazardous solid waste (Paper) data presented in the above table which covered our core operations that may pose material impacts to the environment and the general administration in Hong Kong office, respectively.

² Direct emissions ("Scope 1") only covered the greenhouse gas emissions generated from the combustion of fuels in moveable equipment owned.

³ Energy indirect emissions ("Scope 2") only covered the greenhouse gas emissions generated from the imported electricity.

⁴ Other indirect emissions ("Scope 3") only covered the greenhouse gas emissions generated from the air business travel by employees.

⁵ Our intensity values are based on the Company and major subsidiaries with available environmental data.



Environment *(Continued)*

Use of Resources

	Unit	FY 2017	Intensity ² (Per full-time employee)
Energy consumption¹			
Consumed electricity	kWh	148,691	2,009
Purchased fuel	Litre	11,924	161

During the Reporting Period, there was no major issue in sourcing water that is fit for purpose, while water consumption and sewage mainly arose from daily domestic usage of staff at the Yanjiazhuang Mine and in office building. The water consumption and sewage has been handled by the property management company of the office building. Therefore, the Group has no record of material water consumption and sewage during the Reporting Period for disclosure in the Report.

At the Yanjiazhuang Mine, there was construction of retaining pool for the recycling of water resource in our mine facilities, which will be further proceeded when the Iron Concentrate Business could be resumed. This infrastructure shall help the Group to better utilise and efficient use of the available water supply.

The Group's iron ore are all delivered by the nominated vessels in bulk. Therefore, there is no packaging material used in the sales process of iron ore during the Reporting Period.

¹ Our resources data in FY 2017 included electricity and fuel data which covered our core operations that pose material impacts to the environment.

² Our intensity values are based on major subsidiaries with available environmental data.



Employment and Labour Practices

The Group formulates its human resources allocation policy and executes recruitment plans based on its development strategies. Remuneration packages of the employees are structured with 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 performance and industry practice. In addition, the Group encourages its employees to receive training that is suitable to their job nature and appropriate training programmes are also offered to ensure continuous staff development so as to keep the Group competitive.

Employment

The Group has a comprehensive personnel management system which follows (depends on the geographical locations) 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. The Group provided its staff with induction guidance, together with other documents and information related to the personnel system, setting forth details about its policies, employees' benefits and rights, working hours and holidays, staff responsibilities, code of conduct and occupational safety and health. The Group's contracts with employees had laid down the arrangements for termination of employment or dismissal. We ensure that our employees are clear about their own rights and responsibilities as they will comply with the personnel 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.

Apart from 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 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. The Remuneration Committee has been established to develop remuneration policies of the Group, evaluate the performance and make recommendations on the remuneration package of our Directors and senior management and recommend on employee benefit arrangements. 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 and hospitality insurance
Accident and life 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
Maternity/Paternity leave with pay

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

The Group has been placing great emphasis on production safety. A team of trained staff are responsible for production safety and management at the Yanjiazhuang Mine. This team has been consistently promoting safety standards so as to raise the sense of social responsibility and safety awareness of the staff of the Group. Production safety has been stressed to protect life and property of the state, the enterprise and our employees. Production safety is regulated from the perspectives of safety of people, equipment and environment from a macro perspective. Responsibilities of departments and employees in production safety are also regulated to ensure that safety measures are properly executed.



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, such as Christmas luncheon, 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 also engaged third parties 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 and hospitality insurances are in place to provide support on employees' health issue(s). We also participated in fire drill in our office building, partnered with other organisations to provide employees with seminars and information regarding workplace safety, and hired third-party organisations to perform formaldehyde check in workplace.

During the Reporting Period, the Group had no work-related safety issues and injuries noted and there were no cases of non-compliance by the Group with applicable laws and regulations relating to occupational health and safety.

Development and Training

The Group attaches high importance to attraction and retention of talents. We, based on our business development 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, through the education subsidy scheme, the Group encourages its employees to receive trainings commensurate to their job nature and cater to the requirements for professional qualifications. There are also on-the-job trainings in business and project management, communication and presentation skills, and other areas. We coordinate external seminars and provide reading materials regarding the latest Listing Rules changes and relevant laws and regulations updates to our Directors, so as to enhance their corporate governance knowledge and sense of responsibility to the Group.

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



Employment and Labour Practices *(Continued)*

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 – our employees. The Group has formulated internal human resources guidelines and labour system, which are in strict compliance with (depends on the geographical locations) 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 with reference to international labour standards where appropriate. All recruitment procedures and promotion mechanisms are monitored and implemented by the Group's human resources department.

During the Reporting Period, the Group did not find any child labour or forced labour and was not involved in any discrimination of race, religion, age or disability and there were no cases of non-compliance by the Group with laws and regulations relating to prevention of child and forced labour.

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 major suppliers relate to the Trading Business and are mainly from overseas and Hong Kong.

The Group is gradually building its database to record the suppliers' performance. Upon receiving products and services from suppliers, we will conduct assessment according to our supplier management guidelines on whether they fulfil the terms under the procurement contracts. We will report our findings in due course and replace the suppliers if their products and services do not meet our demand or expected standards after repeated reports.

While the Group closely monitors its supply chain management system, it strives to maintain good relationships with its suppliers. We have emphasised on building friendly and long-term relationships with suppliers and contractors with a view to growing together. The Group offers to 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 the trading operations), and we will take feasible measures to mitigate such risks in the supply chain (including choosing the best transportation routes and finding new, better and more efficient ways to use resources).



Product Responsibility

The Group attaches great importance to the quality of products and corporate reputation to ensure the delivery of quality products through internal controls and avoidance of leakage of data of customers and business partners.

As regards to the 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 the sales contracts. Subsequently, we will follow up the delivery and the inspection process to ensure that our products fulfil the terms under the sales contracts. We will collect customers' feedback through various communication channels before, during and after the sales. 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 received no major complaint or damage claim for poor product 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 or any cases of non-compliance with the relevant laws and regulations.

Anti-corruption

The Group adheres to "honest operation" and is devoted to creating 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 the management.

Our Audit Committee assists our Board in providing an independent view of our financial reporting process, internal control and risk management system, oversees the audit process and performs other duties and responsibilities as assigned by our Board. 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 28 to 47 of our annual report 2017 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 identified and there were no cases of non-compliance by the Group with the relevant laws and regulations.

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, Xingye Mining, in light of environmental protection measures in the region and overall green development direction of the PRC government, had submitted proposals to the relevant government authorities regarding various options for the Renewal, including but not limited to the feasibility of adjustment in mining capacity and/or reduction of resources fee in relation to gabbro-diabase, and it is required to obtain the approval for the Land Use Adjustment.



Community Investment *(Continued)*

Moreover, Xingye Mining had to cope with the resumption of the Iron Concentrate Business. In order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining has been under discussions with governmental and village representatives and has proposed an award sharing proposal so that the villagers will be entitled to benefit from the resumption, smooth operation and performance of the Yanjiazhuang Mine in the long run. Taking into account the demands of local villagers, it is believed that, by increasing the Group's effort in explaining and transmitting such proposal among local villagers, this proposal has a higher chance of receiving general acceptance by the local villagers.

The Group also noticed that the PRC government has recently encouraged the development of rural complex pilot project. The project aims to carry out a large-scale comprehensive planning, development and operation in the rural areas through the cooperation between the enterprises and the local villages and turn out to form a new community and lifestyle and let the farmers have an opportunity to participate in the process and gain benefits from it. It aims at preserving the ecology environment while enhancing the rural productivity. As far as known to the Group, the Yanjiazhuang Mine is near the locations with ecological development and tourism value. It could be possible that the development and integration of "Agricultural-Cultural-Ecological-Tourism" business model to the Mining Businesses of Xingye Mining may bring new business environment to the Yanjiazhuang Mine area, which could help to smooth out the local issues and to cater for the green development trend of the PRC government.

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

- We donated certain amounts to the local villages in the Yanjiazhuang Mine area in Hebei Province for supporting the 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 made donations to a charitable organisation in Hong Kong.

The Group will continue to cooperate with more organisations and institutions and 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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