新礦資源有限公司
NEWTON RESOURCES LTD
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Interim Report 2011

Mining for Success

Contents

Management Discussion and Analysis

Market Review

During the six-month period ended 30 June 2011 (the “Reporting Period”), major steel producing countries and regions have enjoyed high growth as the global steel industry shifted to become a seller’s market under prevailing market conditions.

The shift was partly caused by India’s government policy on restricting iron ore export, which caused iron ore price in the international market to rebound to the price level of pre-financial crisis in year 2008. As well, the People’s Republic of China (“Mainland China” or the “PRC”) continues to maintain a GDP growth rate of approximately 9.6% in the first half of the year. Her fast pace of industrialisation, urbanisation, modernisation and implementation of government housing schemes have created strong demand for steel and that for iron ore and iron concentrate. For the six months ended 30 June 2011, iron ore import reached approximately 330.0 million tonnes, which represents an increase of approximately 8.1% as compared to the previous year.

As the largest steel producing province in Mainland China, Hebei Province contributed approximately 91.1 million tonnes of steel in the first half of 2011 whilst the level of iron ore import increased by 11.5% to approximately 65.0 million tonnes in the same period.

The Group’s Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (the “Yanjiazhuang Mine”) is the largest privately-owned iron ore mine in Hebei Province, and the Hanxing region where the Yanjiazhuang Mine is located has many steel mills. There are nine steel producers with combined production capacity of approximately 31.2 million tonnes within 90 km of the Yanjiazhuang Mine. The total iron concentrate production in Hebei Province is not able to meet its demand. Given the above, the Group considers that iron ore prices are likely to be sustained in the foreseeable future due to such imbalance between supply and demand.

Besides, as gabbro-diabase slabs are high-end decorative materials, the Chinese government’s restrictive policies on property market should have a limited effect on their demands. During the first half of 2011, the prices of quarry stones, slabs and other products of gabbro-diabase in neighboring regions of Lincheng County had remained stable, and the Group expects this trend will continue in the second half of the year.

Business and Operation Review

The Group’s Yanjiazhuang Mine commenced commercial production on 1 January 2011. During the six months ended 30 June 2011, the Group produced and sold 36,700 tonnes of iron concentrate and generated RMB35.4 million in sales revenue. A comparative figure for the same period in the previous year is not available as commercial production had not yet commenced at that time.

During the Reporting Period, the average grade of iron concentrate produced by the No. 1 and No. 2 Processing Facilities reached 65% only. At the beginning of the year, Northern China was seriously affected by severe droughts, which were the worst for the past sixty years, resulting in a significant drop in our production since March 2011. The Group is confident that the average grade of iron concentrate will reach the targeted level of 66% by mining deeper deposits, making adjustments and improvements to the crushing and processing equipment, securing water and electricity supplies, and increasing the scale of production.

In addition, during the Reporting Period, the Group has entered into an agreement with Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong") for Shougang Hong Kong to purchase 30% of the Group's annual production of iron concentrate at a 3% discount to the prevailing market price at the time of supply.

There were no gabbro-diabase sales during the Reporting Period as commercial production has not yet commenced. However, the Group has actively marketed and promoted gabbro-diabase products. In February 2011, the Group entered into four memoranda of understanding with leading PRC property developers or their subsidiaries. These companies included Hengda Real Estate Group Limited (a subsidiary of Evergrande Real Estate Group Limited), Sinolink Properties Limited (a subsidiary of Sinolink Worldwide Holdings Limited), Glorious Qiwei (Shanghai) Industries, Co., Ltd (a subsidiary of Glorious Property Holdings Limited) and Champ Max Enterprise Ltd (a subsidiary of C C Land Holdings Limited). The Group will further negotiate with these companies to formalise the execution of gabbro-diabase sales agreements. In addition, during the Reporting Period, the Group participated in a recognised stone industry exhibition to introduce our gabbro-diabase products to the market, aiming to create corporate branding and establish customer network.

Iron Concentrate Capacity Expansion Plan

Phase One

The Group completed its Phase One expansion plan in June 2011, including the development of one open-pit mining pit and upgrading two existing ones, constructing two dry magnetic cobbing systems; and building and upgrading of two processing facilities. As a result, the Group expanded its annual mining and ore processing capacity to 3,000,000 tonnes and annual iron concentrate production capacity to approximately 760,000 tonnes.

During the Reporting Period, apart from increasing the capacity of our No. 2 Processing Facility, some of the ore crushing equipment were replaced to enable the magnetic cobbing systems to produce crushed ore of smaller and more uniform dimension. The improvement work has achieved the expected outcome both in terms of production capacity and quality improvement of crushed ore.

Phase Two

Phase Two expansion plan, which commenced in September 2010, included the development of three open-pit mining pits, construction of one dry magnetic cobbing system and the third processing facility (namely No. 3 Processing Facility). These improvements would increase the Group's annual mining and ore processing capacity to 7,000,000 tonnes and annual iron concentrate production capacity to approximately 1,770,000 tonnes.

The site formation work for the dry magnetic cobbing system has been completed. The construction of No. 3 Processing Facility is progressing well with initial testing and commissioning works scheduled to commence at the end of August 2011 once the construction work has been completed.

Management Discussion and Analysis

In addition, the construction of water supply system and an electricity converting station in support of Phase Two expansion plan are underway. In order to mitigate the production impact of future droughts, the Group is currently expediting the construction of a 20-km long water pipeline from the Lincheng Reservoir located in Lincheng County, Hebei Province (the "Lincheng Reservoir") so that the Yanjiazhuang Mine will have direct water supply from the Lincheng Reservoir. In relation to the construction of the electricity converting station, the main structure has been substantially completed, and the installation and cabling works are currently in progress, which are expected to be completed by the end of September 2011. The successful completion of Phase Two expansion plan will strengthen and enhance the development of the Group's iron concentrate business.

Gabbro-Diabase Processing Facility

A parcel of land of 50mu (33,333m^2) in the Lincheng County Industrial Park is currently being developed into a gabbro-diabase processing plant. Site formation works, plant design and procurement of processing equipment are in progress to ensure that a solid foundation has been laid towards future production of gabbro-diabase slabs, carving stones and other products on a commercial scale.

Resources Exploration and Identification of New Resources

The Group has engaged the No.11 Geological Brigade of Hebei Bureau of Geological Exploration of the PRC to carry out exploration works on two mines, namely Gangxi Mine and Shangzhengxi Mine, with permitted exploration areas covering 5.28 km^2 and 2.06 km^2, respectively. The Group possesses options to purchase the exploration rights of these two mines, and may exercise its rights to purchase the exploration rights and conduct commercial mining operations in these two mines pending for the exploration reports, which will be available by the end of 2012 and 2011 respectively.

Meanwhile, the Group is preparing exploration plans for potential exploration within the Yanjiazhuang Mine and also working closely with the relevant government body in obtaining the exploration right to an area north of the Yanjiazhuang Mine which covers an area of 0.75km^2. The Group believes that these actions will further strengthen the minable reserves and resources of the Group.

In addition, the Group will continue to identify and evaluate opportunities in acquiring further exploration rights in Mainland China, particularly in Hebei Province.

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

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Reporting Period.

Management Discussion and Analysis

Financial Review

For the six months ended 30 June 2011, the Group's revenue was approximately RMB35.4 million, as compared to nil for the same period last year. The increase in revenue was mainly attributable to the commencement of commercial operation from 1 January 2011. During this period, the Group produced and sold 36,700 tonnes of iron concentrate at an average selling price of approximately RMB965 per tonne (net of value-added tax and other surtaxes).

The net profit for the above period was approximately RMB13.8 million, as compared to a loss of approximately RMB2.6 million for the same period in 2010. The profit attributable to owners of the parents of the Company amounted to approximately RMB13.6 million (loss of approximately RMB2.6 million for the same period last year). The basic earnings per share for the Reporting Period was approximately RMB0.43 cent (basic loss per share of approximately RMB0.09 cent for the same period last year).

Revenue

The Group recorded revenue of approximately RMB35.4 million during the Reporting Period following the commencement of commercial iron concentrate production from 1 January 2011 in accordance with Phase One expansion plan.

For the six months ended 30 June 2010, the Yanjiazhuang Mine did not generate any revenue as it was still under development stage with no commercial production.

Cost of Sales

Cost of sales mainly comprises of contractors' fees incurred from mining and hauling, and expenses in relation to staff, materials, power and other utilities, repairs and maintenance, depreciation and amortisation. The Group's cost of sales for the Reporting Period amounted to approximately RMB10.7 million as compared to nil for the same period last year. The increase in cost of sales was mainly attributable to the commencement of commercial production from 1 January 2011.

The cost of sales during the Reporting Period represented approximately 30.1% of revenue.

Gross Profit and Gross Margin

As a result of the above, the Group recorded gross profit of approximately RMB24.7 million and gross margin of approximately 69.9% respectively during the Reporting Period. Comparative figures are not available as the Yanjiazhuang Mine did not commence commercial production until 1 January 2011.

Management Discussion and Analysis

Selling and Distribution Costs

Selling and distribution costs, which mainly comprise of salaries of sales staff and entertainment expenses, amounted to approximately RMB0.2 million during the Reporting Period. No selling and distribution costs were incurred in the same period last year as the commercial production did not commence until 1 January 2011.

Administrative Expenses

Administrative expenses increased approximately 369.8% to approximately RMB14.4 million during the Reporting Period, as compared to approximately RMB3.1 million for the same period last year. The increase was mainly due to the recruitment of administrative personnel in line with the Group's expansion plans.

Finance Income

Finance income increased approximately 1,834% to approximately RMB8.8 million during the Reporting Period, as compared to approximately RMB0.5 million for the same period last year. The increase was mainly due to foreign exchange gains arising from the appreciation of Renminbi against the United States dollar.

Profit/(Loss) for the Reporting Period and Total Comprehensive Income/(Loss) for the Reporting Period

As a result of the above, the Group's profit and total comprehensive income amounted to approximately RMB13.8 million during the Reporting Period, as compared to a loss of approximately RMB2.6 million in the same period last year.

Property, Plant and Equipment

As at 30 June 2011, the Group's property, plant and equipment had a net book value of approximately RMB546.4 million (approximately RMB351.7 million as at 31 December 2010), which represents an increase of approximately 55.4% during this six-month period. The increase was mainly attributable to construction works in progress and additional machinery and equipment.

The above net book value represents approximately 76.8% of the Group's total assets (approximately 74.1% as at 31 December 2010).

Prepayments, Deposits and Other Receivables

As at 30 June 2011, the Group's prepayments, deposits and other receivables were approximately RMB117.9 million (approximately RMB59.4 million as at 31 December 2010), which represents an increase of approximately 98.5% during this six-month period. The increase was mainly attributable to professional services rendered in respect of the Company's initial public offering and prepayments on new machinery and equipment.

The above represents approximately 16.6% of total assets (approximately 12.5% as at 31 December 2010).

Other Payables and Accruals

As at 30 June 2011, the Group's balances of other payables and accruals were approximately RMB106.3 million (approximately RMB102.2 million as at 31 December 2010). The increase of approximately 4.1% was mainly attributable to the increase in payables for expenses associated with initial public offering since the professional services for the Listing were substantially rendered as of 30 June 2011.

Due to the Immediate Holding Company

As at 30 June 2011, the amount due to the immediate holding company was approximately RMB142.4 million (approximately RMB336.0 million as at 31 December 2010). The decrease of approximately 57.6% represented the Group's repayment of approximately RMB186.8 million and foreign exchange gain of approximately RMB6.8 million resulted from the appreciation of Renminbi against the United States dollar during the Reporting Period.

Employees of the Group

Number of employees	651

Type	Number	Approximate percentage to the total number of employees
Production		
Iron ore mining	247	37.9
Iron ore processing	92	14.1
Ancillary mining activities	218	33.5
Management, finance and administrative	85	13.1
Others	9	1.4
Total	651	100.0

As at 30 June 2011, the Group had a total 651 full-time employees in Hong Kong and Mainland China (excluding independent third-party contractors engaged in mining and hauling works). The Group formulates its human resources strategy and executes recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature including geographic locations and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in accordance with their individual performances and industry practice. Appropriate training programs are also offered to ensure continuous staff training and development.

The Company approved a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 25 January 2011. Pursuant to the Pre-IPO Share Option Scheme, a total of 133,300,000 share options have been granted to eligible participants during the Reporting Period.

Liquidity

The Group's net liabilities (calculated as cash and cash equivalents less total borrowings) increased from approximately RMB280.0 million as at 31 December 2010 to approximately RMB510.0 million as at 30 June 2011 due to new construction works in progress and additional machinery.

During the Reporting Period, net cash of approximately RMB215.7 million was used for purchase of items of property, plant and equipment.

Capital Structure and Gearing Ratio

The Group treats total equity, bank loans and other borrowings as capital. As at 30 June 2011, the amount of capital was approximately RMB595.2 million (RMB371.0 million as at 31 December 2010).

As at 30 June 2011, the Group's debt ratio, based on total borrowings divided by capital, was approximately 91.7% (approximately 90.6% as at 31 December 2010). The total borrowings as at 30 June 2011 was approximately RMB545.7 million (approximately RMB336.0 million as at 31 December 2010).

On 4 July 2011, the Group issued 800 million new shares at HK$1.75 per offer share in a global offering and raised net proceeds of approximately HK$1,270 million (equivalent to approximately RMB1,054 million) after deducting the relevant commissions, discretionary incentive fees and other estimated offering expenses.

Loans, Indebtedness and Maturity Date

As at 30 June 2011, the Group's Hong Kong dollar denominated loans amounted to approximately HK$485.0 million (equivalent to approximately RMB403.3 million) (nil balance as at 31 December 2010). The bank loans were all unsecured and denominated in Hong Kong dollar, and carried interest at floating rates. As at 30 June 2011, no property, plant and equipment or leasehold land and land use rights were pledged by the Group.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2011, other than assets and liabilities denominated in the United States dollar and Hong Kong dollar, the Group had no material exposure to foreign exchange fluctuations.

Operating Segment Information

For management purposes, the Group divides its businesses into segments based on the products and services rendered. During the Reporting Period, the Group's result was derived from one segment only, namely "Sales of Iron Concentrate". All major Group assets are located in Hebei Province, Mainland China.

Accordingly, no segment analysis by business or geographic locations is presented.

Significant Investments, Acquisitions and Disposals

During the Reporting Period, the Group had no significant acquisitions and disposals.

Exploration, Development and Mining Activities

During the six months ended 30 June 2011, the Group incurred capital expenditures of approximately RMB197.4 million mainly in respect of the Group's three-phase expansion plan as disclosed in the prospectus of the Company dated 21 June 2011.

Production Safety and Environmental Protection

The Group has focused its attention highly on production safety and environmental protection since the commencement of commercial production. As such, the Group has been consistently promoting safety standards and strengthening environmental protection policies so that we will develop into a caring and socially responsible enterprise. During the Reporting Period, the Yanjiazhuang Mine operated smoothly and with no record of significant safety incident.

Contractual Obligations, Capital Commitments and Contingent Liabilities

Operating Lease Commitments

As of 30 June 2011, the Group had contractual obligations consisting of non-cancellable operating leases for the Group's properties, including leases for the Group's offices in Hong Kong, as detailed below:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year	**1,886**	1,681
In the second to fifth years, inclusive	**3,838**	1,401
	5,724	3,082

Capital Commitments

As at 30 June 2011, the capital commitments of the Group were approximately RMB960.6 million, as compared to approximately RMB253.8 million as at 31 December 2010, as detailed below:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Contracted, but not provided for:		
— Plant and machinery	**161,646**	202,667
Authorised, but not contracted for:		
— Plant and machinery	**488,935**	51,111
— Resource fees	**310,000**	—
	798,935	51,111

Contingent Liabilities

The Group is exposed to contingent liabilities as a result of the transfer of Venca's 99% equity interest in Xingye Mining to Jet Bright in July 2010. According to PRC tax rules, unless the equity transfer qualifies for special tax treatment, the Group may be required to pay tax on the capital gain. In December 2010, the Group submitted an application to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the Directors believe that the transfer qualifies for special tax treatment and there should be no CIT arising from the transfer, the Group has not made a tax provision for these contingent liabilities in the financial statements.

Continuing Connected Transactions

During the Reporting Period, the Group entered into the following continuing connected transactions:

	Six-month period ended 30 June	
Name of connected person	2011 RMB'000	2010 RMB'000 (Unaudited)
Leasing of office premises from:		
New World Tower Company Limited	**953**	996

Outlook and Future Plans

It is anticipated that iron ore as a commodity will remain strongly demanded in the coming months, and its price level would be sustained even if it does not increase. We expect that such demand and price trend is possibly due to Mainland China's rapid urbanisation and new rural construction plan; the Government's drive for subsidised housing; and the general demand for iron ore supplies in other countries worldwide. The Group is gearing up by rapidly expanding its iron concentrate production capacity through its three-phase expansion plan in order to grasp the current business opportunity of high iron ore price.

The Group will continue to devote every effort to proceed with the development of its three-phase expansion plan of the Yanjiazhuang Mine, including the construction of water supply and electricity systems which will help to secure water and electricity supplies for the Group's commercial production. At the same time, the Group will further proceed with its Phase Two expansion construction, striving to complete construction and testing of the No. 3 Processing Plant and its ancillary systems as scheduled.

During the construction of Phase One expansion plan in the past, the Group has successfully completed land expropriation work, and has addressed related issues inherent in construction works. This is achieved through cooperation with the local government and winning support and understanding from local residents. These enabled the Group to meet its planned targets of the Phase One expansion plan. Lately, there have been incidents of disputes arising from land expropriation works in surrounding areas of the Yanjiazhuang Village. These incidents created tension between local villagers and mining and manufacturing companies in the area, including us. As a result of these unforeseen incidents, it is expected that the progress of our land expropriation and construction works (including the construction of the water supply project and tailing storage facilities, etc.) will experience delay, and the time for resumption of normal commercial production may be affected. The Group will endeavour to resolve these incidents with the support of the local government, adopting the principle of performing social responsibilities and by focusing on active communication with local villagers in order to resolve differences in the shortest possible time and minimise any negative impact on commercial production of the Yanjiazhuang Mine.

The Group experienced some delay in obtaining the required permit for the commercial production of gabbro-diabase. Application for such licence is in its final stage, and the relevant government authorities are in the process of ascertaining the resource fees in respect of the reserves and resources of the gabbro-diabase mine of the Group. The Group expects that the relevant licence will be issued, upon payment of the required resource fees, in September this year. With the necessary preparatory work underway, the Group is in a position to commence commercial production of gabbro-diabase as soon as possible after obtaining the relevant licence.

To this end, the Group will continue to formulate detailed measures and strengthen the implementation of such measures.

Looking forward, the Group expects the successful completion of its three-phase expansion plan will help to improve its competitive edge, achieving satisfactory results.

Use of Net Proceeds from the Listing

The Group was listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2011 and raised net proceeds of approximately HK$1,270 million (equivalent to approximately RMB1,054 million) by issuing 800 million new shares at an issue price of HK$1.75 per share.

Reference is made to the prospectus of the Company dated 21 June 2011. The net proceeds raised from the initial public offering of shares will be applied to fund the three-phase expansion plan of the Yanjiazhuang Mine, payment of resource fees, development of the gabbro-diabase business, exploration and acquisition activities, repayment of the shareholders' loans and general working capital. As of the date of this report, there is no change to the intended use of proceeds and an amount of approximately HK$127 million (equivalent to approximately RMB105 million or 10% of the net proceeds) has been used to repay a portion of the shareholders' loan.

Independent Auditors' Report

ERNST & YOUNG

To the shareholders of Newton Resources Ltd
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Newton Resources Ltd (formerly known as China Tian Yuan Mining Ltd., the "Company") and its subsidiaries (together, the "Group") set out on pages 15 to 65, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
29 August 2011

Consolidated Statement of Comprehensive Income

Six-month period ended 30 June 2011

	Notes	Six-month period ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
Revenue	5	**35,405**	—
Cost of sales		**(10,669)**	—
Gross profit		**24,736**	—
Other income and gains		**40**	—
Selling and distribution costs		**(196)**	—
Administrative expenses		**(14,386)**	(3,062)
Finance income	7	**8,818**	456
Profit/(loss) before tax	6	**19,012**	(2,606)
Income tax	9	**(5,240)**	—
Profit/(loss) for the period		**13,772**	(2,606)
Total comprehensive income/(loss) for the period		**13,772**	(2,606)
Attributable to:			
Owners of the parent		**13,626**	(2,596)
Non-controlling interests		**146**	(10)
		13,772	(2,606)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted (RMB cent)		**0.43**	(0.09)
DIVIDEND	11	**—**	—

Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	12	**546,383**	351,700
Intangible assets	13	**2,301**	2,301
Prepaid land lease payments	14	**3,759**	3,810
		552,443	357,811
Current assets			
Inventories	16	**5,545**	1,617
Prepayments, deposits and other receivables	17	**117,869**	59,380
Cash and cash equivalents	18	**35,758**	55,934
		159,172	116,931
Current liabilities			
Trade payables	19	**3,885**	358
Other payables and accruals	20	**106,330**	102,158
Income tax payable		**4,975**	—
Interest-bearing bank borrowings	21	**403,326**	—
Due to the immediate holding company	22	**142,410**	335,974
		660,926	438,490
Net current liabilities		**(501,754)**	(321,559)
Total assets less current liabilities		**50,689**	36,252
Non-current liabilities			
Long-term payables	23	**1,180**	1,180
Net assets		**49,509**	35,072
Equity			
Equity attributable to owners of the parent			
Issued capital	24	**—**	—
Capital reserves	25	**40,366**	40,366
Retained earnings/(accumulated losses)		**7,007**	(6,619)
		47,373	33,747
Non-controlling interests		**2,136**	1,325
Total equity		**49,509**	35,072

Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2011

	Attributable to owners of the parent					
	Issued capital RMB'000 note 24	Capital reserves RMB'000 note 25	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2011	—	40,366	(6,619)	33,747	1,325	35,072
Profit for the period	—	—	13,626	13,626	146	13,772
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive income for the period	—	—	13,626	13,626	146	13,772
Capital injection	—	—	—	—	665	665
At 30 June 2011	—	40,366	7,007	47,373	2,136	49,509

(Unaudited)	Attributable to owners of the parent					
	Issued capital RMB'000 note 24	Capital reserves RMB'000 note 25	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
1 January 2010	—	40,366	(3,698)	36,668	127	36,795
Loss for the period	—	—	(2,596)	(2,596)	(10)	(2,606)
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	(2,596)	(2,596)	(10)	(2,606)
Capital injection	—	—	—	—	683	683
At 30 June 2010	—	40,366	(6,294)	34,072	800	34,872

Consolidated Statement of Cash Flows

Six-month period ended 30 June 2011

		Six-month period ended 30 June	
		2011	2010
	Notes	**RMB'000**	RMB'000
			(Unaudited)
Cash flows from operating activities			
Profit/(Loss) before tax:		**19,012**	(2,606)
Adjustments for:			
Depreciation of property, plant and equipment	6	**2,682**	99
Amortisation of prepaid land lease payments	6	**51**	185
Net foreign exchange gains	7	**(8,784)**	(450)
Cash flows before working capital changes		**12,961**	(2,772)
Increase in prepaid land lease payments		**—**	(8,677)
(Increase)/decrease in inventories		**(3,928)**	151
Increase in prepayments, deposits and other receivables		**(2,654)**	(10,567)
Increase in trade payables		**3,527**	2,685
Decrease in other payables and accruals		**(20,414)**	(1,099)
Cash used in operations		**(10,508)**	(20,279)
Corporate income tax paid		**(1,741)**	—
Net cash flows used in operating activities		**(12,249)**	(20,279)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(215,730)**	(33,340)
Net cash flows used in investing activities		**(215,730)**	(33,340)
Cash flows from financing activities			
Proceeds from interest bearing bank borrowings		**406,171**	—
Interest paid		**(1,687)**	—
Capital injection from non-controlling shareholders		**665**	683
Payment of initial public offering expenses		**(9,721)**	—
Advances from the immediate holding company		**219,403**	144,993
Repayment to the immediate holding company		**(406,171)**	(64,417)
Net cash flows from financing activities		**208,660**	81,259
Net (decrease)/increase in cash and cash equivalents		**(19,319)**	27,640
Effect of foreign exchange rate changes, net		**(857)**	—
Cash and cash equivalents at beginning of period		**55,934**	4,043
Cash and cash equivalents at end of period		**35,758**	31,683

Consolidated Statement of Cash Flows

Six-month period ended 30 June 2011

		Six-month period ended 30 June	
		2011	2010
	Notes	RMB'000	RMB'000
			(Unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**35,758**	31,683
Cash and cash equivalents as stated in the statement of financial position		**35,758**	31,683
Cash and cash equivalents as stated in the statement of cash flows		**35,758**	31,683

Statement of Financial Position

30 June 2011

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment		**449**	53
Investments in subsidiaries	15	**36,665**	36,665
		37,114	36,718
Current assets			
Prepayments, deposits and other receivables	17	**83,802**	49,305
Due from a subsidiary	22	**448,203**	259,670
Cash and cash equivalents	18	**3,668**	210
		535,673	309,185
Current liabilities			
Other payables and accruals	20	**37,646**	13,347
Interest-bearing bank borrowings	21	**403,326**	—
Due to the immediate holding company	22	**104,446**	298,010
		545,418	311,357
Net current liabilities		**(9,745)**	(2,172)
Total assets less current liabilities		**27,369**	34,546
Net assets		**27,369**	34,546
Equity			
Issued capital	24	**—**	—
Capital reserves	24	**36,665**	36,665
Accumulated losses		**(9,296)**	(2,119)
Total equity		**27,369**	34,546

Notes to the Consolidated Financial Statements

1. Corporate Information

Newton Resources Ltd (formerly known as China Tian Yuan Mining Ltd.) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9005, the Cayman Islands.

During the period, the Group was involved in the following principal activities:

- Mining
- Ore processing
- Sale of iron concentrate

In the opinion of the directors, the immediate holding company of the Company was Faithful Boom Investments Limited ("Faithful Boom"), which is incorporated in the British Virgin Islands and the ultimate holding company of the Company was NWS Holdings Limited, which is incorporated in Bermuda, and upon completion of the listing (the "Listing") of the Company's share on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2011, NWS Holdings Limited and Faithful Boom ceased to be the holding companies of the Company.

2.1 Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 30 June 2011, the current liabilities of the Group exceeded its current assets by approximately RMB501,754,000. Notwithstanding the net current liabilities position, the financial statements have been prepared on a going concern basis as the Listing was completed on 4 July 2011 with net proceeds of approximately RMB1,054 million (equivalent to HK$1,270 million) received, and thus the Group has sufficient financial resources to continue as a going concern.

2.1 Basis of Presentation *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IAS 24 (Revised)	Related Party Disclosures
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation — Classification of Rights Issues
IFRIC 14 Amendments	Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (May 2010)	Amendments to a number of IFRSs

The adoption of the above new and revised IFRSs has had no significant effect on these financial statements.

IAS 24 (Revised) was issued in November 2009 and was adopted by the Group from 1 January 2011. IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The revised standard had no impact on the related party disclosures as the Group currently does not consist of government controlled entities.

2.2 Changes in Accounting Policy and Disclosures *(Continued)*

The amendment to IAS 32 was issued in October 2009 and was adopted by the Group from 1 January 2011. The amendment to IAS 32 revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. As the Group currently has no such rights, options or warrants in issue, the amendment had no financial impact on the Group.

The amendment to IFRIC 14 was issued in December 2009 and was adopted by the Group from 1 January 2011. The amendments to IFRIC 14 remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no defined benefit scheme, the amendments did not have any financial impact on the Group.

IFRIC 19 was issued in December 2009 and was adopted by the Group from 1 January 2011. It addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation did not have any material financial impact on the Group.

Improvements to IFRSs issued in May 2010 sets out amendments to a number of IFRSs. The Group adopted the amendments from 1 January 2011. There were separate transitional provisions for each standard. While the adoption of some of the amendments resulted in changes in accounting policies, none of these amendments had significant financial impact on the Group.

3.1 Impact of Issued but not yet Effective IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective in these consolidated financial statements.

IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 27 (Revised)	Separate Financial Statements[2]
IAS 28 (Revised)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2013 and the Group expects to adopt these standards from 1 January 2013.

The IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Company expects to adopt the amendments from 1 January 2012 and comparative disclosures are not required for any period beginning before that date.

IFRS 9 was issued in November 2009 and shall be applied for financial years beginning on or after 1 January 2013. IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IFRS 9 was issued to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were unchanged from the requirements of IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

3.1 Impact of Issued but not yet Effective IFRSs *(Continued)*

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply.

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation-Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*.

IFRS 12 *Disclosures of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 *Fair Value Measurement* establishes new guidance on fair value measurement and disclosure requirements for IFRSs and US generally accepted accounting principles (GAAP).

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, amended IAS 27 *Separate Financial Statements* contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 *Separate Financial Statements* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*.

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, amended IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

3.2 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Non-controlling Interests

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Group's subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

3.2 Summary of Significant Accounting Policies *(Continued)*

Related Parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Machinery	10-15 years
Motor vehicles, fixtures and others	5 years

3.2 Summary of Significant Accounting Policies *(Continued)*

Property, Plant and Equipment and Depreciation *(Continued)*

Depreciation of mining infrastructure is calculated using the units of production ("UOP") method to depreciate the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the costs of inventories or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, or mineable reserve development. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping Costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the estimated useful life of the mine using the UOP method.

Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventories produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalised in property, plant and equipment. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

3.2 Summary of Significant Accounting Policies *(Continued)*

Intangible Assets (Other Than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining Rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to the consolidated statement of comprehensive income if the mining property is abandoned.

Exploration Rights and Assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation is included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred, unless the Directors conclude that a future economic benefit is more likely to be realised than not. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to mining infrastructure or mining right and amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to the consolidated statement of comprehensive income if the exploration property is abandoned.

3.2 Summary of Significant Accounting Policies *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and Other Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade receivables and deposits and other receivables.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

3.2 Summary of Significant Accounting Policies *(Continued)*

Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

3.2 Summary of Significant Accounting Policies *(Continued)*

Impairment of Financial Assets *(Continued)*

Assets Carried at Amortised Cost *(Continued)*

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities at Amortised Cost

Financial liabilities including trade payables, other payables, amounts due to related parties and bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the consolidated statements of comprehensive income.

Gains and losses are recognised in the consolidated statements of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

3.2 Summary of Significant Accounting Policies *(Continued)*

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

3.2 Summary of Significant Accounting Policies *(Continued)*

Provisions *(Continued)*

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure. Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "Finance costs" in the consolidated statement of comprehensive income. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur at the appropriate discount rate.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3.2 Summary of Significant Accounting Policies *(Continued)*

Income Tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Share-based Payment Transactions

The Company operates a pre-IPO share option scheme for the purpose of providing rewards to eligible participants who attribute to the success of the Listing. Eligible participants receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instrument ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants on 28 January 2011 is measured by reference to the fair value at the date at which they are granted. The fair value will be determined by an external valuer using option pricing models, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

3.2 Summary of Significant Accounting Policies *(Continued)*

Share-based Payment Transactions *(Continued)*

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the consolidated statement of comprehensive income by way of a reduced depreciation charge.

Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

3.2 Summary of Significant Accounting Policies *(Continued)*

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currencies

The consolidated financial statements are presented in RMB, which is the presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee Benefits

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.3 Significant Accounting Judgements and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, the inherent uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record reserve for technically obsolete assets that have been abandoned.

(b) Impairment of property, plant and equipment, including mining infrastructure

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying value of the property, plant and equipment, including mining infrastructure, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment at 30 June 2011 were RMB546,383,000 (31 December 2010: RMB351,700,000).

(c) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation rates calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

3.3 Significant Accounting Judgements and Estimates *(Continued)*

Estimation Uncertainty *(Continued)*

(d) Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the production phase is considered to commence and all related amounts are reclassified from "Construction in progress" to the appropriate category of "Property, plant and equipment". Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine development/construction project moves into the production stage, the capitalization of certain mine development/construction costs ceases and costs are either regarded as forming part of the costs of inventories or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortization commences.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services. During the six-month period ended 30 June 2011, the Group commenced the commercial production of one type of product, iron concentrate, and all the operating revenue and profits were derived from the sale of iron concentrate. Therefore, there is no presentation of operating segment information.

Further, as the principal assets employed by the Group are located in Hebei Province, the People's Republic of China ("Mainland China" or the "PRC"). Accordingly, no segment analysis by geographical location is provided.

Information about a major customer

Revenue of approximately RMB34,352,000 (six-month period ended 30 June 2010: Nil) was derived from sales of iron concentrate to a major customer.

5. Revenue

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. The Group commenced the commercial production of iron concentrate during the six-month period ended 30 June 2011.

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Revenue		
Sale of goods	**35,405**	—

6. Profit/(loss) before Tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Six-month period ended 30 June	
		2011	2010
	Notes	**RMB'000**	RMB'000
			(Unaudited)
Cost of inventories sold		**10,669**	—
Depreciation		**2,682**	99
Minimum lease payments under operating leases for office tenancy		**953**	996
Amortisation of prepaid land lease payments		**51**	185
Auditors' remuneration		**850**	—
Staff costs (excluding directors' remuneration (note 8)):			
— Wages and salaries		**6,334**	1,303
Finance income	7		
— Interest income, net		**(34)**	(6)
— Foreign exchange differences, net		**(8,784)**	(450)

7. Finance Income

An analysis of finance income is as follows:

	Six-month period ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
Interest on bank borrowings	1,892	—
Less: Interest capitalised	(1,892)	—
	—	—
Interest income	46	11
Bank charges	(12)	(5)
Net foreign exchange gains	8,784	450
Finance income, net	8,818	456

8. Directors' Remuneration and Five Highest Paid Employees

Details of the remuneration of directors, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Six-month period ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
Fees	348	—
Other emoluments:		
Salaries, allowances and benefits in kind	2,234	—
Pension scheme contributions	—	—
	2,234	—
	2,582	—

8. Directors' Remuneration and Five Highest Paid Employees *(Continued)*

(a) Independent Non-executive Directors

The fees paid to independent non-executive directors during the period were as follows:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Mr. Tsui King Fai	**91**	—
Mr. Lee Kwan Hung	**91**	—
Mr. Wu Wai Leung, Danny	**72**	—
	254	—

Save as disclosed above, there were no other emoluments payable to the independent non-executive directors during the six-month period ended 30 June 2011 and 2010.

(b) Non-executive Directors

The fees paid to non-executive directors during the period were as follows:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Mr. Tsang Yam Pui	**24**	—
Mr. Lam Wai Hon, Patrick	**19**	—
Mr. Cheng Chi Ming, Brian	**19**	—
Ms. Yu Shuxian (re-designated as an executive director on 1 March 2011)	**32**	—
	94	—

8. Directors' Remuneration and Five Highest Paid Employees *(Continued)*

(c) Executive Directors

Executive directors of the Company did not receive any fees or emoluments in respect of their services rendered to the Company during the six-month period ended 30 June 2010. Details of the executive directors' remuneration during the six-month period ended 30 June 2011 are as follows:

	Six-month period ended 30 June 2011		
	Salaries, allowance and benefits in kind	**Pension scheme contributions**	**Total**
	RMB'000	RMB'000	RMB'000
Mr. Yao Zanxun	1,352	—	1,352
Mr. Li Yuelin	200	—	200
Mr. Lin Zeshun	98	—	98
Mr. Liu Yongxin	98	—	98
Ms. Yu Shuxian	272	—	272
Mr. Jing Zhiqing	214	—	214
	2,234	—	2,234

During the period, certain directors were granted share options, in respect of their services to the Group, under the Pre-IPO Share Option Scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options was not recognised during the six-month period ended 30 June 2011, as the Listing was completed after the period end.

There was no arrangement under which a director waived or agreed to waive any remuneration during the six-month period ended 30 June 2011 and 2010.

8. Directors' Remuneration and Five Highest Paid Employees *(Continued)*

(d) Five Highest Paid Employees

The five highest paid employees during the six-month period ended 30 June 2011 include two executive directors, details of whose remuneration are set out in Note 8(c) above.

Details of the remuneration of the three non-director highest paid employees during the six-month period ended 30 June 2011 are as follows:

	Six-month period ended 30 June	
	2011	2010
	RMB'000	RMB'000
		(Unaudited)
Salaries, allowances and benefits in kind	**1,461**	550
Pension scheme contributions	**10**	—
	1,471	550

The remuneration of the above non-director, highest paid individuals in each of the six-month period ended 30 June 2011 was below HK$1,000,000.

During the six-month period ended 30 June 2011, no emoluments were paid by the Group to any of the persons who are directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six-month period ended 30 June 2011.

The provision for PRC corporate income tax ("CIT") is based on the CIT rate applicable to the subsidiary located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six-month period ended 30 June 2011.

9. Income Tax *(Continued)*

The major components of income tax expense for the six-month period ended 30 June 2011 are as follows:

Group

	Six-month period ended 30 June 2011 RMB'000	2010 RMB'000 (Unaudited)
Current — Mainland China		
Charge for the period	5,240	—
Total tax charge for the period	5,240	—

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory income tax rate for jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

Group

	Six-month period ended 30 June 2011						
	Mainland China RMB'000	%	Hong Kong RMB'000	%	Others RMB'000	%	Total RMB'000
Profit/(loss) before tax	19,903		5,524		(6,415)		19,012
Tax at the statutory tax rates	4,976	25	911	16.5	—	—	5,887
Income not subject to tax	—		(1,100)		—		(1,100)
Expenses not deductible for tax	264		189		—		453
Tax charge at the Group's effective rate	5,240		—		—		5,240

9. Income Tax *(Continued)*

Group

(Unaudited)	Six-month period ended 30 June 2010						
	Mainland China RMB'000	%	Hong Kong RMB'000	%	Others RMB'000	%	Total RMB'000
Profit/(loss) before tax	(1,037)		18		(1,587)		(2,606)
Tax at the statutory tax rate	(259)	25	3	16.5	—	—	(256)
Income not subject to tax	—		(3)		—		(3)
Tax losses not recognised	259		—		—		259
Tax charge at the Group's effective rate	—		—		—		—

Neither the Group nor the Company had significant unrecognised deferred tax assets as at 30 June 2011 and 31 December 2010.

10. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the six-month period attributable to owners of the parent, and the weighted average number of ordinary shares of 3,200,000,000 (six-month period ended 30 June 2010: 2,933,600,000) in issue during the period, as adjusted to reflect the capitalisation issue of 3,199,998,999 shares upon the completion of the Listing.

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

	Six-month period ended 30 June	
	2011 RMB'000	2010 RMB'000 (Unaudited)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**13,626**	(2,596)
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the six-month period used in the basic and diluted earnings per share calculation	**3,200,000**	2,933,600

No adjustment has been made to the basic earnings per share amounts presented for the period as the pre-IPO share options granted during the period were contingent on the completion of the Listing, subsequent to 30 June 2011, which have no dilutive effect as at 30 June 2011.

11. Dividend

The Directors did not propose the payment of an interim dividend for the six-month period ended 30 June 2011.

12. Property, Plant and Equipment

Group

	Buildings RMB'000	Motor vehicles, fixtures and others RMB'000	Machinery RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
1 January 2010	—	347	3,260	14,178	48,409	66,194
Additions	—	2,210	1,597	84	282,781	286,672
At 31 December 2010 and 1 January 2011	—	2,557	4,857	14,262	331,190	352,866
Additions	—	1,429	6,086	6,196	183,654	197,365
Transfer in/(out)	698	—	31,001	49,693	(81,392)	—
At 30 June 2011	698	3,986	41,944	70,151	433,452	550,231
Accumulated depreciation:						
1 January 2010	—	(17)	(712)	—	—	(729)
Provided for the year	—	(106)	(273)	(58)	—	(437)
At 31 December 2010 and 1 January 2011	—	(123)	(985)	(58)	—	(1,166)
Provided for the period	(13)	(223)	(1,268)	(1,178)	—	(2,682)
At 30 June 2011	(13)	(346)	(2,253)	(1,236)	—	(3,848)
Net book value:						
At 31 December 2009	—	330	2,548	14,178	48,409	65,465
At 31 December 2010	—	2,434	3,872	14,204	331,190	351,700
At 30 June 2011	685	3,640	39,691	68,915	433,452	546,383

During the six-month ended 30 June 2011, depreciation charge of RMB Nil (six-month ended 30 June 2010: RMB176,000) were included in the construction in progress for the period.

13. Intangible Assets

Group

Mining rights	30 June 2011 RMB'000	31 December 2010 RMB'000
Cost:		
1 January and at end of the period/year	**2,301**	2,301
Accumulated amortisation:		
1 January and at end of the period/year	**—**	—
Net book value:		
At end of period/year	**2,301**	2,301

Mining rights represent rights for the mining of iron ore reserves in the Yanjiazhuang Mine and located in Lincheng County, Hebei Province, China.

14. Prepaid Land Lease Payments

Group and Company

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
Carrying amount at 1 January:		**3,913**	—
Additions		**—**	4,200
Recognised during the period		**(51)**	(287)
Carrying amount at 30 June/31 December		**3,862**	3,913
Current portion included in prepayments, deposits and other receivables	17	**(103)**	(103)
Non-current portion		**3,759**	3,810

The balance represented the prepayments for the land use rights of two parcels of land leased from the PRC government with lease terms of 40 years and the land use right certificates expiring in September 2049.

The Group had paid the land premium in accordance with the notices from the local Land Resources Bureau. Upon payment of the final installment in December 2010, the Group is no longer required to make further payment.

15. Investments in Subsidiaries

Company

	30 June 2011 RMB'000	31 December 2010 RMB'000
Unlisted investment, cost:		
Venca	**36,665**	36,665

Particulars of the subsidiaries of the Company are as follow:

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid-up share/registered paid-up capital	Percentage of equity interests attributable to the Company (%)	Principal activities
Directly held:				
Venca Investments Limited ("Venca") 永佳投資有限公司	British Virgin Islands ("BVI") 4 July 2006	US$1,000	100	Investment holding
Indirectly held:				
Jet Bright Limited ("Jet Bright") 仲耀有限公司	Hong Kong 2 November 2009	HK$1,189	100	Investment holding
Lincheng Xingye Mineral Resources Co., Ltd ("Xingye Mining") 臨城興業礦產資源有限公司	People's Republic of China ("PRC") 10 May 2006	US$30,000,000*	99	Mining, ore processing and sale of iron concentrate

* The registered capital of Xingye Mining has subsequently been increased to US$50,000,000.

16. Inventories

	30 June 2011 RMB'000	31 December 2010 RMB'000
At cost:		
Spare parts and consumables	**5,394**	1,378
Iron concentrate	**151**	239
	5,545	1,617

As at 30 June 2011, all inventories were stated at cost.

17. Prepayments, Deposits and Other Receivables

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

Group

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
Deferred initial public offering expenses		**82,712**	48,042
Deposits		**2,926**	1,643
Advances to employees		**448**	382
Advances to suppliers		**24,428**	3,263
VAT receivables		**6,855**	5,388
Prepaid land lease payments	14	**103**	103
Others		**397**	559
		117,869	59,380

17. Prepayments, Deposits and Other Receivables *(Continued)*

Company

	30 June 2011 RMB'000	31 December 2010 RMB'000
Deferred initial public offering expenses	**82,712**	48,042
Deposits	**710**	727
Others	**380**	536
	83,802	49,305

The carrying amounts of prepayments, deposits and other receivables closely approximate to their respective fair values.

Deferred initial public offering expenses represent legal and other professional fees relating to the Listing of the Company's shares on the main board of the Stock Exchange, which were deducted from equity when the Listing was completed on 4 July 2011.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

18. Cash and Cash Equivalents

	Group		Company	
	30 June 2011 RMB'000	31 December 2010 RMB'000	30 June 2011 RMB'000	31 December 2010 RMB'000
Cash on hand	**140**	12	**123**	—
Cash at banks	**35,618**	55,922	**3,545**	210
Cash and cash equivalents	**35,758**	55,934	**3,668**	210

18. Cash and Cash Equivalents *(Continued)*

Cash and bank balances are denominated in RMB at 30 June 2011 and 31 December 2010, except for the following:

	Group		Company	
	30 June 2011 RMB'000	31 December 2010 RMB'000	**30 June 2011 RMB'000**	31 December 2010 RMB'000
(RMB equivalent)				
Cash and bank balances denominated in:				
US$	**25,040**	51,962	**174**	—
HK$	**3,428**	240	**3,371**	210
	28,468	52,202	**3,545**	210

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the consolidated statements of financial position approximate to their fair values.

19. Trade Payables

The ageing analysis of the Group's trade payables is as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 6 months	**3,885**	358

The trade payables are non-interest-bearing and normally settled on 6-month terms and based on the invoice date, the ageing of the trade payables as at 30 June 2011 is within 6 months.

20. Other Payables and Accruals

Group

	30 June 2011 RMB'000	31 December 2010 RMB'000
Property, plant and equipment suppliers or contractors	**56,374**	38,660
Payables for initial public offering expenses	**36,351**	11,402
Other payables	**6,104**	5,877
Other tax payables	**157**	764
Payroll and welfare payables	**4,743**	3,502
Compensation to farmers	**—**	18,282
Advances from customers	**2,601**	23,671
	106,330	102,158

Advances from customers represented cash deposits placed by potential customers for the sale of iron concentrate upon commencement of production.

Company

	30 June 2011 RMB'000	31 December 2010 RMB'000
Payables for initial public offering expenses	**36,351**	11,402
Other payables	**1,295**	1,945
	37,646	13,347

21. Interest-Bearing Bank Borrowings

Group and Company

	30 June 2011		31 December 2010	
	Effective interest rates (%)	RMB'000	Effective interest rates (%)	RMB'000
Current				
Bank loans unsecured and repayable within one year or on demand	**1.50-2.28**	**403,326**	N/A	—

Maturity of bank loans are subject to the banks' overriding right of repayment on demand.

22. Balances with Related Parties

Group

	30 June 2011 RMB'000	31 December 2010 RMB'000
Due to the immediate holding company:		
Faithful Boom	**142,410**	335,974

Balances with related parties were all unsecured, non-interest-bearing and amounts due to the immediate holding company as at 30 June 2011 were partially repaid by 10% of the net proceeds received by the Company from the Listing, and the remaining unpaid amount was waived by Faithful Boom upon the Listing.

The carrying amounts of amounts due to the immediate holding company approximate to their fair values.

Company

	30 June 2011 RMB'000	31 December 2010 RMB'000
Due from a subsidiary:		
Venca	**448,203**	259,670
Due to the immediate holding company:		
Faithful Boom	**104,446**	298,010

23. Long-Term Payables

Long-term payables represent compensation payables to farmers from 2015 to 2025.

24. Issued Capital

	30 June 2011 HK$	31 December 2010 HK$
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000,000**	1,000,000,000
Issued and fully paid		
1,001 ordinary shares of HK$0.1 each (2010: 1,001 ordinary shares of HK$0.1 each)	**100**	100

24. Issued Capital *(Continued)*

For the prior year, on 15 January 2010, the Company entered into an agreement with Faithful Boom to acquire its 100% equity interest in Venca, by issuance of 1,000 ordinary shares to Faithful Boom and upon completion of the transfer, Faithful Boom became the immediate holding company of the Company.

A summary of the transactions during the period with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Capital reserve RMB'000	Total RMB'000
At 1 January 2011 and 30 June 2011	**1,001**	**—**	**36,665**	**36,665**

	Number of shares in issue	Issued capital RMB'000	Capital reserve RMB'000	Total RMB'000
At 1 January 2010	1	—	—	—
Shares issued	1,000	—	36,665	36,665
At 31 December 2010	1,001	—	36,665	36,665

Subsequent to the period end, the Listing has been completed on 4 July 2011 and the ordinary share capital of the Company was enlarged from 1,001 ordinary shares to 4,000,000,000 ordinary shares by way of new issue of 800,000,000 ordinary shares and capitalisation issue of 3,199,998,999 ordinary shares. The ordinary shares from the new issue and the capitalisation issue rank pari passu in all respects with the then existing issued shares.

From the share premium account of the Company arising from the new issue of 800,000,000 ordinary shares at an offer price of HK$1.75 per share, an amount of HK$319,999,899.90 was capitalised and applied as payment in full at par value of HK$0.1 each for the capitalisation issue of 3,199,998,999 ordinary shares, which were then allotted and issued to the two then shareholders in proportion to their respective shareholdings.

Share Options

Details of the Company's Pre-IPO Share Option Scheme and the share options issued under the scheme are included in Note 26 to the financial statements.

25. Capital Reserves

Group

	30 June 2011 RMB'000	31 December 2010 RMB'000
1 January and at end of the period/year	**40,366**	40,366

The capital reserve of the Group represents the paid-in capital of the subsidiaries now comprising the Group, after eliminating intra-group investments. These capital injections were made by the equity holders of the Group to Venca, which are treated as contributions from the equity holders of the Company in the consolidated financial statements.

26. Pre-IPO Share Option Scheme

The Group has adopted a Pre-IPO Share Option Scheme to recognise the contribution of certain employees, executives or officers of the Group and its controlling shareholders made or may have made to the growth of the Group and/or the Listing of the shares of the Company. The principal terms of the Pre-IPO Share Option Scheme were approved by resolutions in writing of the shareholders passed on 25 January 2011, and the grant was completed on 28 January 2011.

As at 30 June 2011, options to subscribe for an aggregate of 133,300,000 shares (representing approximately 3.3% of the issued share capital of the company immediately upon completion of the Listing), at an exercise price equivalent to the offer price of HK$1.75 per share have been granted by the Company under the Pre-IPO Share Option Scheme.

The grantees to whom an option has been granted under this Pre-IPO Share Option Scheme shall be entitled to exercise his/her option in the following manner:

(a) Option for 40% of the shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the first anniversary of the listing date ("First Vesting Date");

(b) Option for 30% of the shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the second anniversary of the listing date ("Second Vesting Date"); and

(c) Option for 30% of the shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the third anniversary of the listing date ("Third Vesting Date").

The grantees may exercise all or part of such vested option at any time from the First Vesting Date until the expiry date, i.e. in respect of an option under the Pre-IPO Share Option Scheme, the date of the expiry of the option as may be determined by the board of directors of the Company which shall not be later than the fourth anniversary of the listing date.

The shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

26. Pre-IPO Share Option Scheme *(Continued)*

The number of share option granted under the Pre-IPO Share Option Scheme during the period:

	Number of options '000
At 1 January 2011	—
Granted during the period	**133,300**
At 30 June 2011	**133,300**

The share options granted during the period were contingent on the successful Listing of the Company's shares and the Group did not recognise any share option expense during the six-month period ended 30 June 2011 as the Listing was completed after the period end.

There was no share option exercised during the six month period ended 30 June 2011.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using an option pricing model, taking into account the terms and conditions upon which the options were granted.

27. Commitments

(a) Capital Commitments

The Group had the following capital commitments at the end of the six-month period ended 30 June 2011:

Group

	30 June 2011 RMB'000	31 December 2010 RMB'000
Contracted, but not provided for:		
— Plant and machinery	**161,646**	202,667
Authorised, but not contracted for:		
— Plant and machinery	**488,935**	51,111
— Resource fees	**310,000**	—
	798,935	51,111

27. Commitments *(Continued)*

(b) Operating Lease Arrangements

As lessee

The Group leases certain of its office premises under operating lease arrangements, with leases negotiated for a three years' term, at which time all terms will be renegotiated.

At 30 June 2011 and 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year	**1,886**	1,681
In the second to fifth years, inclusive	**3,838**	1,401
	5,724	3,082

28. Related Party Transactions

(a) During the six-month period ended 30 June 2011, the Group had the following material transactions with related parties:

(i) Related party transactions

Group

	Six-month period ended 30 June	
Name of related party	2011 RMB'000	2010 RMB'000 (Unaudited)
Net repayment to/(advance from) the immediate holding company:		
Faithful Boom	**186,768**	(128,792)
Leasing of office premises from:		
a related company	**953**	996

28. Related Party Transactions *(Continued)*

(a) *(Continued)*

(i) Related party transactions

Company

Name of related party	Six-month period ended 30 June **2011** **RMB'000**	 2010 RMB'000 (Unaudited)
Net repayment to a subsidiary company:		
Venca	**188,533**	121,447
Net repayment to/(advance from) the immediate holding company:		
Faithful Boom	**186,768**	(128,792)
Leasing of office premises from:		
a related company	**953**	996

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the usual course of business and the transactions were made on terms agreed among the parties.

(ii) Pledges relating to the Exchangeable Bonds

On 17 January 2010, Faithful Boom, the immediate holding company of the Company, and three then individual shareholders, entered into a subscription agreement (the "Subscription Agreement") with 8W APO Holdings Ltd., China Gate Worldwide Limited and Long Tree Investment Limited (together, as the Bondholders) to issue secured exchangeable bonds (the "Exchangeable Bonds") exchangeable into shares of the Company, at an amount of US$60,000,000. The Company is not obliged to issue any new shares in connection with the exchange of the Exchangeable Bonds.

28. Related Party Transactions *(Continued)*

(a) *(Continued)*

(ii) Pledges relating to the Exchangeable Bonds *(Continued)*

On 15 June 2010, the Bondholders transferred their respective Exchangeable Bond holdings to Pioneer Vast Limited ("Pioneer Vast") and Star Valiant Limited ("Star Valiant"), and upon completion of the transfer, Pioneer Vast and Star Valiant, each holds US$9,000,000 and US$51,000,000 of the Exchange Bond. Pioneer Vast and Star Valiant are related companies to the Company as they are controlled by NWS Holdings Limited and VMS Investment Group Limited, respectively. All terms and obligations of the Exchangeable Bonds remain unchanged after the said transfer.

All obligations imposed on the Company in connection with the issuance of the Exchangeable Bond was terminated, including the redemption amount owing by Faithful Boom to Pioneer Vast and Star Valiant, upon the Listing on 4 July 2011.

(b) Outstanding Balances with Related Parties

Details of the Group's balances with its related parties at 30 June 2011 together with the outstanding balances due from/to related parties are disclosed in Note 22.

29. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets — Loans and receivables	30 June 2011 RMB'000	31 December 2010 RMB'000
Financial assets included in prepayments, deposits and other receivables	**28,199**	5,847
Cash and cash equivalents (note 18)	**35,758**	55,934
	63,957	61,781

29. Financial Instruments by Category *(Continued)*

Group

Financial liabilities — at amortised cost	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade payables (note 19)	**3,885**	358
Financial liabilities included in other payables and accruals (note 20)	**106,330**	102,158
Interest-bearing bank borrowings (note 21)	**403,326**	—
Due to the immediate holding company (note 22)	**142,410**	335,974
	655,951	438,490

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Company

Financial assets — Loans and receivables	30 June 2011 RMB'000	31 December 2010 RMB'000
Financial assets included in prepayments, deposits and other receivables	**1,090**	1,263
Due from a subsidiary (note 22)	**448,203**	259,670
Cash and cash equivalents (note 18)	**3,668**	210
	452,961	261,143

29. Financial Instruments by Category *(Continued)*

Company

Financial liabilities — at amortised cost	30 June 2011 RMB'000	31 December 2010 RMB'000
Financial liabilities included in other payables and accruals (note 20)	**37,646**	13,347
Interest-bearing bank borrowings (note 21)	**403,326**	—
Due to the immediate holding company (note 22)	**104,446**	298,010
	545,418	311,357

30. Fair Value and Fair Value Hierarchy

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

As 30 June 2011, the Company did not hold any financial instruments measured at fair value.

31. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and bank balances, deposits and other receivables and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include advances from customers, other payables and accruals, and amounts due to related parties.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policies seek to ensure that adequate resources are available to manage the above risks and to maximise value for its shareholders. The board regularly reviews these risks and they are summarised below.

31. Financial Risk Management Objectives and Policies *(Continued)*

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and 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 loans and advances from related parties.

The maturity profile of the Group's financial liabilities at 30 June 2011, based on the contractual payments, is as follows:

Group

30 June 2011	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Trade payables	—	3,885	—	—	3,885
Other payables and accruals	—	106,330	—	—	106,330
Interest bearing bank borrowings	—	403,326	—	—	403,326
Due to the immediate holding company	—	142,410	—	—	142,410
Long-term payables	—	—	—	1,180	1,180
	—	655,951	—	1,180	657,131

31 December 2010	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Trade payables	—	358	—	—	358
Other payables and accruals	—	102,158	—	—	102,158
Due to the immediate holding company	—	335,974	—	—	335,974
Long-term payables	—	—	—	1,180	1,180
	—	438,490	—	1,180	439,670

31. Financial Risk Management Objectives and Policies *(Continued)*

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term debt obligations with a floating interest rate.

As the borrowing costs arose from the bank borrowing were overall capitalised in the construction cost, there were no impact on the profit or loss regarding the floating interest rate.

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant credit risk within the Group as the Group usually receives deposits in advance from customers.

Foreign Currency Risk

The Group's businesses and operations are located in Mainland China and transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, as such, the Group has not hedged its foreign exchange rate risk.

Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors. No changes were made in the objectives, policies or processes for managing financial risk during the periods ended 30 June 2011 and 2010.

32. Contingent Liabilities

On 9 March 2010, Venca entered into an agreement with Jet Bright, its wholly owned subsidiary, to transfer its entire 99% equity interest in Xingye Mining to Jet Bright. This equity transfer was approved by the Lincheng Commerce Bureau on 9 March 2010 and was registered with the Xingtai Administration for Industry and Commerce on 15 July 2010. Both Venca and Jet Bright are wholly owned subsidiaries of the Company.

According to the PRC tax rules, such equity transfer is liable to the CIT upon completion unless certain criteria as laid down in Article 5 of the Ministry of Finance/State Administration of Taxation Circular of Caishui [2009] No.59 titled "Circular on Certain Questions Regarding Corporate Income Tax Treatments for Business Reorganisation of Enterprises" (關於企業重組業務企業所得稅處理若干問題的通知) (the "Circular No.59") are fulfilled and the transaction qualifies for special tax treatment as stipulated in the Circular No.59. Pursuant to the State Administration of Taxation Circular of Guoshuihan [2009] No.698 titled "Circular on Strengthening the Corporate Income Tax Administration on Non-Resident Enterprise's Gain on Equity Transfer" (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), the qualification of special tax restructuring treatment of a non-resident enterprise needs to be assessed and recognised by provincial tax authority.

In December 2010, the Group submitted an application to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the Directors believe that the above-mentioned transfer meet the criteria laid down in Article 5 of the Circular No.59 and that the transfer qualifies for special tax treatment, there shall have no CIT arising from the transfer and hence, no tax provision has been made in this regard.

33. Events after Reporting Period

(a) The Listing of the Company's shares on the main board of the Stock Exchange was completed on 4 July 2011 and net proceeds of approximately RMB1,054 million (equivalent to HK$1,270 million) were raised by the Company. For details of the changes in issued share capital of the Company, please refer to Note 24.

(b) Following the completion of the Listing, the related pre-IPO share option expenses will commence to be recognised in the consolidated statement of comprehensive income in the second half of 2011. The Company, together with the independent professional valuers, will perform assessment in respect of the fair value of share options. For further details of the Pre-IPO Share Option Scheme, please refer to Note 26.

34. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2011.

Other Information

Corporate Governance Practices

The Directors recognise the importance of good corporate governance in the management of the Group. As a private company during the Reporting Period, the Company was not required to comply with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the Reporting Period. The Board will review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

Review of Interim Results

The interim consolidated financial statements of the Group for the six months ended 30 June 2011 has been audited by Ernst & Young (the auditors of the Company).

The interim report of the Company for the Reporting Period has been reviewed by the audit committee of the Company, which expressed their satisfaction with the accounting policies and principles adopted by the Group.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As dealing in the shares of the Company on the main board of the Stock Exchange commenced on 4 July 2011 (the "Listing Date"), no disclosure of interest or short position of the Directors and chief executives of the Company in any share, underlying share and debenture of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") was made to the Company and the Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO as at 30 June 2011. As at the Listing Date, interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its Associated Corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Share Options

As at the Listing Date, the following Directors of the Company have personal interests in the share options of the Company:

			Number of share options					
Name	Date of grant	Exercisable period (Note)	Balance as at 28.01.11 (Note 2)	Exercised during the period (Note 3)	Adjusted during the period	Lapsed during the period	Balance as at 04.07.11 (Note 2)	Exercise price per share HK$
Yao Zanxun	28 January 2011	(1)	8,000,000	—	—	—	8,000,000	1.75
Yu Shuxian	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Li Yuelin	28 January 2011	(1)	6,400,000	—	—	—	6,400,000	1.75
Lin Zeshun	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Liu Yongxin	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Jing Zhiqing	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Tsui King Fai	28 January 2011	(1)	800,000	—	—	—	800,000	1.75
Lee Kwan Hung	28 January 2011	(1)	800,000	—	—	—	800,000	1.75
Wu Wai Leung, Danny	28 January 2011	(1)	800,000	—	—	—	800,000	1.75

Notes:

(1) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into 2 equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.

(2) Based on the issued share capital of the Company upon listing of the shares on the main board of the Stock Exchange.

(3) No share option of the Company was exercised by the Directors during the period.

(4) The cash consideration paid by each of the Directors for the grant of share options is HK$1.00.

Other than as disclosed above, neither the Directors nor the chief executives, nor any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the Listing Date.

Share Option Schemes

On 25 January 2011, a Pre-IPO Share Option Scheme was adopted by the Company under which the Directors may at their discretion and during the period of 30 days commencing from 25 January 2011, grant share options to certain employees, executives or officers of the Company or its subsidiaries or its affiliates to subscribe for ordinary shares of the Company. The Pre-IPO Share Option Scheme expired on 23 February 2011 and thus no further share option can be granted under such scheme. However, the share options granted under the Pre-IPO Share Option Scheme are still exercisable.

Other Information

As at 30 June 2011, the Company had granted share options under the Pre-IPO Share Option Scheme to the Company's Directors, the senior management of the Group and other eligible participants, details are as follows:

Exercise price of the share options:	HK$1.75 per share
Number of share options granted:	133,300,000
Validity period of the share options:	4 July 2012 — 6 July 2015
Vesting period of the share options:	40% of the share options shall vest on 4 July 2012 while the remaining 60% of the share options shall be divided into 2 equal tranches and vest on 4 July 2013 and 4 July 2014 respectively.

(i) Share Options to Directors

Details of share options granted to the Directors of the Company were disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(ii) Share Options to Senior Management of the Group

As at the Listing Date, the Company had granted share options under the Pre-IPO Share Option Scheme to the senior management of the Group as follows:

			Number of share options					
Name	Date of grant	Exercisable period (Note)	Balance as at 28.01.11 (Note 2)	Exercised during the period (Note 3)	Adjusted during the period	Lapsed during the period	Balance as at 04.07.11 (Note 2)	Exercise price per share HK$
Jiao Ying	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Ho Siu Mei	28 January 2011	(1)	3,000,000	—	—	—	3,000,000	1.75
Wang Jiangping	28 January 2011	(1)	2,800,000	—	—	—	2,800,000	1.75
Ren Jianzhu	28 January 2011	(1)	2,800,000	—	—	—	2,800,000	1.75
Wang Xiaoxing	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Zhang Mingliang	28 January 2011	(1)	3,000,000	—	—	—	3,000,000	1.75

Notes:

(1) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into 2 equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.

(2) Based on the issued share capital of the Company upon listing of the shares on the main board of the Stock Exchange.

(3) No share option of the Company was exercised by the senior management during the period.

(4) The cash consideration paid by each member of the senior management for the grant of share options is HK$1.00.

(iii) Share Options to Other Grantees who are Connected Persons of the Company

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 28.01.11 (Note 2)	Exercised during the period (Note 3)	Adjusted during the period	Lapsed during the period	Balance as at 04.07.11 (Note 2)	Exercise price per share HK$
Szeto Yat Kong	28 January 2011	(1)	5,200,000	—	—	—	5,200,000	1.75
Lam Tak Ming	28 January 2011	(1)	3,000,000	—	—	—	3,000,000	1.75
Gu Yanqing	28 January 2011	(1)	2,800,000	—	—	—	2,800,000	1.75
Wang Zhiyong	28 January 2011	(1)	2,800,000	—	—	—	2,800,000	1.75
Wu Qiong	28 January 2011	(1)	1,500,000	—	—	—	1,500,000	1.75

Notes:

(1) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into 2 equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.

(2) Based on the issued share capital of the Company upon listing of the shares on the main board of the Stock Exchange.

(3) No share option of the Company was exercised by the grantees during the period.

(4) The cash consideration paid by each of the grantees for the grant of share options is HK$1.00.

(iv) Share Options to Other Eligible Participants

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 28.01.11 (Note 2)	Exercised during the period (Note 3)	Adjusted during the period	Lapsed during the period	Balance as at 04.07.11 (Note 2)	Exercise price per share HK$
28 January 2011	(1)	65,600,000	—	—	—	65,600,000	1.75

Notes:

(1) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into 2 equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.

(2) Based on the issued share capital of the Company upon listing of the shares on the main board of the Stock Exchange.

(3) No share option of the Company was exercised by the other eligible participants during the period.

(4) The cash consideration paid by each of the other eligible participants for the grant of share options is HK$1.00.

Moreover, another share option scheme was adopted by the Company on 9 April 2010 (the "Share Option Scheme"). The Share Option Scheme will be valid and effective for a period of ten years from the date of grant of the options. The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the share capital of the Company in issue. No share option had been granted under the Share Option Scheme since its adoption.

Other Information

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As the shares of the Company have only been listed on the main board of the Stock Exchange as at the Listing Date, no disclosure of interest or short position in any shares and underlying shares of the Company were made to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2011.

To the best knowledge of the Directors or chief executives of the Company, as at the Listing Date, persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Notes	**Capacity and nature of interest**	**Number of shares held** Long Position (L) Short Position (S)	**Approximate Percentage of the Company's issued share capital** Long Position (L) Short Position (S)
Cheng Yu Tung Family (Holdings) Limited	1	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
Centennial Success Limited	2	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
Chow Tai Fook Enterprises Limited	3	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
New World Development Company Limited	4	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
NWS Holdings Limited	5	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
NWS Resources Limited	5	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
NWS Mining Limited	5	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
Modern Global Holdings Limited	5	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
Perfect Move Limited	5	Interest of controlled corporation	1,920,000,000 (L)	48% (L)
Faithful Boom Investments Limited	5	Beneficial interest	1,920,000,000 (L)	48% (L)
Mak Siu Hang, Viola	6	Interest of controlled corporation	1,080,000,000 (L)	27% (L)
			150,000,000 (S)	3.75% (S)
VMS Investment Group Limited	6	Interest of controlled corporation	1,080,000,000 (L)	27% (L)
			150,000,000 (S)	3.75% (S)
Fast Fortune Holdings Limited	6	Beneficial interest	1,080,000,000 (L)	27% (L)
			150,000,000 (S)	3.75% (S)
Shougang Holding (Hong Kong) Limited	7	Interest of controlled corporation	228,570,000 (L)	5.71% (L)
Plus All Holdings Limited	7	Beneficial interest	228,570,000 (L)	5.71% (L)

(1) Cheng Yu Tung Family (Holdings) Limited holds 51% direct interest in Centennial Success Limited ("CSL") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CSL.

(2) CSL holds 100% direct interest in Chow Tai Fook Enterprises Limited ("CTF Enterprises") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.

(3) CTF Enterprises, together with its subsidiaries, hold more than one-third of the issued shares of New World Development Company Limited ("NWD") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

(4) NWD holds approximately 59.79% direct interest in NWS Holdings Limited ("NWS") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWS.

(5) NWS holds a 100% direct interest in NWS Resources Limited ("NWS Resources"), which holds a 100% direct interest in NWS Mining Limited ("NWS Mining"). NWS Mining holds a 100% interest in Modern Global Holdings Limited ("Modern Global"), which holds a 100% direct interest in Perfect Move Limited ("Perfect Move"). Faithful Boom Investments Limited ("Faithful Boom") is a wholly-owned subsidiary of Perfect Move. Therefore NWS, NWS Resources, NWS Mining, Modern Global and Perfect Move are deemed to be interested in all the shares held by or deemed to be interested by Faithful Boom.

(6) Fast Fortune Holdings Limited ("Fast Fortune") is a subsidiary of VMS Investment Group Limited ("VMS"). Ms. Mak Siu Hang, Viola holds a 100% direct interest in VMS. Therefore Ms. Mak Siu Hang, Viola and VMS are deemed to be interested in all the shares held by or deemed to be interested by Fast Fortune.

(7) Plus All Holdings Limited ("Plus All") is a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong"). Therefore, Shougang Hong Kong is deemed to be interested in all the shares held by or deemed to be interested by Plus All.

Save as disclosed above, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at the Listing Date.

Purchase, Sale or Redemption of the Company's Listed Securities

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

By order of the Board of
Newton Resources Ltd
Tsang Yam Pui
Chairman

Hong Kong, 29 August 2011

Corporate Information

Board of Directors

Executive Directors

Mr. Yao Zanxun
(Vice-chairman and Chief Executive Officer)
Ms. Yu Shuxian
Mr. Li Yuelin
Mr. Lin Zeshun
Mr. Liu Yongxin
Mr. Jing Zhiqing

Non-executive Directors

Mr. Tsang Yam Pui *(Chairman)*
Mr. Lam Wai Hon, Patrick *(Vice-chairman)*
(Alternate director to Mr. Tsang Yam Pui)
Mr. Cheng Chi Ming, Brian

Independent Non-executive Directors

Mr. Tsui King Fai
Mr. Lee Kwan Hung
Mr. Wu Wai Leung, Danny

Audit Committee

Mr. Tsui King Fai *(Chairman)*
Mr. Lee Kwan Hung
Mr. Wu Wai Leung, Danny

Remuneration Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Tsui King Fai
Mr. Wu Wai Leung, Danny
Mr. Tsang Yam Pui
Mr. Lam Wai Hon, Patrick

Nomination Committee

Mr. Lee Kwan Hung *(Chairman)*
Mr. Tsui King Fai
Mr. Wu Wai Leung, Danny
Mr. Tsang Yam Pui
Mr. Lam Wai Hon, Patrick

Company Secretary

Ms. Ho Siu Mei

Authorised Representatives

Mr. Yao Zanxun
Ms. Ho Siu Mei

Compliance Advisor

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Registered Office

Walkers Corporate Services Limited
Walker House
87 Mary Street
George Town
Grand Cayman KY1-9005
Cayman Islands

Headquarter and Principal Place of Business in the PRC

Yanjiazhuang Mine
Shiwopu Village West
Haozhuang Town
Lincheng County
Hebei Province, China

Principal Place of Business in Hong Kong

Rooms 1502-5
15th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

Unlisted Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Listed Share Registrar

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

Principal Bankers

Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Website

www.newton-resources.com

Stock Code

1231

Share Information

Board lot size: 2000

Newton Resources Ltd

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