新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Annual Report 2011

Mining for Success

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present our first annual report for the year ended 31 December 2011, after our successful Listing on the main board of the Stock Exchange on 4 July 2011.

We own and operate the Yanjiazhuang Mine which is one of the largest privately-owned iron ore mines in Hebei Province, the PRC. We believe we are well-positioned to capture the shortfall in domestically-produced iron ore historically experienced in Mainland China, especially in Hebei Province. The Yanjiazhuang Mine also contains gabbro-diabase resources. Gabbro-diabase is an igneous rock known for its hardness, abrasion resistant qualities and durability, and is commonly used to manufacture a wide variety of products, including high-quality and high-end countertops, interior decorative materials and indoor flooring. As the removal of gabbro-diabase resources is already part of our normal mining operations, we believe the production of gabbro-diabase will bring about cost sharing benefit with iron concentrate production.

The successful Listing strengthened our capital base which will enable us to achieve a rapid business development through our three-phase expansion plan. During the year, Phase One expansion plan was completed with the annual mining and ore processing capacity expanded to 3,000,000 tonnes and annual iron concentrate production capacity to approximately 760,000 tonnes.

Subsequent construction progress, including the construction of the New Tailings Storage Facility, was hampered by a series of incidents of disputes arising from land expropriation works in the surrounding areas of the Yanjiazhuang Village. Thanks to the effort of our management and the assistance from the local government, construction works for the New Tailings Storage Facility was resumed in October 2011. However, at that time, as the existing tailings storage facility was also approaching its capacity limit that would allow safe production to continue, the Board decided to temporarily suspend iron concentrate production from the end of October 2011. The Board expects that the production should gradually resume normal subsequent to the completion of the New Tailings Storage Facility, which is estimated to be in the second quarter of 2012. The Board made an announcement to this effect on 21 October 2011.

Regarding the production of gabbro-diabase products, the relevant government authority has accepted the resources fees assessment report for Yanjiazhuang Mine. Upon payment of the required resources fees, the Group expects the mining permit for the gabbro-diabase will be granted by the relevant government authority and that the production of gabbro-diabase products will thus be able to commence in the second quarter of 2012.

The Group's priority and emphasis continue to be the early resumption of iron concentrate production in the Yanjiazhuang Mine as well as expanding its production capacity according to plan. Judging from the current trend, the Group believes that the demand for iron concentrates will continue to be robust due to the significant shortfall in domestic supply and the continuing stable iron ore pricing in the market. The management is making its best effort to re-commence production in the Yanjiazhuang Mine as soon as possible in order to seize the present market opportunities and to grow the business.

Lastly, I would like to take this opportunity to express my hearty thanks and gratitude to our management and staff for their invaluable effort and contributions in the past year. I would also like to thank our business associates and shareholders for their continued support.

Tsang Yam Pui
Chairman

Hong Kong, 28 March 2012

Management Discussion and Analysis

Market Review

Major iron ore producing countries and regions enjoyed high growth of steel production in 2011. Iron ore price reached the record high of almost US$200 per tonne in early 2011, due to the PRC's strong demand. Nonetheless, the European countries' deteriorating debt crisis is expected to slow the global economic growth, which when combined with the PRC government's restrictive policies on property market and investments in infrastructure as well as its measures to consolidate steel mills lowered the profitability of steel mills since the second half of 2011. The iron ore price also showed a downward tendency. However, the average market price of iron ore for 2011 still stood at a relatively high level of approximately US$170 per tonne.

Furthermore, Mainland China continued to maintain a relatively high gross domestic product growth rate of approximately 9.2% in 2011. Its fast industrialisation and urbanisation as well as the PRC government's implementation of subsidised housing programmes have created a strong demand for steel and iron ore. As the domestic iron ore output cannot meet such huge domestic demand in Mainland China, steel mills also rely heavily on the import of iron ore. During 2011, the iron ore import in Mainland China reached a record high of approximately 686 million tonnes, an increase of 10.9% compared to that of the previous year.

As the largest steel producing province in Mainland China, Hebei Province has an iron ore output amounting to approximately 595 million tonnes in 2011, a year-on-year increase of 36.8%. It also accounted for 44.8% of national iron ore output in Mainland China for the year. According to an analysis of the growth of iron ore production in Hebei Province, the increase in its iron ore output in 2011 mainly resulted from the supply provided by newly developed iron mines in Hebei Province. Meanwhile, iron ore import in Hebei Province grew by 22.6% to a total of approximately 110 million tonnes in 2011.

The Group's Yanjiazhuang Mine is located in the Hanxing region in the south of Hebei Province, the PRC, where many steel mills are located. As the total iron concentrate production in Hebei Province is not able to match the local steel mills' demand, the Group believes that despite the recent price fluctuation, iron ore price is likely to remain stable in the foreseeable future.

Business and Operation Review

Iron Concentrate Business

During FY 2011, the Group produced and sold 46,900 tonnes of iron concentrates and generated approximately RMB45.9 million in sales revenue. The average selling price of its iron concentrates, net of value-added tax, was approximately RMB979 per tonne, with its average iron concentrate grade of approximately 65%. Comparative figures for the previous year are not available as the Yanjiazhuang Mine had not commenced commercial production for that year.

The Group's Yanjiazhuang Mine commenced commercial production on 1 January 2011. Following the commencement of commercial production, the Group was impacted by severe droughts in Northern China (including the Yanjiazhuang Mine) which were the worst experienced in the past sixty years. As a result, the Group's production levels had been significantly reduced in March 2011. Meanwhile, the Group invested substantial management time and resources to proceed with its Phase One expansion plan, and successfully achieved its goal by June 2011 so that the Group expanded its annual mining and ore processing capacity at the Yanjiazhuang Mine to 3,000,000 tonnes and annual iron concentrate production capacity to approximately 760,000 tonnes.

Management Discussion and Analysis

However, since late July 2011, there were several incidents of disputes arising from land expropriation in the surrounding area of the Yanjiazhuang Village, leading to the slow progress in the land expropriation and the construction works for the iron ore mining business. These incidents created tension between local villagers and mining and manufacturing companies in the area, including us. Owing to these unforeseen incidents, the progress of the land expropriation and subsequent construction works (including the construction of one dry magnetic cobbing system (namely No. 3 Dry Magnetic Cobbing System), the Water Supply System (as defined below) and the New Tailings Storage Facility) experienced unexpected delays, which in turn affected the schedule to complete the Phase Two and the Phase Three expansion plans of the Yanjiazhuang Mine. As a result, the Yanjiazhuang Mine has not been in normal production since March 2011.

During the Reporting Period, due to the aforesaid construction delays caused by the land expropriation works, the New Tailings Storage Facility was not ready for service as originally scheduled. On the other hand, the existing tailings storage facility was approaching its capacity limit on safe emission. In October 2011, the Group decided to suspend the Yanjiazhuang Mine's production of iron concentrates until the completion and availability of the New Tailings Storage Facility. As a result, the Group did not meet its original target production of 200,000 tonnes of iron concentrates during the Reporting Period. As further elaborated in the "Outlooks and Future Plans" section, we anticipate that the production of iron concentrates should gradually resume normal after the New Tailings Storage Facility is available to have its tailing discharge in place within the second quarter of 2012.

On 28 April 2011, the Group entered into an agreement with Shougang Holding (Hong Kong) Limited ("Shougang"), the principal terms of which cover the sale of iron concentrates, future strategic cooperation and technical support. Pursuant to the said agreement, the Group has entered into an iron concentrate sale and purchase agreement, pursuant to which the Group shall sell 30% of the Group's annual production of iron concentrates to Shougang at a 3% discount to the prevailing market price at the time of supply. The Group has also received Shougang's advisory support in various respects, and expect to finalise specific cooperation arrangements with Shougang after the resumption of normal commercial production at the Yanjiazhuang Mine.

Gabbro-Diabase Business

Although the Group has not yet begun mining production of gabbro-diabase in 2011, the management has undertaken substantial preparatory works for the related infrastructure, as further explained in the section headed "Capital Expenditure for Gabbro-Diabase Business".

For marketing and sales, the Group has also initiated the marketing and promotion for its gabbro-diabase products. In February 2011, the Group entered into four memoranda of understanding with PRC property companies or their subsidiaries. The Group will further negotiate with these companies to formalise the execution of specific gabbro-diabase sales agreements. In addition, during the Reporting Period, the Group participated in a recognised stone industry exhibition to promote its gabbro-diabase products, aiming to create corporate branding and establish customer network.

Exploration, Development and Mining Activities

During FY 2011, the Group incurred capital expenditures of approximately RMB324.9 million mainly in respect of the Group's three-phase expansion plan as disclosed in the Prospectus and as further discussed in the section "Iron Concentrate Capacity Expansion Plan" below.

Iron Concentrate Capacity Expansion Plan

Phase One

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

During the Reporting Period, apart from expanding the capacity of the processing facilities, 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 has helped to achieve the expected outcome both in terms of production capacity and quality improvement of crushed ore.

During FY 2011, the total capital expenditure for the Phase One expansion plan amounted to approximately RMB29.8 million.

Phase Two

Phase Two expansion plan, which commenced in September 2010, included the development of three open-pit mining pits, the construction of No. 3 Dry Magnetic Cobbing System, the third processing facility and supporting infrastructure and equipment (including the New Tailings Storage Facility). These improvements would further help to increase the Group's annual mining and ore processing capacity and annual iron concentrate production capacity and to complement our growth during Phase Two expansion plan.

In addition, to cope with the enhanced capacity in Phase Two as well as to mitigate the impacts brought by the droughts on our production, the Group is also constructing pump stations with a water pipeline with a length of 20 km for its Phase Two expansion plan, connecting to the Lincheng Water Reservoir located in Lincheng County of Hebei Province for sufficient supply of water to the Yanjiazhuang Mine (the "Water Supply System"). As at the end of the Reporting Period, the majority of the construction works for the Water Supply System has been completed, leaving the pipeline section to be completed within limited mileage. The construction of the Phase Two expansion plan was occasionally suspended since late August 2011 due to disputes of land expropriation which occurred in the surrounding area of Yanjiazhuang Village.

During the Reporting Period, as a result of the incidents arising from land expropriation disputes in the surrounding area of Yanjiazhuang Village, part of the construction works in Phase Two expansion plan including the construction of the No. 3 Dry Magnetic Cobbing System, the Water Supply System and the New Tailings Storage Facility proceeded slowly and were not completed as originally scheduled. Thus, the production at the Yanjiazhuang Mine was hampered.

With the support of the local government, the Group managed to reach agreement with a number of local villages and made a breakthrough in the land expropriation works for the Yanjiazhuang Mine. As a result, the construction of the New Tailings Storage Facility resumed during the Reporting Period.

During FY 2011, the total capital expenditure for Phase Two expansion plan amounted to approximately RMB188.2 million.

Management Discussion and Analysis

Phase Three

The Group is currently in the process of refining the implementation of the Phase Three expansion plan. It is subject to modifications in light of current conditions of the Yanjiazhuang Mine. Given the current situation, the Phase Three expansion plan is anticipated to be completed in 2013.

During FY 2011, the total capital expenditure for the Phase Three expansion plan amounted to approximately RMB65.6 million.

Capital Expenditure for Gabbro-Diabase Business

The Group was notified by Hebei Provincial Land and Resources Department that, on 28 December 2011, the relevant government authority accepted the resources fees assessment report submitted by the Group regarding the gabbro-diabase resources in the Yanjiazhuang Mine. Upon payment of the required resources fees, the Group expects that the mining permit in respect of the gabbro-diabase resources in the Yanjiazhuang Mine will be granted by the relevant government authority and that the production of the gabbro-diabase products will thus be able to commence in the second quarter of 2012.

In FY 2011, although the Group has not yet commenced the gabbro-diabase production, the management has already undertaken substantial preparatory works for the related infrastructure, including organising a professional production and management team in charge of gabbro-diabase business, preparing a mining and production plan for gabbro-diabase mine, and providing technical basis and scientific management for the gabbro-diabase production to commence in due course. Meanwhile, the Group started the infrastructure works for a gabbro-diabase quarry during the Reporting Period. A road connecting the first gabbro-diabase quarry has been built, and preparatory works for other quarries are also in progress, laying solid foundation for the Group to commence gabbro-diabase production as soon as possible.

Moreover, the Group is currently preparing for the project involving the construction of a gabbro-diabase processing plant on a parcel of land of 50mu (approximately 33,333 sq m) in Lincheng County Industrial Park located in Lincheng County of Hebei Province. Site formation works and plant construction design have been completed. When the processing plant is completed, it will provide a solid foundation towards future mass production of gabbro-diabase slabs, carving stones and other products.

During FY 2011, the total capital expenditure for the gabbro-diabase project amounted to approximately RMB34.1 million.

Iron Ore Resources and Reserves

As at 31 December 2011, details of the Group's mineral resources and ore reserves prepared under the JORC Code were set out as below:

Summary of our iron ore resources

	Percentage of ownership	JORC Mineral Resources Category	As at 31.12.2011 (Mt)	Average iron grade TFe (%)	As at 31.12.2010 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Measured	99.56	22.53	99.80	22.53
		Indicated	211.96	21.03	211.96	21.03
		Total	311.52	21.51	311.76	21.51

Summary of our iron ore reserves

	Percentage of ownership	JORC Ore Reserve Category	As at 31.12.2011 (Mt)	Average iron grade TFe (%)	As at 31.12.2010 (Mt)	Average iron grade TFe (%)
Yanjiazhuang Mine	99%	Proved	85.56	21.39	85.80	21.39
		Probable	174.21	19.97	174.21	19.97
		Total	259.77	20.43	260.01	20.43

During FY 2011, the Group consumed 240,000 tonnes iron ores for mining production in the Yanjiazhuang Mine. Comparative figures for the previous year are not available as the Yanjiazhuang Mine had not commenced commercial production for that year.

Save as disclosed above, there is no other material change in the Group's mineral resources and ore reserves as disclosed in the Prospectus.

Gabbro-Diabase Resources

In order to investigate the possibility of utilising the gabbro-diabase resources in the Yanjiazhuang Mine, we have conducted an estimate for the gabbro-diabase resources. As at 31 December 2011, the gabbro-diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic meters and categorised as an Indicated Resource under the JORC Code.

Production Safety and Environmental Protection

The Group has focused its attention highly on production safety and environmental protection since the commencement of commercial production. Therefore, the Group has been consistently promoting safety standards and strengthening environmental protection policies so as to develop itself into a socially responsible enterprise with high awareness of safety concerns. During FY 2011, the Yanjiazhuang Mine had no record of significant safety incident.

Resources Exploration and Identification of New Resources

During the Reporting Period, the Group did not incur any cost or capital expenditure on exploration works.

In February 2010, the Group entered into a contract with the No.11 Geological Brigade of Hebei Bureau of Geological Exploration of the PRC (the “No.11 Geological Brigade”) to purchase the exploration rights in relation to two iron mines, namely (i) the Gangxi Mine located in Lincheng County, Hebei Province, the PRC, and (ii) the Shangzhengxi Mine located adjacent to Shahe City, Hebei Province, the PRC, and to engage the No.11 Geological Brigade to carry out exploration works on the two iron mines. The exploration areas of the Gangxi Mine and the Shangzhengxi Mine are 5.28 sq km and 2.06 sq km, respectively.

Pursuant to the contract aforesaid, the No.11 Geological Brigade agreed to conduct the necessary transfer procedures. However, the transfer of the exploration rights in relation to the two iron mines is subject to the approval of the relevant government authorities. In addition, the Group agreed to pay the consideration for the exploration rights and the total exploration costs to be incurred by the No.11 Geological Brigade, and agreed to pay RMB2 for each tonne of iron reserves estimated in the area of the two mines upon the completion of the exploration works. Pursuant to the contract, if no iron ore reserve is identified upon the completion of the exploration, the Group shall not be obliged to pay any exploration cost to the No.11 Geological Brigade. The above capital costs will be sourced from the net proceeds raised from the Listing.

On 24 February 2012, to allow more time for the transfer of the exploration rights and carrying on the geological studies of the two mines by the No.11 Geological Brigade, the Group and the No.11 Geological Brigade agreed to extend the term of the aforesaid contract to 26 August 2013.

Meanwhile, the Group is preparing exploration plans for the areas with exploration potential within the Yanjiazhuang Mine, and is also in contact with the relevant government authorities for the application for the exploration right in respect of an area north of the Yanjiazhuang Mine which covers an area of 0.75 sq km. The Group believes that these measures could further strengthen the minable reserves and resources of the Group.

Dividend

The Directors do not recommend the payment of a final dividend in respect of FY 2011 (2010: Nil).

Financial Review

For FY 2011, the Group's revenue was approximately RMB45.9 million (2010: Nil). The increase in revenue was mainly attributable to the commencement of commercial production from 1 January 2011. During the year, the Group produced and sold 46,900 tonnes of iron concentrates at an average selling price of approximately RMB979 per tonne (net of value-added tax).

The profit from operations for FY 2011 was approximately RMB16.8 million (2010: loss from operations of approximately RMB2.9 million), representing a profit margin of 36.6% (2010: N/A).

The net profit for FY 2011 was approximately RMB2.4 million (2010: net loss of approximately RMB2.9 million). The profit attributable to owners of the Company amounted to approximately RMB2.2 million (2010: loss of approximately RMB2.9 million). The basic and diluted earnings per share for FY 2011 was RMB0.06 cent (2010: basic and diluted loss per share of RMB0.09 cent).

Revenue

The Group recorded revenue of approximately RMB45.9 million during FY 2011 following the commencement of commercial iron concentrate production from 1 January 2011 in accordance with Phase One expansion plan.

For FY 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 FY 2011 amounted to approximately RMB16.9 million (2010: Nil). The increase in cost of sales was mainly attributable to the commencement of commercial production from 1 January 2011.

The cost of sales during FY 2011 represented 36.8% of revenue (2010: N/A).

Gross Profit and Gross Margin

As a result of the above, the Group recorded gross profit of approximately RMB29.0 million and gross margin of 63.2% respectively during FY 2011. Comparative figures are not available as the Yanjiazhuang Mine did not commence commercial production until 1 January 2011.

Selling and Distribution Costs

Selling and distribution costs, which mainly comprise of salaries of sales staff and entertainment expenses, amounted to approximately RMB0.8 million during FY 2011. No selling and distribution costs were incurred in FY 2010 as the commercial production did not commence until 1 January 2011.

Administrative Expenses

Administrative expenses increased 329.9% to approximately RMB33.1 million during FY 2011 (2010: approximately RMB7.7 million). The increase was mainly due to the expansion of management team and recruitment of mining professionals to cope with the Group's business expansion and the Group's three-phase expansion plan of iron concentrate business.

Management Discussion and Analysis

Finance Income

Finance income increased 338.8% to approximately RMB21.5 million during FY 2011 (2010: approximately RMB4.9 million). The increase was mainly attributed to foreign exchange gains arising from the appreciation of RMB against HKD and USD and interest income earned from unused IPO proceeds.

Profit/(Loss) for the year and Total Comprehensive Income/(Loss) for the year

As a result of the above, the Group's profit and total comprehensive income for FY 2011 amounted to approximately RMB2.4 million (2010: loss and total comprehensive loss of approximately RMB2.9 million).

Property, Plant and Equipment

As at 31 December 2011, the Group's property, plant and equipment had a net carrying amount of approximately RMB670.5 million (2010: RMB351.7 million), which represented an increase of 90.6% during FY 2011. The increase was mainly attributable to mine construction in progress and acquisition of machinery and equipment.

The above net carrying amount represented 40.9% of the Group's total assets as at 31 December 2011 (2010: 74.1%).

Prepayments, Deposits and Other Receivables

As at 31 December 2011, the Group's prepayments, deposits and other receivables were approximately RMB37.3 million (2010: approximately RMB59.4 million), which represented a decrease of 37.2% during FY 2011. The decrease was mainly attributable to the recognition of deferred IPO expenses to share premium account upon the completion of the Listing during FY 2011, which is partly offset by the increase in construction-related advances to suppliers.

The above represented 2.3% of total assets as at 31 December 2011 (2010: 12.5%).

Other Payables and Accruals

As at 31 December 2011, the Group's balances of other payables and accruals were approximately RMB102.0 million (2010: approximately RMB102.2 million). The balance remained stable as there was a decrease in payables for expenses associated with initial public offering since the professional services for the Listing were substantially paid, which was offset by the increase in payables to the suppliers or contractors for the addition of items of property, plant and equipment during the year.

Due to the Then Immediate Holding Company

As at 31 December 2010, the amount due to the then immediate holding company was approximately RMB336.0 million. During FY 2011, the Group made a net repayment of approximately RMB292.0 million to the then immediate holding company and foreign exchange gain of approximately RMB7.1 million resulted from the appreciation of RMB against USD during the year. The remaining unpaid amount of RMB36.9 million due to the then immediate holding company was waived by the then immediate holding company upon the Listing.

Liquidity

As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately RMB919.4 million (2010: approximately RMB55.9 million), representing 56.1% (2010: 11.8%) of total assets. The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB526.2 million (2010: net debt position of approximately RMB280.0 million). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.9 (2010: approximately 0.3).

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 RMB1,052 million) after deducting the related commissions, discretionary incentive fees and other estimated offering expenses. The Group's net cash position and liquidity have greatly improved upon the Listing.

During FY 2011, net cash of approximately RMB317.2 million (2010: approximately RMB233.3 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 31 December 2011, the amount of capital was approximately RMB1,529.4 million (2010: approximately RMB371.0 million), and the total borrowings were approximately RMB393.2 million (2010: approximately RMB336.0 million).

As at 31 December 2011, the Group's gearing ratio, based on total borrowings divided by capital, was 25.7% (2010: 90.6%).

Loans, Indebtedness and Maturity Date

As at 31 December 2011, the Group's HKD denominated bank borrowings amounted to HK$485.0 million (equivalent to approximately RMB393.2 million) (2010: Nil). The bank borrowings were all unsecured and carried interest at floating rates. Maturity of bank borrowings are subject to the banks' overriding right of repayment on demand. As at 31 December 2011, no property, plant and equipment or leasehold land or land use rights were pledged by the Group.

Exposure to Fluctuations in Exchange Rates

The Group businesses are located in the PRC and most of the transactions are conducted in RMB. Majority of the Group's assets and liabilities are denominated in RMB. Therefore, the Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

At the end of the Reporting Period, certain cash and cash equivalents are denominated in HKD and USD and interest-bearing bank borrowings are denominated in HKD. As RMB appreciated against HKD and USD during FY 2011, the Group had no material adverse exposure to foreign exchange fluctuations for the year.

Operating Segment Information

For management purposes, the Group is organised into business units based on our products and services. During FY 2011, the Group's operating revenue and profit were derived from one segment only, namely "Sale of Iron Concentrates".

Furthermore, as the Group's revenue from external customers and the majority of the Group's non-current assets are both located in Hebei Province, Mainland China, no geographical information is presented.

Capital Commitments and Contingent Liabilities

Capital Commitments

As at 31 December 2011, the capital commitments of the Group were, in aggregate, approximately RMB840.0 million (2010: approximately RMB253.8 million), as detailed below:

	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
— Plant and machinery	**82,798**	202,667
Authorised, but not contracted for:		
— Plant and machinery	**447,217**	51,111
— Resources fees	**310,000**	—
	757,217	51,111

Included in the authorised capital commitment of the Group as at 31 December 2011 was an amount representing the aforesaid resources fees in relation to the gabbro-diabase resources located in the Yanjiazhuang Mine.

On 28 March 2012, the Company has decided to increase the authorised commitment in respect of Phase Two expansion plan by approximately RMB44.6 million, in aggregate, which is expected to be funded by the working capital of the Group, as further discussed in the section "Phase Two Expansion Plan Update" below.

Contingent Liabilities

The Group is exposed to contingent liabilities as a result of the transfer of Venca Investments Limited's ("Venca") 99% equity interest in Xingye Mining to Jet Bright Limited ("Jet Bright") in July 2010. Both Venca and Jet Bright are wholly-owned subsidiaries of the Group. According to the 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. In November 2011, the Group submitted the supplementary information as requested by the relevant tax bureaus. As the Directors believe that the transfer qualifies for special tax treatment and there should be no PRC corporate income tax arising from the transfer, the Group has not made a tax provision for these contingent liabilities in the financial statements.

Significant Investments, Acquisitions and Disposals

During FY 2011, the Group had no significant acquisitions and disposals.

Employees and Remuneration Policies

Employees of the Group	31 December 2011
Number of employees	647

Type	Number	Approximate percentage to the total number of employees
Production		
Iron ore mining	213	32.9
Iron ore processing	97	15.0
Ancillary mining activities	181	28.0
Management, finance and administrative	104	16.1
Gabbro-diabase business	22	3.4
Others	30	4.6
Total	647	100.0

As at 31 December 2011, the Group had a total 647 full-time employees in Hong Kong and Mainland China (excluding independent third-party contractors engaged in mining and hauling works). The Group formulates its human resources strategy and executes recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature including geographical locations and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in accordance with their individual performances and industry practice. Appropriate training programs are also offered to ensure continuous staff training and development.

Use of Net Proceeds from the Listing

The Group was listed on the Stock Exchange on 4 July 2011 and raised net proceeds of approximately HK$1,270 million (equivalent to approximately RMB1,052 million) by issuing 800 million new shares at an issue price of HK$1.75 per share in a global offering. The net proceeds raised from the Listing, as allocated according to the basis set out in the Prospectus, will be applied to fund the three-phase expansion plan of the Yanjiazhuang Mine, payment of resources fees, exploration and acquisition activities, development of the gabbro-diabase business, repayment of the shareholders' loans and general working capital.

		Net proceeds from the Listing	
	Allocation basis %	**Available to utilise RMB' million**	Utilised (up to 31 December 2011) RMB' million
Three-phase expansion plan of the Yanjiazhuang Mine	35	**368**	73
Payment of resources fees	9	**95**	—
Exploration and acquisition activities	17	**179**	—
Development of gabbro-diabase business	26	**273**	34
Repayment of shareholders' loans	10	**105**	105
Working capital	3	**32**	9
	100	**1,052**	221

Phase Two Expansion Plan Update

On 28 March 2012, based on the understanding of current construction progress, the Board has decided to make the following adjustments to the budget of Phase Two expansion plan:

Project	**New budget amount** (RMB' Million)	**Original budget amount** (RMB' Million)	**Increased amount** (RMB' Million)
No.3 Processing Facility	110.0	85.4	24.6
New Tailings Storage Facility	47.2	27.2	20.0

The Board expects the increase in the abovementioned budget will be funded by the working capital of the Group.

The Board believes the successful completion of Phase Two expansion plan will consolidate and enhance the development of the Group's iron concentrate business.

Outlooks and Future Plans

The global economy still faces great uncertainties in 2012. The PRC government has lowered its estimate of economic growth to 7.5% for 2012 as its economy is expected to experience further transformation and adjustment. In 2012, the PRC's twelfth Five-year plan for steel industry emphasises market-driven resource allocation, optimisation as well as industry transformation and upgrade. Taking into account the macro-economic controls imposed by the PRC government, the demand for iron ore as a bulk commodity is expected to have a moderate growth in 2012. On one hand, we expect that such demand and price trend is likely to depend on the pace of Mainland China's rapid urbanisation and new rural construction plan, the government's drive for subsidised housing, and the demand and supply dynamics in other countries worldwide. On the other hand, we see the limited supply of iron ore resources in China, upward adjustment in resources-related taxation, more stringent measures for environmental protection, and currency appreciation and increase in production costs of the iron ore exporting countries. The abovementioned factors will create a balancing effect in stabilising the iron ore prices.

During the Reporting Period, the Group experienced a series of incidents of disputes arising from land expropriation works. With the support of the local government, the Group managed to reach agreement with a number of local villages and made a breakthrough in the land expropriation works for the Yanjiazhuang Mine. As a result, the construction of the New Tailings Storage Facility resumed during the Reporting Period. The Group, being a socially responsible company, will continue to follow the national rules and regulations and proactively communicate with the local government and villagers to resolve any future disputes. Every effort will be made to ensure smooth progress and completion of the construction of the Phase Two expansion plan within 2012. According to the existing construction schedule, in the absence of any unforeseen events, the New Tailings Storage Facility is expected to have its tailing discharge in place within the second quarter of 2012 and the production of iron concentrates in the Yanjiazhuang Mine should gradually resume normal.

In 2012, it is hoped that through smooth negotiation with the local villagers, the Group will be able to reach further agreements on the expropriation works for the remaining parcels of land in facilitating the completion of the Phase Three expansion plan of the Yanjiazhuang Mine by 2013.

In addition, the relevant government authority accepted the resources fees assessment report submitted by the Group regarding the gabbro-diabase resources in the Yanjiazhuang Mine on 28 December 2011. The Group expects that the mining permit in respect of the gabbro-diabase resources in the Yanjiazhuang Mine will be granted by the relevant government authority upon payment of the required resources fees and that the production of the gabbro-diabase products will thus be able to commence in the second quarter of 2012.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for FY 2011.

Corporate Governance Practices of the Company

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has applied the principles, code provisions and certain recommended best practices as set out in the CG Code contained in Appendix 14 of the Listing Rules.

Since the Listing Date, the Company has complied with the code provisions as set out in the CG Code to the extent that such provisions are applicable and devoted considerable efforts to identify and formalise the best corporate governance practices suitable for the Company's needs.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that it complies with the CG Code and align with the latest developments.

The Board

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Company has arranged for appropriate insurance cover for Directors' and officers liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Board Composition

The Board currently comprises eleven members, consisting of five executive Directors, three non-executive Directors and three independent non-executive Directors.

The list of Directors (by category) as set out under "Corporate Information" on page 100 is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

None of the members of the Board is related to one another.

During the period from the Listing Date to 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

The non-executive Directors and independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors have made various contributions to the effective direction of the Company.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. The positions of the chairman and chief executive officer are held by Mr. Tsang Yam Pui and Mr. Yao Zanxun respectively in order to preserve independence and a balanced judgement of views. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the company secretary and the senior executives, the chairman is responsible for ensuring that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

Appointment, Re-election and Removal of Directors

Each of the Directors (including executive Directors, non-executive Directors and indepedent non-executive Directors) of the Company is engaged on a service contract for a term of three years from their respective effective dates of appointment. The appointment may be terminated by not less than three months' prior written notice.

In accordance with the Articles, all Directors of the Company are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself / herself for re-election by Shareholders at the first general meeting after appointment. Any further appointment of an independent non-executive Director, who has served the Board for more than nine years, shall be subject to a separate resolution to be approved by the Shareholders of the Company.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Nomination Committee

The Nomination Committee was established on 8 June 2011 and its written terms of reference are posted on the websites of the Hong Kong Exchanges and Clearing Limited and the Company. It comprises five members, including Mr. Lee Kwan Hung (chairman), Mr. Tsui King Fai, Mr. Wu Wai Leung, Danny, Mr. Tsang Yam Pui and Mr. Lam Wai Hon, Patrick. The majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations on any proposed change to complement the corporate strategy;
- To develop and formulate relevant procedures for nomination and appointment of Directors;
- To identify candidates suitably qualified for appointment as Directors;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and
- To assess the independence of independent non-executive Directors.

The Nomination Committee has adopted the written nomination procedures for selection and recommendation of candidate(s) for directorship(s) of the Company. It carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

During the period from the Listing Date to 31 December 2011, the Nomination Committee has adopted the nomination procedures for directors which can be assessed from the website of the Company.

No meeting was held by the Nomination Committee during the period from the Listing Date to 31 December 2011. The first Nomination Committee meeting was held on 22 March 2012 to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company, and to review and recommend the re-appointment of the retiring Directors standing for re-election and the election of a non-executive Director and the chairman of the Board for the reason set out below at the forthcoming annual general meeting of the Company (the "AGM"). It was attended by Mr. Lee Kwan Hung, Mr. Tsui King Fai, Mr. Wu Wai Leung, Danny, Mr. Tsang Yam Pui and Mr. Lam Wai Hon, Patrick.

In accordance with the Articles, Mr. Yao Zanxun, Ms. Yu Shuxian, Mr. Li Yuelin, Mr. Lin Zeshun, Mr. Liu Yongxin, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick, Mr. Cheng Chi Ming, Brian, Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny having been appointed as Directors by the Board, shall retire from office and being eligible, offer themselves for re-election as Directors at the forthcoming AGM. Mr. Tsang Yam Pui has informed the Board of his intention of not seeking re-election at the AGM. Therefore, Mr. Tsang will retire as the chairman and non-executive Director with effect from the conclusion of the AGM. All the other retiring Directors, being eligible, shall offer themselves for re-election as Directors at the AGM.

The Board proposes to nominate Dr. Cheng Kar Shun to be elected by the Shareholders at the AGM as a non-executive Director and the chairman of the Company with effect from the conclusion of the AGM.

The Company's circular, sent together with this annual report, contains detailed information of the Directors standing for re-election and of the proposed Director standing for election.

Induction and Continuing Development

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The chief executive officer and chief financial officer attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interest for a substantial Shareholder or Director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance Records

During the period between the Listing Date and 31 December 2011, two regular meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance rate was over 90%.

Corporate Governance Report

Code provision A.1.1 of the CG Code stipulates that Board meeting should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on the Stock Exchange on 4 July 2011, only two regular meetings were held during the period under review. The meeting were convened in accordance with the Articles and attended by the Directors either in person or through electronic means of communication. The Company is obliged to comply with the CG Code and will take appropriate arrangements for holding at least four Board meetings in the forthcoming year.

The attendance records of individual Directors are set out below:

Name of Director	Attendance/Number of Meetings
Executive Directors	
Mr. Yao Zanxun	2/2
Ms. Yu Shuxian	2/2
Mr. Li Yuelin	2/2
Mr. Lin Zeshun	2/2
Mr. Liu Yongxin	2/2
Mr. Jing Zhiqing	0/2
Non-executive Directors	
Mr. Tsang Yam Pui	2/2
Mr. Lam Wai Hon, Patrick	2/2
Mr. Cheng Chi Ming, Brian	2/2
Independent Non-executive Directors	
Mr. Tsui King Fai	2/2
Mr. Lee Kwan Hung	2/2
Mr. Wu Wai Leung, Danny	2/2

Apart from regular Board meetings, a meeting between the chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors was also held during the year. The attendance rate of this meeting was 100%.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2011.

The Company has also established written guidelines (the "Code for Securities Transactions by Relevant Employees") on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance with the Code for Securities Transactions by Relevant Employees was noted by the Company.

Formal notifications are sent by the Company to its Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

Delegation of Management Functions

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which can be assessed from the Hong Kong Exchanges and Clearing Limited's and the Company's websites and are also available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 100.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Board also has the full support of the chief executive officer and the senior management for the discharge of its responsibilities.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors for FY 2011 are set out in Note 8 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee was established on 8 June 2011 and its written terms of reference are posted on the websites of the Hong Kong Exchanges and Clearing Limited and the Company. It comprises five members, including Mr. Lee Kwan Hung (chairman), Mr. Tsui King Fai, Mr. Wu Wai Leung, Danny, Mr. Tsang Yam Pui and Mr. Lam Wai Hon, Patrick. The majority of them are independent non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure, and remuneration packages of the Directors and the senior management, including benefits in kind, pension rights and compensation payments. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the period from the Listing Date to 31 December 2011, the Remuneration Committee has reviewed the remuneration package of a then resigning Director and reported the same to the Board of Directors.

No meeting was held by the Remuneration Committee during the period from the Listing Date to 31 December 2011. The first Remuneration Committee meeting was held on 10 January 2012 to review the remuneration policy and structure of the Company, the remuneration packages of the Directors and the senior management for the year under review, and the proposed revised terms of reference. Also, a Remuneration Committee meeting was held on 22 March 2012 to review and consider the remuneration package of a non-executive Director candidate. Both meetings were attended by Mr. Lee Kwan Hung, Mr. Tsui King Fai, Mr. Wu Wai Leung, Danny, Mr. Tsang Yam Pui and Mr. Lam Wai Hon, Patrick.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group for FY 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual report and overseeing the preparation of the financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial position of the Company which are put to the Board for approval.

Internal Controls

During the the period from the Listing Date to 31 December 2011, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board has overall responsibility for the internal control system of the Group and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Group.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The Risk Management Department reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

Audit Committee

The Audit Committee was established on 8 June 2011 and its written terms of reference are posted on the websites of the Hong Kong Exchanges and Clearing Limited and the Company. It comprises three independent non-executive Directors, including Mr. Tsui King Fai (chairman), who possesses the appropriate professional qualifications or accounting or related financial management expertise, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal auditor or external auditors before submission to the Board;

- To review the relationship with the external auditors by reference to the work performed by them, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors;

- To review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the period from the Listing Date to 31 December 2011, the Audit Committee reviewed the internal audit plan for the period from July to August 2011, the interim results for the six months ended 30 June 2011, the financial reporting and compliance procedures and the report from the management on the Company's internal control and risk management systems and processes.

The Audit Committee held two meetings during the period from the Listing Date to 31 December 2011 and the attendance records of the Audit Committee members are as follows:-

Name of Audit Committee Member	Attendance/Number of Meetings
Mr. Tsui King Fai *(chairman)*	2/2
Mr. Lee Kwan Hung	2/2
Mr. Wu Wai Leung, Danny	2/2

The external auditors were invited to attend the meetings without the presence of the executive Directors to discuss with the Audit Committee issues arising from the audit and financial reporting matters. After each meeting, the chairman of the Audit Committee provided the Board with a briefing on the significant issues. An Audit Committee meeting was also held on 22 March 2012 to consider, among others, the Group's annual results and annual report for FY 2011, the continuing connected transactions for FY 2011, the internal audit report for the period from September to December 2011, the internal audit plan for 2012 and other internal control matters, the re-appointment of auditors and the proposed revised terms of reference. It was attended by Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung. Danny.

The Company's accounting policies and practices, and the audited consolidated financial statements for FY 2011 have been reviewed by the Audit Committee.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the section headed "Independent Auditors' Report" on pages 45 and 46.

The remuneration (including out-of-pocket expenses) paid to, Messrs. Ernst & Young, the external auditors of the Company in respect of audit services and non-audit services for FY 2011 amounted to approximately RMB2,559,000 and RMB20,000, respectively. An analysis of the remuneration paid to the external auditors of the Company is set out below:

Category of Services	**Fees Paid/Payable** RMB'000
Audit Service	
— Interim audit services	940
— Annual audit services	1,619
Non-audit service	
— Tax advisory services	20
Total	2,579

In addition to the above services, the Company also paid Messrs. Ernst & Young a remuneration of approximately RMB9,208,000 (including out-of-pocket expenses) as the Company's reporting accountants for their professional services provided between December 2009 to July 2011 in connection with the Listing.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

General meetings of the Company provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at Shareholder meetings.

The AGM is scheduled to be held on 23 May 2012. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.newton-resources.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company at its principal place of business in Hong Kong or via email to ir@newton-resources.com for any enquiries.

Shareholder Rights

As one of the measures to safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors, for Shareholders' consideration and voting.

All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules, and the poll results will be posted in the websites of the Company and of the Hong Kong Exchanges and Clearing Limited after each Shareholders' meeting.

Shareholders may at any time change their choice of language (English or Chinese or both) or means of receipt (printed form or through electronic means on the Company's website) of corporate communications by writing or email to the Company's Hong Kong listed share registrar.

Going Concern

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

Directors' and Senior Management's Profile

Board of Directors

Mr. Yao Zanxun

Executive Director/Vice-chairman/Chief Executive Officer

Mr. Yao, aged 56, has been appointed as an executive Director and the chief executive officer since 13 December 2010 and has become the vice chairman since 20 May 2011. He is responsible for the overall strategic planning, construction and investment management of the Group.

Mr. Yao graduated from Wuhan Institute of Iron and Steel (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學)) in 1982 and obtained a Bachelor of engineering degree with major in mining engineering. He also obtained a Master's degree in geo-rock mechanics from Northeast University of Technology (東北工學院) (now known as Northeastern University (東北大學)) in 1988. He is a professorate senior engineer (教授級高級工程師) and has over 29 years of experience in the mining industry.

Between 1982 and 1993, Mr. Yao served as mining engineer, assistant engineer, engineer and senior engineer with Wuhan Iron and Steel (Group) Corp. Mining Co., Ltd. Design and Research Institute (武漢鋼鐵集團礦業有限責任公司設計研究所) (now known as Wuhan Iron and Steel (Group) Corp. Kaisheng Science & Technology Co., Ltd. (武漢鋼鐵集團開聖科技有限責任公司)) ranked 428th on the Fortune Global 500 list in 2010. Between 1989 and 1992, he oversaw an iron ore mine operation in Paraburdoo, Western Australia, which was a joint venture project with Hamersley Iron Pty. Limited, (a subsidiary of the Rio Tinto Group. Rio Tinto is listed on the London Stock Exchange, New York Stock Exchange and Australian Securities Exchange). Between 1994 and 2005, Mr. Yao served various positions including deputy division chief, division chief, deputy director and professorate senior engineer with China Iron & Steel Industry and Trade Group Corporation (中國鋼鐵工貿集團公司) (now known as Sinosteel Corporation (中國中鋼集團公司)) ranked 352nd on the Fortune Global 500 list in 2010. In 2005, he was appointed as a director of China Sino Steel Indonesia Company. In 2006, Mr. Yao was a senior project manager in the mining resources sector of CITIC Pacific Limited (中信泰富有限公司) (stock code: 267). From 2006 to 2010, Mr. Yao was a chief technical officer in SINOM Holdings Co., Ltd. (宬隆控股有限公司) and a director and chief technical officer of Asia Iron Holdings Limited (亞洲鋼鐵控股有限公司), a subsidiary of Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司).

Ms. Yu Shuxian

Executive Director

Ms. Yu, aged 64, has been appointed as a non-executive Director since 13 December 2010 and re-designated as an executive Director since 1 March 2011. She is responsible for formulating business strategies, and overseeing the finance and operations of the Group.

Ms. Yu graduated from Changchun Construction Technical Institute (長春建築專科學校) where she majored in industrial and civil construction in 1968 and from Beijing Economics Correspondence University (北京經濟函授大學) (now known as Beijing Economics & Management Correspondence Institute (北京經濟管理函授學院)) with a major in economic administration in 1989. Ms. Yu is a professorate senior engineer (教授級高級工程師) and state-recognised first grade constructor (國家一級建造師). Ms. Yu has more than 32 years of experience in metallurgical industry, in particular metallurgical engineering and construction contracting.

From 1969 to 1982, Ms Yu held various positions, such as technician, advisor and engineer of the metallurgical command section of Capital Construction Engineer Corps (基建工程兵冶金指揮部). From 1983 to 2010, she worked for China Metallurgical Group Corporation (中國冶金科工集團有限公司) (formerly known as Metallurgical Construction Group Corporation (中國冶金建設集團公司) and China Metallurgical Construction Corporation (中國冶金建設公司)) where she held various positions including managing director of its branch in Singapore, managing director of its branch in Hong Kong, executive director, vice-president and chief engineer of the PRC headquarter and senior advisor. During that period, she was responsible for corporate administrative work, finance management, planning for domestic and international market expansion and project tendering work.

Mr. Li Yuelin
Executive Director

Mr. Li, aged 55, has been appointed as an executive Director since 9 April 2010, and is the chief operating officer and responsible for the overall operations management and iron ore mining construction management of the Group.

Mr. Li graduated from Northeast University of Technology (東北工學院) (now known as Northeastern University (東北大學)) and obtained a Bachelor's degree of mining in 1982. Mr. Li was qualified as a senior mining engineer accredited by The Title Reform Leading Group Office of the Metallurgical Industry Bureau (冶金工業部職稱改革工業領導小組) in 1994. He has 29 years of experience in iron ore mining, beneficiation and safety management.

In 1982, Mr. Li began his mining career in Zhijiazhuang Iron Ore Factory of Laiyuan Steel Factory of Hebei Province (河北淶源鋼鐵廠支家莊鐵礦) where he held various positions, including mining engineer and head of mining. In 1989, Mr. Li worked for Laiyuan Steel Factory (淶源鋼鐵廠) as the manager of production and infrastructure and chief of extension projects in the iron ore department. In April 1992, Mr. Li worked for Hebei Metallurgical Mining Company (河北省冶金礦山公司) as the manager of Luanshigou iron ore mine's (亂石溝鐵礦) construction department. In October 1993, Mr. Li worked for Handan Iron & Steel Group Company Limited as the deputy head of mining and chief of iron ore mine construction projects. In March 2003, Mr. Li became the general manager of Lingqiu County Daling Iron Ore Mine (靈丘縣大靈鐵礦). In September 2005, Mr. Li worked as the general manager and chief engineer of Hunyuan County Juhuo Mining Company Limited (渾源縣炬火礦業有限責任公司). In August 2006, Mr. Li worked for Hebei Province Guokong Mining Developing Investment Company Limited (河北省國控礦業開發投資有限公司) as the general manager of its subsidiary Hebei Jindi Mining Consulting Company Limited (河北金地礦業諮詢有限公司). In September 2008 until he joined our Group, Mr. Li was the general manager of Handan County Jinyuan Mining Company Limited (邯鄲縣金源礦業有限公司).

Mr. Lin Zeshun
Executive Director

Mr. Lin, aged 66, has been appointed as an executive Director since 9 April 2010, and is the chief mining manager of the Company and responsible for the planning, design, and management of the mines, mining techniques and production processes of the Group.

Mr. Lin graduated from Tangshan Academy of Mining and Metallurgy (唐山礦冶學院) (now known as Hebei United University (河北聯合大學)) with a Bachelor's degree in mining in 1970. He has 41 years of experience in the mining industry.

Directors' and Senior Management's Profile

Mr. Lin started working as a mining technical officer in the Xingtai Qi Cun Iron Mine (邢臺綦村鐵礦). Between November 1974 and May 1986, Mr. Lin served first as the production planning officer, and later as the production planning manager. Between June 1986 and January 1998, Mr. Lin was the deputy mines manager, during which he managed the production of five mining areas, and the procurement, production and sales functions of selected production plants. Between 1998 and 2001, he was reassigned as production technical consultant of Xingtai Qi Cun Iron Mine. From January 2002 until he joining our Group, Mr. Lin was employed by Xingtai Wei Lai Smelting Company Limited (邢臺未來冶煉鑄造有限公司) as mining technical consultant.

Mr. Liu Yongxin
Executive Director

Mr. Liu, aged 56, has been appointed as an executive Director since 9 April 2010 and is the chief manager of ore processing of the Group. He is responsible for overseeing the ore processing management of the Group.

Mr. Liu obtained a diploma in mining from Baoding Metallurgy Professional Exploration College (保定冶金職工勘察學院) in 1982. He qualified as a mining engineer accredited by The Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) and has 35 years in the exploration and mining industry.

Mr. Liu began his mining career as a geological surveyor at Xingtai Qi Cun Iron Mine of Xingtai Steel and Iron Limited Company (邢臺鋼鐵有限責任公司邢臺綦村鐵礦). Between 1982 and 1999, he held various supervisory positions, including production dispatcher, head of production, tailing plant manager and deputy chief of logistics of the Xingtai Qi Cun Iron Mine. From November 1999 until joining our Group, Mr. Liu was the materials processing engineer in the smelting sub-plant of Xingtai Steel and Iron Limited Company (邢臺鋼鐵有限責任公司燒結分廠).

Mr. Tsang Yam Pui *GBS, OBE, QPM, CPM*
Chairman/Non-executive Director

Mr. Tsang, aged 65, has been appointed as a non-executive Director and the chairman of the Company since 20 May 2011. He is also a member of each of the Remuneration Committee and the Nomination Committee of the Company.

Concurrently, Mr. Tsang is an executive director of NWS (stock code: 659), a substantial shareholder of the Company. He is also a director and the vice chairman of New World First Bus Services Limited, Citybus Limited, New World First Bus Services (China) Limited and New World First Ferry Services Limited. In addition, Mr. Tsang is the vice chairman of China United International Rail Containers Co., Limited in Mainland China and a director of Mapletree Investments Pte Ltd in Singapore. He is also the chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust currently listed on the Singapore Stock Exchange). Mr. Tsang also serves as a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee.

Prior to his appointment with NWS, Mr. Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. For his distinguished public service, Mr. Tsang was awarded the Gold Bauhinia Star, the Order of the British Empire, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Directors' and Senior Management's Profile

Mr. Lam Wai Hon, Patrick
Non-executive Director/Vice Chairman/Alternate Director to Mr. Tsang Yam Pui

Mr. Lam, aged 49, has been appointed as a non-executive Director and the vice chairman of the Company and an alternate Director to Mr. Tsang Yam Pui since 20 May 2011. He is also a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from The University of Edinburgh and a Bachelor Degree from The University of Essex, the United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr. Lam is presently the Assistant General Manager of NWD (stock code: 17) and an executive director of NWS (stock code: 659), both NWD and NWS are substantial Shareholders of the Company. He is responsible for overseeing the services business of the NWS Group and managing the financial and human resources aspects of NWS.

Mr. Lam is also a non-executive director of Wai Kee Holdings Limited (stock code: 610) and Road King Infrastructure Limited (stock code: 1098). Moreover, he was a non-executive director of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited, stock code: 665) up to his resignation on 13 January 2010. He was also a director of Guangdong Baolihua New Energy Stock Co., Ltd., a listed company in the PRC, up to his resignation on 1 April 2011.

Mr. Cheng Chi Ming, Brian
Non-executive Director

Mr. Cheng, aged 29, has been appointed as a non-executive Director since 20 May 2011.

Mr. Cheng is an executive director of NWS (stock code: 659), a substantial Shareholder of the Company. He is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the NWS Group. Moreover, he is currently a non-executive director of Haitong International Securities Group Limited (stock code: 665) and Fook Woo Group Holdings Limited (stock code: 923). He is also a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in Mainland China.

Moreover, Mr. Cheng was a non-executive director of Freeman Financial Corporation Limited (stock code: 279) up to his retirement on 30 August 2011.

Before joining NWS, Mr. Cheng had been working as a research analyst in the infrastructure and conglomerates sector for CLSA Asia Pacific Markets.

Mr. Cheng is the son of Dr. Cheng Kar Shun, Henry (the chairman and an executive director of NWD, stock code: 17 and NWS), the nephew of Mr. Doo Wai Hoi, William (the deputy chairman and a non-executive director of NWS) and the cousin of Mr. William Junior Guilherme Doo (an executive director of NWS).

Directors' and Senior Management's Profile

Mr. Tsui King Fai

Independent Non-executive Director

Mr. Tsui, aged 62, has been appointed as an independent non-executive Director since 15 December 2010 and is the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. He is also an independent non-executive director of Lippo Limited (stock code: 226), Lippo China Resources Limited (stock code: 156), Hongkong Chinese Limited (stock code: 655), China Aoyuan Property Group Limited (stock code: 3883) and Vinda International Holdings Limited (stock code: 3331).

Mr. Tsui graduated from the University of Houston with a Master of Science in Accountancy degree and a Bachelor of Business Administration degree with first class honors awarded in 1974 and 1973 respectively.

Mr. Tsui is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of each of the Institute of Chartered Accountants in Australia and the American Institute of Certified Public Accountants. He has extensive experience in accounting, finance and investment management, particularly in investments in China. Mr. Tsui is presently a director and senior consultant of WAG Worldsec Corporate Finance Limited and he had worked for two of the "Big Four" audit firms in Hong Kong and the United States of America.

Mr. Lee Kwan Hung

Independent Non-executive Director

Mr. Lee, aged 46, has been appointed as an independent non-executive Director since 15 December 2010 and is the chairman of each of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee of the Company. He is also an independent non-executive director of Yuexiu REIT Asset Management Limited (formerly known as GZI REIT Asset Management Limited, stock code: 405), Embry Holdings Limited (stock code: 1388), NetDragon Websoft Inc. (stock code: 777), Asia Cassava Resources Holdings Limited (stock code: 841), Futong Technology Development Holdings Limited (stock code: 465), New Universe International Group Limited (stock code: 8068), Walker Group Holdings Limited (stock code: 1386), Tenfu (Cayman) Holdings Company Limited (stock code: 6868) and Far East Holdings International Limited (stock code: 36).

Mr. Lee holds a Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong. He was admitted as a solicitor in Hong Kong and the United Kingdom and is a practising lawyer. Between 1993 and 1994, Mr. Lee was a senior manager in the Listing Division of the Stock Exchange.

Mr. Lee had been a non-executive director of GST Holdings Limited prior to its privatisation on 18 December 2009.

Mr. Wu Wai Leung, Danny

Independent Non-executive Director

Mr. Wu, aged 51, has been appointed as an independent non-executive Director since 25 January 2011 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Wu graduated from the University of Hong Kong with a Bachelor's degree in social sciences in 1985.

Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First U.S. Capital Limited which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. From 1985 to 2002, Mr. Wu served various management positions in Hong Kong Trade Development Council, the Hong Kong office of Quanta Industries Ltd., Sino-Wood Partners, Limited (whose holding company, Sino-Forest Corporation, was listed on the Toronto Stock Exchange) and had been a director of Sino Automotive Parts Limited. Between 2003 and 2006, Mr. Wu was appointed as the Economic Advisor of Weifang Municipal Overseas Investment Promotion Bureau, Shandong Province, the PRC.

Senior Management

Mr. Jiao Ying
Chief Financial Officer

Mr. Jiao, aged 50, has been appointed as the chief financial officer of the Company since 13 December 2010 and oversees finance operation, investor relations, administration, procurement, sales and marketing functions of the Group.

Mr. Jiao graduated with a Bachelor of Arts in English and a Bachelor of Arts in International Journalism from Shanghai Foreign Studies University and obtained a Master of Education from Nottingham University in Great Britain and a Master of Business Administration from the University of International Business and Economics. He is a member of Institute of Management Accountants (IMA).

From 1992 to 2010, Mr. Jiao held several positions, including the financial controller and secretary to the board of directors with China World Trade Center Company Ltd., a company listed on Shanghai Stock Exchange (stock code: 600007), the chief financial officer of Zoom Networks (Shenzhen) Co., Ltd. (中太數據通信(深圳)公司), assistant to the chief executive officer of Tianjin Tianshi Biological Development Co., Ltd., a subsidiary of Tiens Biotech Group USA Inc., a vice president and chief financial officer of China Shenzhou Mining & Resources, Inc. (symbol: SHZ), listed on the American Stock Exchange (now known as NYSE Amex Equities), a director and chief financial officer of Golden Cattle Livestock Breeding Technology Holdings Limited, an executive vice-president and general manager of the financial management department of Anton Oilfield Services Group (stock code: 3337).

Mr. Zhang Mingliang
Deputy General Manager

Mr. Zhang, aged 42, has been appointed as the deputy general manager of the Group since July 2010 and is responsible for land expropriation, government and social relations, infrastructure and construction management and mine administration of the Group.

Mr. Zhang graduated from Tianjin Foreign Studies College (天津外國語學院) (now known as Tianjin Foreign Studies University (天津外國語大學), majored in English language and culture. He has 11 years of experience in administration and 7 years of experience in business development. He has extensive experience and knowledge in marketing, sales and business administration.

From 1994 to 2002, Mr. Zhang was a manager of Kerry EAS Logistics Limited Tianjin Branch (嘉里大通物流有限公司天津分公司). From 2002 to 2004, Mr. Zhang was the head of the management and import departments at SR-UTOC International Transportation Logistics (Tianjin) Inc. (鐵宇國際運輸(天津)有限公司). Before joining the Group, Mr. Zhang was the business development manager of NWS in Hebei Province.

Directors' and Senior Management's Profile

Mr. Luk Yue Kan

Financial Controller and Company Secretary

Mr. Luk, aged 36, joined the Company as the financial controller in March 2011 and has been appointed as the company secretary of the Company since 18 November 2011. He holds a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, and an associate and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Mr. Luk has over 14 years' experience in auditing, accounting and financial management.

Mr. Xu Yongxin

Head of Strategic Planning and Technical Department

Mr. Xu, aged 38, joined the Group in March 2011, and is currently the head of strategic planning and technical department of the Group, and is responsible for mine operation and strategic planning. Mr. Xu holds a Doctoral degree in Engineering from the China University of Mining and Technology, Beijing. He has vast experience and professional knowledge in mining, ore processing and marketing of metal minerals as well as resources deployment. Mr. Xu has over 14 years of experience in development and construction of metal mine sites.

Mr. Tang Guilin

Assistant General Manager

Mr. Tang, aged 42, joined the Group as the assistant general manager in February 2012 and is responsible for land expropriation, infrastructure and construction management of the Group. He is a mining engineer. Mr. Tang holds a Master degree in Business Administration from the Texas Christian University, United States of America and a Master Degree of Political Economics from Guangxi University, the PRC. Mr. Tang has over 15 years of experience in mining production management in the industry.

Ms. Ho Siu Mei

General Manager of Risk Management, Investor Relations, Human Resources and Administration Department

Ms. Ho, aged 46, is the general manager of risk management, investor relations, human resources and administration department of the Company. Ms. Ho is a fellow member of each of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She has over 20 years of accounting, treasury, corporate finance and financial management experience. Prior to joining the Group, she had held various finance and management positions in NWD since July 1996, and had worked in an international accounting firm for more than seven years.

Mr. Wang Xiaoxing

Head of Geological Exploration

Mr. Wang, aged 57, was appointed as an independent non-executive Director of the Company from 9 April 2010 to 12 July 2010 and was re-designated as the head of geological exploration of the Group on 20 July 2010.

Mr. Wang graduated from Central South Institute of Mines (中南礦冶學院) (now known as Central South University (中南大學)) with a Diploma in Regional Geological Survey and Mineral Resources Survey (區城地質調查及礦產普查). He was qualified as senior engineer under the Ministry of Metallurgical Industry of the PRC (中國冶金工業部) and has 32 years of experience in the exploration and mining industry.

Before joining the Group, Mr. Wang held various positions, including technician, engineer and senior engineer in the fields of geological mineral research and exploration in China Metallurgical Geology Bureau (中國冶金地質總局) and deputy head of geology in Brigade No. 520, manager of Zhongye Xingtai Laboratory (中冶邢臺化驗室). He was responsible for various prospecting projects in Hebei Lingshou County (河北省靈壽縣), Hebei Lincheng County Liangjiazhuang (河北省臨城縣梁家莊), Hebei Fuping County (河北省阜平縣), Hebei Neiqiu County (河北省內丘縣) and Inner Mongolia.

Mr. Li Yuehui

Head of Gabbro-diabase Mining

Mr. Li, aged 41, joined the Group as the head of gabbro-diabase mining since 24 January 2011 and is responsible for formulating the gabbro-diabase development plan of the Group and engaging in works which involve gabbro-diabase geology, mining, operation, quality control and production management.

Mr. Li graduated from the School of Geosciences of the China University of Geosciences, and holds a Bachelor degree in Geosciences. Mr. Li has 11 years of experience in gabbro-diabase mining.

From 1992 to 2010, Mr. Li worked as a technician in the third geological survey team at the Bureau of Geo-exploration and Mineral Development, Xinyang City, Henan Province, worked as a construction staff, quality controller, deputy production officer and head of mining in Wuhan Yongsong Mining Development Co., Ltd. Hunyuan Yongyuan Granite Mine (武漢永松礦業開發有限公司渾源永源花崗石礦) in Datong City, Shanxi Province, the PRC and as an engineer of the third geological survey team of Xinyang City in the PRC.

Report of the Directors

The Directors have pleasure in presenting the first annual report together with the audited consolidated financial statements of the Group for FY 2011.

Group Reorganisation and Initial Public Offering

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2009. Pursuant to group reorganisation in preparation for the Listing, the Company had first become the holding company of the subsidiaries comprising the Group since 15 January 2010. Further details of the Group's reorganisation are set forth in the Prospectus. Shares in the Company had been listed on the main board of the Stock Exchange since 4 July 2011.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in Note 16 to the consolidated financial statements.

Results and Appropriations

The results of the Group for FY 2011 and the state of affairs of the Group as at 31 December 2011 are set out in the consolidated financial statements on pages 47 to 96.

The Directors do not recommend the payment of a final dividend for FY 2011 (2010: Nil).

Use of Proceeds from the Company's Listing

Details of the use of proceeds from the Company's Listing are set out on page 14 of this annual report.

Share Capital

Details of the movements in the share capital of the Company during FY 2011 are set out in Note 24 to the consolidated financial statements. Shares were issued during the year through the initial public offering of the Shares of the Company on the main board of the Stock Exchange and the capitalisation issue.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

Reserves

Profits attributable to owners of the Company of approximately RMB2,249,000 (2010: loss of approximately RMB2,921,000) have been transferred to the Group's reserve.

Details of movements in the reserves of the Group and the Company during FY 2011 are set out in the consolidated statement of changes in equity on page 49 and in Note 25(b) to the consolidated financial statements, respectively.

Distributable Reserves

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2011 Revision) of the Cayman Islands, amounted to approximately RMB702,887,000. The share premium account of the Company is available for distribution or paying dividends to the shareholders subject to the provisions of the Articles and provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts immediately as they fall due in the ordinary course of business.

Property, Plant and Equipment

During FY 2011, the Group acquired property, plant and equipment of approximately RMB324,897,000. Details of the movements in the property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

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

Since the Listing Date and up to 31 December 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2011 are set out in Note 22 to the consolidated financial statements.

Major Customers and Suppliers

The aggregate sales to the five largest customers of the Group accounted for 100.0% of the Group's total revenue and sales to the largest customer accounted for 74.8% of the Group's total revenue for FY 2011. The aggregate purchases from the five largest suppliers of the Group accounted for 43.9% of the Group's total purchases and purchases from the largest supplier accounted for 11.0% of the Group's total purchases for FY 2011.

None of the Directors, their associates (as defined under the Listing Rules), or any Shareholder which to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

Directors

The Directors during the financial year and up to the date of this annual report are:

Executive Directors

Mr. Yao Zanxun	(Vice-chairman and chief executive officer) (appointed on 13 December 2010)
Ms. Yu Shuxian	(appointed as non-executive Director on 13 December 2010 and re-designated as executive Director on 1 March 2011)
Mr. Li Yuelin	(appointed on 9 April 2010)
Mr. Lin Zeshun	(appointed on 9 April 2010)
Mr. Liu Yongxin	(appointed on 9 April 2010)
Mr. Jing Zhiqing	(appointed on 13 December 2010 and resigned on 29 February 2012)

Non-executive Directors

Mr. Tsang Yam Pui	(Chairman) (appointed on 20 May 2011)
Mr. Lam Wai Hon, Patrick	(Vice-chairman) (appointed on 20 May 2011) (alternate Director to Mr. Tsang Yam Pui)
Mr. Cheng Chi Ming, Brian	(appointed on 20 May 2011)

Independent Non-executive Directors

Mr. Tsui King Fai	(appointed on 15 December 2010)
Mr. Lee Kwan Hung	(appointed on 15 December 2010)
Mr. Wu Wai Leung, Danny	(appointed on 25 January 2011)

In accordance with article 101(3) of the Articles, Mr. Yao Zanxun, Ms. Yu Shuxian, Mr. Li Yuelin, Mr. Lin Zeshun, Mr. Liu Yongxin, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick, Mr. Cheng Chi Ming, Brian, Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny, who were appointed as Directors by the Board, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election. Mr. Tsang Yam Pui has informed the Board of his intention of not seeking re-election at the AGM as he would like to concentrate on his roles as an executive director of NWS, a substantial Shareholder of the Company. Therefore, Mr. Tsang will retire as the chairman and non-executive Director with effect from the conclusion of the AGM. All the other retiring Directors, being eligible, shall offer themselves for re-election as Directors at the AGM.

The Board proposes to nominate Dr. Cheng Kar Shun to be elected by the Shareholders at the AGM as a non-executive Director and the chairman of the Company with effect from the conclusion of the AGM.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent in accordance with the guidelines set out under the Listing Rules.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Save as disclosed under the section headed "Connected Transactions" in this report of the Directors and "Related Party Transactions" in Note 29 to the consolidated financial statements, no contract of significance, to which the Company or any of its subsidiaries or its substantial Shareholders was a party and in which a Director had, whether directly or indirectly, a material interest, subsisted at the end of FY 2011 or at any time during FY 2011.

Directors' Interests in Competing Business

During the period from the Listing Date to 31 December 2011 and up to the date of this annual report, none of the Directors or their associates (as defined under the Listing Rules) has any interest in a business that competes or may compete, either directly or indirectly, with the business of the Group.

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

As at 31 December 2011, the 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 (within the meaning of Part XV of the SFO) (the "Associated Corporations"), as recorded in the register required to be kept 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 Underlying Shares — Share Options

The following Directors 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[2]	Exercised during the year[3]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.11[2]	Exercise price per share HK$
Executive Directors								
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
Independent Non-Executive Directors								
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) Share options were granted based on the issued share capital of the Company upon Listing of the Shares on the main board of the Stock Exchange on 4 July 2011.

(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.

Save 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Schemes

On 25 January 2011, the Company adopted a Pre-IPO Share Option Scheme 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.

As at 31 December 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 31 December 2011, the Company had granted share options under the Pre-IPO Share Option Scheme to the senior management of the Group as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 28.01.11[2]	Exercised during the year[3]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.11[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
Zhang Mingliang	28 January 2011	(1)	3,000,000	—	—	—	3,000,000	1.75
Wang Xiaoxing	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75

(iii) Share Options to Connected Persons of the Company

As at 31 December 2011, the Company had granted share options under the Pre-IPO Share Option Scheme to the connected persons of the Company as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 28.01.11[2]	Exercised during the year[3]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.11[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

(iv) Share Options to Other Eligible Participants

As at 31 December 2011, the Company had granted share options under the Pre-IPO Share Option Scheme to other eligible participants as follows:

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 28.01.11[2]	Exercised during the year[3]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.11[2]	Exercise price per share HK$
28 January 2011	(1)	71,200,000	—	—	1,400,000	69,800,000	1.75

Report of the Directors

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) Share options were granted based on the issued share capital of the Company upon Listing of the Shares on the main board of the Stock Exchange on 4 July 2011.

(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.

Moreover, the Company adopted another share option scheme 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.

Further details of the Company's share option schemes are set out in Note 26 to the consolidated financial statements.

Rights to Purchase Shares or Debentures of Directors and Chief Executive

Other than as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the year ended 31 December 2011 had the Company or any of its subsidiaries entered into any arrangement which enables the Directors or chief executives of the Company to have the right to subscribe for securities of the Company or any of its Associated Corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares or debentures in the Company or any associated corporations.

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

As at 31 December 2011, so far as known to any Director or chief executive of the Company, Shareholders (other than Directors or chief executives of the Company) who had interests in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Position in Shares

Name of Shareholder	Notes	Nature of interest	Total number of Shares held	Approximate Percentage of total issued Shares
Cheng Yu Tung Family (Holdings) Limited	1	Interest of controlled corporation	1,920,000,000	48.00%
Cheng Yu Tung Family (Holdings II) Limited	2	Interest of controlled corporation	1,920,000,000	48.00%
Chow Tai Fook Capital Limited	3	Interest of controlled corporation	1,920,000,000	48.00%
Chow Tai Fook (Holding) Limited (Formerly known as Centennial Success Limited)	4	Interest of controlled corporation	1,920,000,000	48.00%
Chow Tai Fook Enterprises Limited	5	Interest of controlled corporation	1,920,000,000	48.00%
New World Development Company Limited	6	Interest of controlled corporation	1,920,000,000	48.00%
NWS Holdings Limited	7	Interest of controlled corporation	1,920,000,000	48.00%
NWS Resources Limited	7	Interest of controlled corporation	1,920,000,000	48.00%
NWS Mining Limited	7	Interest of controlled corporation	1,920,000,000	48.00%
Modern Global Holdings Limited	7	Interest of controlled corporation	1,920,000,000	48.00%
Perfect Move Limited	7	Interest of controlled corporation	1,920,000,000	48.00%
Faithful Boom Investments Limited	7	Beneficial interest	1,920,000,000	48.00%
Mak Siu Hang, Viola	8	Interest of controlled corporation	1,080,000,000	27.00%
VMS Investment Group Limited	8	Interest of controlled corporation	1,080,000,000	27.00%
Fast Fortune Holdings Limited	8	Beneficial interest	1,080,000,000	27.00%
Shougang Holding (Hong Kong) Limited	9	Interest of controlled corporation	228,570,000	5.71%
Plus All Holdings Limited	9	Beneficial interest	228,570,000	5.71%

Notes:

(1) Cheng Yu Tung Family (Holdings) Limited holds 48.98% direct interest in Chow Tai Fook Capital Limited ("CTF Capital") and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.

(2) Cheng Yu Tung Family (Holdings II) Limited holds 46.65% direct interest in CTF Capital and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.

(3) CTF Capital holds 74.07% direct interest in Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) ("CTF Holding") and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Holding.

(4) CTF Holding 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.

(5) CTF Enterprises, together with its subsidiaries, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWD.

(6) NWD holds approximately 60.10% direct interest in NWS and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWS.

(7) 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.

(8) 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.

(9) 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, as at 31 December 2011, 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 under Section 336 of the SFO.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date up to the date of this annual report.

Sufficiency of Public Float

According to information that is available to the Company and within the knowledge of the Directors, the percentage of the Company's Shares which are in the hands of the public exceeds 25% of the Company's total number of issued Shares during FY 2011 and up to the date of this report.

Connected Transactions

The following continuing connected transactions were recorded for FY 2011:

On 18 December 2009 and 10 January 2011, the Company, entered into tenancy agreements with New World Tower Company Limited ("NWT"), a wholly-owned subsidiary of a substantial Shareholder (as defined under the Listing Rules) of the Company as at the date of this annual report, to lease office premises located in Rooms 1502-5, 15th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong with a gross floor area of approximately 3,938 square feet for a period commencing from 28 October 2009 to 31 December 2013 (both dates inclusive) with the monthly rental and other outgoings set out as follows:—

Period	**Monthly Rental** HK$	**Air-conditioning and management charges (subject to review by NWT)** HK$
28 October 2009 to 27 October 2012	169,334	17,721
28 October 2012 to 31 December 2013	255,970	19,690

During FY 2011, the total amount of rental, air-conditioning and management charges in respect of the leases of the aforesaid premises paid and payable by the Company to NWT was approximately HK$2,304,000 (2010: approximately HK$2,245,000). Details of the leases of the aforesaid premises have been set out in the Prospectus.

The Company had applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver in accordance with Rule 14A.42(3) of the Listing Rules in relation to the continuing connected transactions under the tenancy agreements referred to above from strict compliance with the announcement requirement of the Listing Rules pursuant to Rule 14A.47.

As required under Rule 14A.42(3) of the Listing Rules, the Company has agreed that it will comply with the relevant requirements specified under Chapter 14A of the Listing Rules, including Rules 14A.36 to 14A.40.

The independent non-executive Directors confirm that the aforesaid continuing connected transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, in accordance with the terms of the agreements governing such transactions, on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors of the Company have issued their unqualified letter containing their findings and conclusions in respect of the Group's continuing connected transactions in this annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided to the Stock Exchange.

Save as disclosed above, a list of related party transactions, which do not constitute connected transactions or continuing connected transactions (as defined under Chapter 14A of the Listing Rules), during FY 2011 is disclosed in Note 29 to the consolidated financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 97.

Annual General Meeting

The AGM of the Company for FY 2011 is scheduled to be held on Wednesday, 23 May 2012. A notice convening the AGM will be issued and disseminated to Shareholders of the Company in due course.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 9 May 2012 to Wednesday, 23 May 2012 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM of the Company, all transfer of shares of the Company accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company's Hong Kong listed share registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 8 May 2012.

Auditors

The financial statements for FY 2011 have been audited by Messrs. Ernst & Young, who will retire at the forthcoming AGM of the Company and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of Messrs. Ernst & Young as auditors of the Company is to be proposed at the AGM.

On behalf of the Board

Tsang Yam Pui
Chairman

Hong Kong, 28 March 2012

Independent Auditors' Report

ERNST & YOUNG

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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 (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 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 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.

Independent Auditors' Report

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.

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 31 December 2011, and of the Group's profit and cash flows for the year 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
28 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	5	45,944	—
Cost of sales		(16,867)	—
Gross profit		29,077	—
Other income and gains		97	—
Selling and distribution costs		(764)	—
Administrative expenses		(33,100)	(7,747)
Other expenses		—	(95)
Finance income	7	21,453	4,894
Profit/(loss) from operations		16,763	(2,948)
Equity-settled share option expense		(9,338)	—
Profit/(loss) before tax	6	7,425	(2,948)
Income tax expense	9	(5,053)	—
Profit/(loss) for the year		2,372	(2,948)
Total comprehensive income/(loss) for the year		2,372	(2,948)
Attributable to:			
Owners of the Company		2,249	(2,921)
Non-controlling interests		123	(27)
		2,372	(2,948)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	12	0.06	(0.09)

Details of the dividends payable and proposed for the year are disclosed in note 11 to the consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	13	**670,483**	351,700
Intangible assets	14	**2,301**	2,301
Prepaid land lease payments	15	**3,709**	3,810
		676,493	357,811
Current assets			
Inventories	17	**4,747**	1,617
Prepayments, deposits and other receivables	18	**37,343**	59,380
Cash and cash equivalents	19	**919,399**	55,934
		961,489	116,931
Current liabilities			
Trade payables	20	**979**	358
Other payables and accruals	21	**102,009**	102,158
Interest-bearing bank borrowings	22	**393,190**	—
Due to the then immediate holding company	29(c)	**—**	335,974
Income tax payable		**4,443**	—
		500,621	438,490
Net current assets/(liabilities)		**460,868**	(321,559)
Total assets less current liabilities		**1,137,361**	36,252
Non-current liabilities			
Long-term payables	23	**1,180**	1,180
Net assets		**1,136,181**	35,072
Equity			
Equity attributable to owners of the Company			
Issued capital	24	**331,960**	—
Reserves	25(a)	**802,108**	33,747
		1,134,068	33,747
Non-controlling interests		**2,113**	1,325
Total equity		**1,136,181**	35,072

Yao Zanxun
Director

Li Yuelin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the Company							
	Issued capital RMB'000 note 24	Share premium account RMB'000 note 24	Capital reserves RMB'000 note 25	Share option reserve RMB'000 note 26	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	—	—	40,366	—	(3,698)	36,668	127	36,795
Loss for the year	—	—	—	—	(2,921)	(2,921)	(27)	(2,948)
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(2,921)	(2,921)	(27)	(2,948)
Capital injection	—	—	—	—	—	—	1,225	1,225
At 31 December 2010 and 1 January 2011	—	—	40,366	—	(6,619)	33,747	1,325	35,072
Profit for the year	—	—	—	—	2,249	2,249	123	2,372
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	2,249	2,249	123	2,372
Issue of shares	66,392	1,095,468	—	—	—	1,161,860	—	1,161,860
Capitalisation issue	265,568	(265,568)	—	—	—	—	—	—
Share issue expenses	—	(110,029)	—	—	—	(110,029)	—	(110,029)
Waiver of unpaid outstanding amount due to the then immediate holding company	—	—	36,903	—	—	36,903	—	36,903
Equity-settled share option arrangements	—	—	3,595	5,743	—	9,338	—	9,338
Capital injection	—	—	—	—	—	—	665	665
At 31 December 2011	331,960	719,871	80,864	5,743	(4,370)	1,134,068	2,113	1,136,181

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit/(loss) before tax		**7,425**	(2,948)
Adjustments for:			
Depreciation of items of property, plant and equipment	6	**6,114**	145
Amortisation of prepaid land lease payments	6	**101**	287
Finance income, net	7	**(21,453)**	(4,894)
Equity-settled share option expense		**9,338**	—
Cash flows before working capital changes		**1,525**	(7,410)
Increase in prepaid land lease payments		**—**	(4,200)
(Increase)/decrease in inventories		**(3,130)**	1,946
Increase in prepayments, deposits and other receivables		**(7,458)**	(6,640)
Increase/(decrease) in trade payables		**621**	(533)
Increase in other payables and accruals		**6,122**	6,863
(Decrease)/increase in advances from customers		**(23,671)**	23,664
Cash (used in)/generated from operations		**(25,991)**	13,690
Interest received/(paid)		**2,698**	(120)
Bank charges paid		**(32)**	—
Corporate income tax paid		**(2,157)**	—
Net cash flows (used in)/generated from operating activities		**(25,482)**	13,570
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(317,200)**	(233,334)
Net cash flows used in investing activities		**(317,200)**	(233,334)
Cash flows from financing activities			
Proceeds from issue of shares	24	**1,161,860**	—
Payment of initial public offering expenses		**(63,013)**	(27,290)
Proceeds from interest-bearing bank borrowings		**406,171**	—
Interest paid		**(5,598)**	—
Capital injection from non-controlling shareholders		**665**	1,225
Advances from the then immediate holding company		**219,403**	386,132
Repayments to the then immediate holding company	29(c)	**(511,354)**	(86,947)
Net cash flows from financing activities		**1,208,134**	273,120
Net increase in cash and cash equivalents		**865,452**	53,356
Cash and cash equivalents at beginning of year		**55,934**	4,043
Effect of foreign exchange rate changes, net		**(1,987)**	(1,465)
Cash and cash equivalents at end of year		**919,399**	55,934
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	19	**919,399**	55,934

Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	13	**634**	53
Investments in subsidiaries	16(a)	**36,665**	36,665
		37,299	36,718
Current assets			
Prepayments, deposits and other receivables	18	**1,407**	49,305
Due from a subsidiary	16(b)	**949,375**	259,670
Cash and cash equivalents	19	**537,750**	210
		1,488,532	309,185
Current liabilities			
Other payables and accruals	21	**14,588**	13,347
Interest-bearing bank borrowings	22	**393,190**	—
Due to the then immediate holding company	29(c)	**—**	298,010
Income tax payable		**300**	—
		408,078	311,357
Net current assets/(liabilities)		**1,080,454**	(2,172)
Total assets less current liabilities		**1,117,753**	34,546
Net assets		**1,117,753**	34,546
Equity			
Issued capital	24	**331,960**	—
Reserves	25(b)	**785,793**	34,546
Total equity		**1,117,753**	34,546

Yao Zanxun
Director

Li Yuelin
Director

Notes to the Consolidated Financial Statements

31 December 2011

1. Corporate Information

Newton Resources Ltd (the "Company") 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, Cayman Islands.

During the year, the group comprising the Company and its subsidiaries (the "Group") was involved in the following principal activities:

- Mining
- Ore processing
- Sale of iron concentrate

The Company's shares are listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2011 (the "Listing Date"). Prior to the completion of the listing of the Company's shares (the "Listing"), 60% of the share capital of the Company was owned by Faithful Boom Investments Limited ("Faithful Boom"), a company incorporated in the British Virgin Islands ("BVI") and ultimately controlled by NWS Holdings Limited("NWS"), a company incorporated in Bermuda and listed on the Stock Exchange. In the opinion of the directors, upon completion of the Listing, NWS and Faithful Boom ceased to be the holding companies of the Company and become substantial shareholders 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is 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.

2.1 Basis of Presentation *(Continued)*

Basis of consolidation *(Continued)*

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 accumulated loss, 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-Int 14 Amendments	*Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement*
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	*Amendments to a number of IFRSs issued in May 2010*

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

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

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-Int 14 removes 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.

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

IFRIC-Int 19 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 financial position or performance of the Group.

2.3 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 financial statements.

IFRS 1 Amendments	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	*Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	*Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 (2011)	*Employee Benefits*[4]
IAS 27 (2011)	*Separate Financial Statements*[4]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	*Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

Amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IFRIC-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013.

The Group has already commenced an assessment of the impact of these new or revised standards, amendments to standards and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

2.4 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 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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), 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 in those expense categories consistent with the function of impaired assets.

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 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 profit or loss in the period in which it arises.

Related parties

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

(a) the party is a person or a close members of that person's family and that person,

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 Summary of Significant Accounting Policies *(Continued)*

Related parties *(Continued)*

(b) or the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

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. 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 depreciates them accordingly.

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

2.4 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.

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 and capitalised borrowing costs on related borrowed funds 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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. 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 licenses, 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.

Notes to the Consolidated Financial Statements
31 December 2011

2.4 Summary of Significant Accounting Policies *(Continued)*

Leases

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 profit or loss 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 profit or loss 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

Initial recognition and measurement

The Group's 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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, deposits and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of comprehensive income in financial costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies *(Continued)*

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 when:

- 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Financial 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 profit or loss. 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.

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 consolidated statement of comprehensive income.

Financial liabilities at amortised cost

The Group's financial liabilities including trade payables, other payables and accruals, interest-bearing bank borrowings and amount due to the then immediate holding company are initially stated at fair value plus, in the case of interest-bearing bank borrowings, directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

2.4 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 consolidated statement of comprehensive income.

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.

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 consolidated statement of comprehensive income.

2.4 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:

- when the deferred tax liability 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 taxable temporary differences associated with investments in subsidiaries, when 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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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

- when 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, 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.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

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; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly 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.

Share-based payment transactions

The Company operates share option schemes for the purpose of providing rewards to eligible participants who contribute to the success of the Listing or the Group's operations. 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 is determined by an external valuer using a binomial model, 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, over the period in which service condition is fulfilled. 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 statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Share-based payment transactions *(Continued)*

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.

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

Employee benefits

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefits scheme (the "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 a statutory rate 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.

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.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Foreign currencies

The consolidated financial statements are presented in RMB, which is the functional and 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 arising on settlement or translation of monetary items are taken to profit or loss.

3 Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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 described 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 a reserve for technically obsolete assets that have been abandoned.

(b) Impairment of property, plant and equipment

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, 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 31 December 2011 were RMB670,483,000 (2010: RMB351,700,000).

3 Significant Accounting Judgements and Estimates *(Continued)*

Estimation uncertainty *(Continued)*

(c) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements 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.

(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 capitalisation 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 capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

(e) Fair value of Pre-IPO Share Options

The Group operates a Pre-IPO Share Option Scheme (as defined in note 26) during the year and the principal assumptions used in the estimation of fair value of the Pre-IPO Share Options (as defined in note 26) include dividend yield, expected volatility, risk-free interest rate, expected life of options, weighted average share price and annual post-vesting forfeiture rate (staff turnover rate). The fair value of each unit of Pre-IPO Share Options granted was valued at HK$0.19.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on our products and services. During the year ended 31 December 2011, the Group commenced the commercial production of one type of product, iron concentrates, and the operating revenue and profit were derived from the sale of iron concentrates. Therefore, there is no presentation of operating segment information.

Furthermore, as the Group's revenue from external customers and the majority of the Group's non-current assets are both located in Hebei Province, the People's Republic of China ("Mainland China" or the "PRC"), no geographical information is presented.

Information about major customers

There were two customers (2010: Nil) with whom transactions have exceeded 10% of the Group's revenue, representing revenue of RMB34,352,000 and RMB10,270,000 respectively.

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 concentrates during the year ended 31 December 2011.

An analysis of the Group's revenue is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods	45,944	—

6. Profit/(Loss) before Tax

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		16,867	—
Depreciation of items of property, plant and equipment	13	6,114	145
Minimum lease payments under operating leases for office tenancy		3,360	2,168
Amortisation of prepaid land lease payments	15	101	287
Auditors' remuneration (including out-of-pocket expenses)		2,559	—
Employee benefit expense (excluding directors' remuneration (note 8)):			
— Wages and salaries		13,031	3,281
— Equity-settled share option expense*		7,631	—
— Pension scheme contributions		229	—

* The amount included expense recognised on the Pre-IPO Share Options granted to the employees of the Company's then controlling shareholders with an estimated fair value of RMB3,595,000, further details of which are set out in note 26 to the financial statements.

7. Finance Income

An analysis of the Gorup's finance income is as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank borrowings	6,174	—
Less: Interest capitalised	(6,174)	—
	—	—
Interest income/(expense)	2,698	(120)
Bank charges	(32)	—
Net foreign exchange gains	18,787	5,014
Finance income, net	21,453	4,894

To the extent that funds are borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 2.07% has been applied to the expenditure on the assets in respect of financial year ended 31 December 2011.

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:

	Group	
	2011	2010
	RMB'000	RMB'000
Fees	848	—
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	4,687	1,021
Equity-settled share option expense	1,707	—
Pension scheme contributions	—	—
	6,394	1,021
	7,242	1,021

During the year ended 31 December 2011, 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 the Pre-IPO Share Options, which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

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

(a) Executive directors

Executive directors of the Company did not receive any fees in respect of their services rendered to the Company during the year (2010: Nil). Details of the executive directors' remuneration during the year ended 31 December 2011 and 2010 are as follows:

2011	Salaries, bonuses, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000 note 26	Total RMB'000
Mr. Yao Zanxun	2,360	416	2,776
Ms. Yu Shuxian	802	208	1,010
Mr. Li Yuelin	525	333	858
Mr. Lin Zeshun	250	208	458
Mr. Liu Yongxin	250	208	458
Mr. Jing Zhiqing	500	208	708
	4,687	1,581	6,268

2010	Salaries, bonuses, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Mr. Yao Zanxun	442	—	442
Mr. Li Yuelin	300	—	300
Mr. Lin Zeshun	96	—	96
Mr. Liu Yongxin	96	—	96
Mr. Jing Zhiqing	87	—	87
	1,021	—	1,021

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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

(b) Non-executive directors

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

	2011 RMB'000	2010 RMB'000
Mr. Tsang Yam Pui	127	—
Mr. Lam Wai Hon, Patrick	101	—
Mr. Cheng Chi Ming, Brain	101	—
Ms. Yu Shuxian (re-designated as an executive director on 1 March 2011)	32	—
	361	—

(c) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year were as follows:

2011	Fees RMB'000	Equity-settled share option expense RMB'000 note 26	Total RMB'000
Mr. Tsui King Fai	166	42	208
Mr. Lee Kwan Hung	166	42	208
Mr. Wu Wai Leung, Danny	155	42	197
	487	126	613

There were no emoluments payable to the independent non-executive directors during the year ended 31 December 2010.

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

(d) Five highest paid employees

The five highest paid employees during the year included two (2010: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration of the three (2010: three) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	**3,333**	974
Equity-settled share option expense	**364**	—
Pension scheme contributions	**18**	—
	3,715	974

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**1**	—
HK$2,000,001 to HK$2,500,000	**1**	—
	3	3

During the year ended 31 December 2011, two non-director, highest paid employees 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 the Pre-IPO Share Options, which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

During the year ended 31 December 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.

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31 December 2011

9. Income Tax

The provision for PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2011 and 2010.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2010: Nil).

	Group	
	2011	2010
	RMB'000	RMB'000
Current tax – Mainland China		
Charge for the year	**5,053**	—

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory income tax rate in Mainland China where the main operating entity of the Group is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Group			
	2011		2010	
	RMB'000	**%**	RMB'000	%
Profit/(loss) before tax	**7,425**		(2,948)	
Tax at the statutory tax rate	**1,856**	**25**	(737)	25
Income not subject to tax	**(5,495)**	**(74)**	—	—
Expenses not deductible for tax	**8,392**	**113**	737	(25)
Others	**300**	**4**	—	—
Tax charge at the Group's effective rate	**5,053**	**68**	—	—

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

10. Profit/(Loss) Attributable to Owners of the Company

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2011 includes a loss of RMB14,865,000 (2010: RMB1,873,000) which has been dealt with in the financial statements of the Company (note 25(b)).

11. Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010: Nil).

12. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 3,596,712,000 (2010: approximately 3,077,383,000 as adjusted to reflect the capitalisation issue of 3,199,998,999 shares completed during the year) in issue during the year.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2011 RMB'000	2010 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings/(loss) per share calculation	**2,249**	(2,921)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	**3,596,712**	3,077,383

The Pre-IPO Share Options granted during the year ended 31 December 2011 had an anti-dilutive effect on the basic earnings per share amount for the year and were ignored in the calculation of diluted earnings per share.

The Group had no potentially dilutive ordinary shares in issue during 2010.

13. Property, Plant and Equipment

Group

	Buildings RMB'000	Motor vehicles, fixtures and others RMB'000	Machinery RMB'000	Mining infra-structure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 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	—	2,195	17,411	8,765	296,526	324,897
Transfer in/(out)	698	—	31,001	54,292	(85,991)	—
At 31 December 2011	698	4,752	53,269	77,319	541,725	677,763
Accumulated depreciation:						
At 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 year	(32)	(521)	(3,059)	(2,502)	—	(6,114)
At 31 December 2011	(32)	(644)	(4,044)	(2,560)	—	(7,280)
Net carrying amount:						
At 31 December 2011	666	4,108	49,225	74,759	541,725	670,483
At 31 December 2010	—	2,434	3,872	14,204	331,190	351,700

During the year ended 31 December 2010, a depreciation charge of RMB292,000 was included in the construction in progress for that year.

13. Property, Plant and Equipment *(Continued)*

Company

	Fixtures and others RMB'000
Cost:	
At 1 January 2010	—
Additions	55
At 31December 2010 and 1 January 2011	55
Additions	690
At 31 December 2011	745
Accumulated depreciation:	
At 1 January 2010	—
Provided for the year	(2)
At 31December 2010 and 1 January 2011	(2)
Provided for the year	(109)
At 31 December 2011	(111)
Net carrying amount:	
At 31 December 2011	634
At 31 December 2010	53

14. Intangible Assets

(a) The Group's intangible assets represent mining rights for the mining of iron ore reserves in the Yanjiazhuang Mine located in Lincheng County, Hebei Province, China.

	Group 2011 RMB'000	2010 RMB'000
Cost:		
At 1 January and at end of the year	**2,301**	2,301
Accumulated amortisation:		
At 1 January and at end of the year	**—**	—
Net carrying amount:		
At end of the year	**2,301**	2,301

(b) The Group was notified by Hebei Provincial Land and Resources Department that, on 28 December 2011, the relevant government authority had accepted the resources fees assessment report submitted by the Group regarding the gabbro-diabase resources in the Yanjiazhuang Mine. Upon first payment of the aforesaid resources fees or the issue of the gabbro-diabase mining permit by the relevant government authority, whichever is the earlier, the Group will recognise an intangible asset in relation to gabbro-diabase resources in the consolidated statement of financial position.

15. Prepaid Land Lease Payments

	Notes	Group 2011 RMB'000	2010 RMB'000
Carrying amount at 1 January		**3,913**	—
Additions		**—**	4,200
Recognised during the year	6	**(101)**	(287)
Carrying amount at 31 December		**3,812**	3,913
Current portion included in prepayments, deposits and other receivables	18	**(103)**	(103)
Non-current portion		**3,709**	3,810

The Group's leasehold lands are situated in the PRC with lease terms of 40 years and the land use right certificates expiring in September 2049.

16. Investments in Subsidiaries

(a)

	Company 2011 RMB'000	Company 2010 RMB'000
Unlisted shares, at cost	**36,665**	36,665

Particulars of the subsidiaries of the Company are as follow:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/registered paid-up capital	Percentage of equity interests attributable to the Company (%) Direct	Indirect	Principal activities
Venca Investments Limited ("Venca") 永佳投資有限公司*	BVI	US$1,000	100	—	Investment holding
Newton Resources Investments Limited*	BVI	US$1	100	—	Dormant
Jet Bright Limited ("Jet Bright") 仲耀有限公司	Hong Kong	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*/#	PRC/Mainland China	US$39,200,000 (paid-up)/ US$50,000,000 (registered)	—	99	Mining, ore processing and sale of iron concentrates

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# Registered as equity joint ventures under the laws of the PRC.

(b) The amount due from a subsidiary, included in the Company's current assets, was unsecured, interest-free and repayable on demand.

17. Inventories

	Group 2011 RMB'000	Group 2010 RMB'000
At cost:		
Spare parts and consumables	**4,747**	1,378
Iron concentrates	**—**	239
	4,747	1,617

18. Prepayments, Deposits and Other Receivables

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

	Note	Group 2011 RMB'000	Group 2010 RMB'000
Deferred initial public offering expenses		**—**	48,042
Advances to suppliers		**21,810**	3,263
Value-added tax receivables		**10,864**	5,388
Deposits		**3,052**	1,643
Prepaid land lease payments	15	**103**	103
Advances to employees		**581**	382
Others		**933**	559
		37,343	59,380

	Company 2011 RMB'000	Company 2010 RMB'000
Deferred initial public offering expenses	**—**	48,042
Deposits	**700**	727
Others	**707**	536
	1,407	49,305

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

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.

19. Cash and Cash Equivalents

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**86,853**	55,934	**4,291**	210
Time deposits	**832,546**	—	**533,459**	—
Cash and cash equivalents	**919,399**	55,934	**537,750**	210

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

	Group		Company	
	2011	2010	**2011**	2010
(RMB equivalent)	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances denominated in:				
United States Dollars ("USD")	**5,886**	51,962	**2,089**	—
Hong Kong Dollars ("HKD" or "HK$")	**2,415**	240	**2,191**	210
	8,301	52,202	**4,280**	210

The RMB is not freely convertible into other currencies, however, under Mainland China'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. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time 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 statement of financial position approximate to their fair values.

20. Trade Payables

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within 6 months	**707**	358
Over 6 months	**272**	—
	979	358

The trade payables are non-interest-bearing and normally settled on 60-day terms.

21. Other Payables and Accruals

Included in the Group's other payables and accruals are payables to suppliers or contractors for the Group's addition of items of property, plant and equipment of RMB75,465,000 (2010: RMB38,660,000).

Other payables are unsecured, non-interest-bearing and have an average term of three months.

22. Interest-Bearing Bank Borrowings

Group and Company

	2011		2010	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current				
Bank borrowings unsecured and repayable on demand	**1.25-2.75**	**393,190**	N/A	—

All bank borrowings are denominated in Hong Kong dollars.

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

23. Long-Term Payables

Long-term payables represent compensation payables to farmers from 2015 to 2026.

24. Issued Capital

Shares

	2011 HK$'000	2010 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
	RMB'000	RMB'000
Issued and fully paid:		
4,000,000,000 (2010: 1,001) ordinary shares of HK$0.1 each, totally HK$400,000,000 (2010: HK$100)	**331,960**	—

In 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.

Pursuant to the Listing completed on 4 July 2011, the ordinary share capital of the Company was enlarged from 1,001 ordinary shares to 4,000,000,000 ordinary shares by way of a 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.

A summary of the transactions during the year 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	Share premium account RMB'000	Total RMB'000
At 1 January 2010	1	—	—	—
Issue of shares	1,000	—	—	—
At 31 December 2010 and 1 January 2011	**1,001**	—	—	—
Issue of shares	**800,000,000**	**66,392**	**1,095,468**	**1,161,860**
Capitalisation issue	**3,199,998,999**	**265,568**	**(265,568)**	—
Share issue expenses	—	—	**(110,029)**	**(110,029)**
At 31 December 2011	**4,000,000,000**	**331,960**	**719,871**	**1,051,831**

Share options

Details of the Company's share option schemes and the share options granted are included in note 26 to the financial statements.

25. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 49 of the financial statements.

(b) Company

	Share premium account RMB'000	Capital reserves RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	—	—	—	(246)	(246)
Loss for the year	—	—	—	(1,873)	(1,873)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(1,873)	(1,873)
Issue of shares	—	36,665	—	—	36,665
At 31 December 2010 and 1 January 2011	—	36,665	—	(2,119)	34,546
Loss for the year	—	—	—	(14,865)	(14,865)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(14,865)	(14,865)
Issue of shares	1,095,468	—	—	—	1,095,468
Capitalisation issue	(265,568)	—	—	—	(265,568)
Share issue expenses	(110,029)	—	—	—	(110,029)
Waiver of unpaid outstanding amount due to the then immediate holding company	—	36,903	—	—	36,903
Equity-settled share option arrangements	—	3,595	5,743	—	9,338
At 31 December 2011	719,871	77,163	5,743	(16,984)	785,793

In accordance with the articles of association of the Company and the Companies Law (2011 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

25. Reserves *(Continued)*

The capital reserves of the Group and the Company represent:

- the paid-in capital of the subsidiaries now comprising the Group, after eliminating intra-group investments before the foundation of the Company. 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; and
- the remaining unpaid amount due to the then immediate holding company that was waived upon the Listing.

The share option reserve of the Group and the Company comprises the fair value of share options granted which are yet to be exercised, as further explained in note 26 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

26. Share Option Schemes

(a) Pre-IPO share option scheme

The Company has adopted a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") to recognise the contribution of certain employees, executives, directors or officers of the Group and its then 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 in writing by resolutions of the shareholders passed on 25 January 2011, and the grant was completed on 28 January 2011.

During the year ended 31 December 2011, options (the "Pre-IPO Share Options") to subscribe for an aggregate of 133,300,000 shares (equivalent to 3.3% of the issued share capital of the Company at the date of grant as adjusted for the capitalisation issue during the year), 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:

(i) 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");

(ii) 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

(iii) 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 the 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. Share Option Schemes *(Continued)*

(a) Pre-IPO share option scheme *(Continued)*

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	Number of options '000
At 1 January 2011	—
Granted during the year	133,300
Lapsed during the year	(1,400)
At 31 December 2011	131,900

The fair value of the Pre-IPO Share Options granted during the year was HK$25,327,000 (HK$0.19 each, equivalent to approximately RMB21,404,000 in total) of which the Group recognised a share option expense of RMB9,338,000 in respect of year ended 31 December 2011.

The expense relating to the Pre-IPO Share Options granted to employees of the Company's then controlling shareholders was recognised based on the fair value of these options, as reliable market value of the services received was not available.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2011
Dividend yield (%)	0.00
Expected volatility (%)	32.40
Risk-free interest rate (%)	1.60
Expected life of options (year)	4.44
Weighted average share price (HK$ per share)	0.69
Annual post-vesting forfeiture rate (staff turnover rate)	26.80

The estimated value of each unit of the Company's Pre-IPO Share Option at the grant date was HK$0.19 per option. The expected life of the options is based on the contractual life as stated on the option agreement dated 25 January 2011 and is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on implied volatility of comparable companies as of the valuation date, which may also not necessarily be the actual outcome.

There was no share option exercised during the year ended 31 December 2011.

At the end of the reporting period and at the date of approval of these financial statements, the Company had 131,900,000 and 122,700,000 share options, respectively, outstanding under the Pre-IPO Share Option Scheme, which represented approximately 3.3% and 3.1% of the Company's shares in issue at the respective dates.

26. Share Option Schemes *(Continued)*

(b) Share option scheme

The Company also operates a share option scheme, approved on 9 April 2010 (the "Share Option Scheme"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Share Option Scheme became effective upon the Listing and, unless otherwise cancelled or amended, will remain in force for 10 years from the Listing Date.

During the year ended 31 December 2011, and at the end of the reporting period and at the date of approval of these financial statements, no option has been granted under the Scheme.

27. Operating Lease Arrangments

As lessee

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

As at 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**2,557**	1,681
In the second to fifth years, inclusive	**2,725**	1,401
	5,282	3,082

	Company	
	2011	2010
	RMB'000	RMB'000
Within one year	**1,963**	1,681
In the second to fifth years, inclusive	**2,682**	1,401
	4,645	3,082

28. Commitments

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitments at the end of the reporting period:

	Group 2011 RMB'000	Group 2010 RMB'000
Contracted, but not provided for:		
— Plant and machinery	**82,798**	202,667
Authorised, but not contracted for:		
— Plant and machinery	**447,217**	51,111
— Resources fees	**310,000**	—
	757,217	51,111

Included in the authorised commitment of the Group as at 31 December 2011 was an amount representing the resources fees in relation to the gabbro-diabase resources located in the Yanjiazhuang Mine (note 14(b)).

On 28 March 2012, the Company has decided to increase the authorised commitment in respect of Phase Two expansion plan of iron one mining business by approximately RMB44.6 million, in aggregate, which is expected to be funded by the working capital of the Group.

29. Related Party Transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Related party transactions

	Group RMB'000 2011	Group RMB'000 2010	Company RMB'000 2011	Company RMB'000 2010
Net advance to a subsidiary				
Venca	**N/A**	N/A	**689,705**	259,670
Net repayment to/(advance from) the then immediate holding company				
Faithful Boom	**291,951**	(335,974)	**253,987**	(298,010)
Waiver of remaining unpaid amount due to the then immediate holding company				
Faithful Boom	**36,903**	—	**36,903**	—
Leasing of office premises from a wholly-owned subsidiary of a substantial shareholder of the Company				
New World Tower Company Limited (i)	**1,912**	2,047	**1,912**	2,047

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.

(i) The transaction constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

29. Related Party Transactions *(Continued)*

(b) Pledges relating to the Exchangeable Bonds

On 17 January 2010, Faithful Boom 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.

On 15 June 2010, the Bondholders transferred their respective Exchangeable Bonds 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 Exchangeable Bonds. Pioneer Vast and Star Valiant were related companies to the Company as they are controlled by NWS 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 Bonds was terminated, including the redemption amount owed by Faithful Boom to Pioneer Vast and Star Valiant, upon the Listing.

(c) Outstanding balance with a related party

The balance with the then immediate holding company was unsecured and interest free. The balance (2010: RMB335,974,000) was settled by repayments and wavier of unpaid outstanding amount of RMB511,354,000 and RMB36,903,000 respectively during the year and upon the Listing. The amount waived by the then immediate holding company constituted a major non-cash transaction for the purpose of consolidated statement of cash flows.

(d) Compensation of key management personnel

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 8.

30. 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	2011 RMB'000	2010 RMB'000
Financial assets included in prepayments, deposits and other receivables	**3,985**	5,847
Cash and cash equivalents (note 19)	**919,399**	55,934
	923,384	61,781

Financial liabilities — at amortised cost	2011 RMB'000	2010 RMB'000
Trade payables (note 20)	**979**	358
Financial liabilities included in other payables and accruals	**102,009**	102,158
Interest-bearing bank borrowings (note 22)	**393,190**	—
Due to the then immediate holding company (note 29(c))	**—**	335,974
Long-term payables (note 23)	**1,180**	1,180
	497,358	439,670

Company

Financial assets — loans and receivables	2011 RMB'000	2010 RMB'000
Financial assets included in prepayments, deposits and other receivables	**1,407**	1,263
Due from a subsidiary	**949,375**	259,670
Cash and cash equivalents (note 19)	**537,750**	210
	1,488,532	261,143

Financial liabilities — at amortised cost	2011 RMB'000	2010 RMB'000
Financial liabilities included in other payables and accruals	**14,588**	13,347
Interest-bearing bank borrowings (note 22)	**393,190**	—
Due to the then immediate holding company (note 29(c))	**—**	298,010
	407,778	311,357

31. 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 judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

As at 31 December 2011 and 2010, the Group and the Company did not held any financial instruments that were remeasured at fair value.

32. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents and deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade payables, other payables and accruals, interest-bearing bank borrowings, amount due to the then immediate holding company and long-term payables.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit 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 of directors regularly reviews these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. As all bank borrowings were attributed to the Group's construction in progress and borrowing costs are capitalised, there was no impact on the Group's profit or loss from changes in the floating interest rates.

Foreign currency risk

The Group's businesses are located in the PRC and most of the transactions are conducted in RMB. Majority of the Group's assets and liabilities are denominated in RMB. Therefore, the Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movements of foreign currency rates.

At the end of the reporting period, certain cash and cash equivalents are denominated in HKD and USD and interest-bearing bank borrowings are denominated in HKD. As RMB appreciated against HKD and USD during the year ended 31 December 2011, the Group had no material adverse exposure to foreign exchange fluctuations for the year.

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

Credit risk

The Group trades only with recognised and creditworthy third parties, and generally requires deposits received in advance. It is the Group's policy that 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 generally requires deposits received in advance, there is no requirement for collateral. There is no significant credit risk to the Group as the Group usually receives deposits in advance from customers.

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 borrowings.

The maturity profile of the Group and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

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	—	979	—	—	979
Other payables and accruals	—	102,009	—	—	102,009
Interest-bearing bank borrowings	393,190	—	—	—	393,190
Long-term payables	—	—	680	500	1,180
	393,190	102,988	680	500	497,358

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 then immediate holding company	335,974	—	—	—	335,974
Long-term payables	—	—	500	680	1,180
	335,974	102,516	500	680	439,670

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

Liquidity risk *(Continued)*

Company

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**
Other payables and accruals	—	14,588	—	—	14,588
Interest-bearing bank borrowings	393,190	—	—	—	393,190
	393,190	14,588	—	—	407,778

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
Other payables and accruals	—	13,347	—	—	13,347
Due to the then immediate holding company	298,010	—	—	—	298,010
	298,010	13,347	—	—	311,357

Capital management

The primary objectives of the Group's capital management are 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 years ended 31 December 2011 and 2010.

33. 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.

According to the PRC tax rules, such equity transfer is liable to PRC income tax 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) (hereinafter referred to as 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 the provincial tax authority.

33. Contingent Liabilities *(Continued)*

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. In November 2011, the Group submitted the supplementary information as requested by the relevant tax bureaus. As the directors believe that the above-mentioned transfer meets the criteria laid down in Article 5 of the Circular No.59 and that the transfer qualifies for special tax treatment, there should be no PRC income tax arising from the transfer and hence, no tax provision has been made in this regard.

34. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2012.

Summary Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements, is set out below.

Results

	For the year ended 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**45,944**	—	—	—
Profit/(loss) before tax	**7,425**	(2,948)	(2,233)	(371)
Income tax expense	**(5,053)**	—	—	—
Profit/(loss) for the year (note)	**2,372**	(2,948)	(2,233)	(371)

Note: Loss for the year included loss from a discontinued operation of approximately RMB85,000 and RMB144,000 in respect of the years ended 31 December 2009 and 2008, respectively.

Assets, liabilities and non-controlling interests

	As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**676,493**	357,811	67,766	67,846
Current assets	**961,489**	116,931	18,296	492
Current liabilities	**(500,621)**	(438,490)	(48,087)	(53,025)
Non-current liabilities	**(1,180)**	(1,180)	(1,180)	(1,180)
Total equity	**1,136,181**	35,072	36,795	14,133
Non-controlling interests	**(2,113)**	(1,325)	(127)	(156)
Equity attributable to owners of the Company	**1,134,068**	33,747	36,668	13,977

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

General terms

"Articles"	the articles of association of the Company
"Board"	the board of Directors
"CG Code"	the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules
"Company"	Newton Resources Ltd
"Director(s)"	existing director(s) of the Company
"FY 2010"	the financial year ended 31 December 2010
"FY 2011" or "Reporting Period"	the financial year ended 31 December 2011
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Company's shares on the main board of the Stock Exchange on the Listing Date
"Listing Date"	the date of the Listing, that is, 4 July 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"New Tailings Storage Facility"	the new tailings storage facility of the Group, being constructed as part of Phase Two expansion plan
"NWD"	New World Development Company Limited
"NWS"	NWS Holdings Limited
"NWS Group"	NWS and its subsidiaries
"Prospectus"	the prospectus of the Company dated 21 June 2011 in connection with the Listing

Glossary of Terms

"PRC" or "Mainland China"	The People's Republic of China excluding for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollar, the lawful currency of the United States of America
"Xingye Mining"	Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司), a subsidiary of the Company as to 99.0% of its equity interest
"Yanjiazhuang Mine"	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (臨城興業礦產資源有限公司閆家莊鐵礦), an iron ore mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

Technical terms

"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy;
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the JORC, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004, a widely used and internationally recognized code setting out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves;
"km"	kilometre(s)
"Mt"	megatonne(s);
"sq km"	square km(s)
"sq m"	square metre(s)
"TFe"	average total iron grade;
"tonne(s)"	equal to 1,000 kilograms

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

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

Board Committees

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

Mr. Luk Yue Kan

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
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Cayman Islands

Headquarter and Principal Place of Business in the PRC

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

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

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

Auditors

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Legal Advisor

Stephen Mok & Co.
(in association with Eversheds LLP)
21/F, Gloucester Tower
The Landmark
15 Queen's Road 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

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